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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. (TNAV - $15.13)
Neutral

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.

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	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.

Current disclosure information for this company is located at http://www.piperjaffray.com/researchdisclosures.

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TeleNav								Est	Est	Est	Est	Est
(Figures in millions, except per share)	*Sep-09*	*Dec-09*	*Mar-10*	*Jun-10*	*Sep-10*	*Dec-10*	*Mar-11*	*Jun-11*	*Sep-11*	*Dec-11*	*Mar-12*	*Jun-12*
Income statement	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**1Q12**	**2Q12**	**3Q12**	**4Q12**
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 shareholde												
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.

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	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

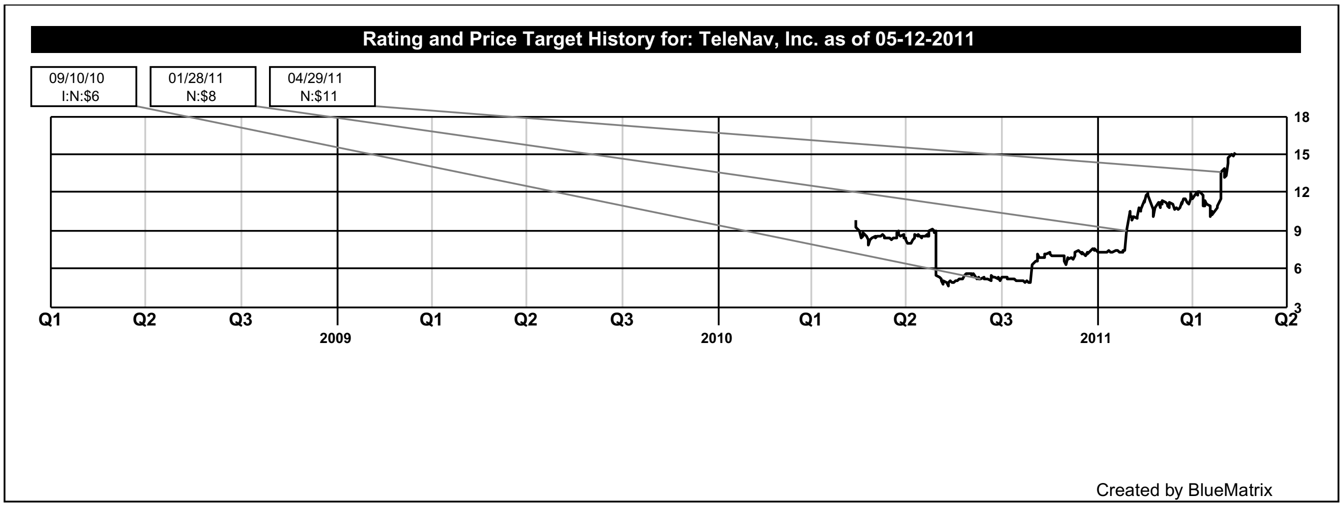
Valuation analysis			**Est**	**Est**	**Est**	**Est**	**Est**
($ millions, except per share data)	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
EBIT	**$42**	**$68**	**$67**	**$71**	**$84**	**$97**	**$109**
Less: Tax Rate*EBIT	(15)	(24)	(23)	(25)	(29)	(34)	(38)
Plus: 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	**Projected**	**Terminal**
Risk free rate (10-yr UST)	4.0%	5.0%
Risk premium	6.0%	5.0%
Beta	2.0	1.50
Cost of equity (CAPM)	16.0%	12.5%
Weighted ave. cost of debt	8.0%	8.0%
Debt to capital	0%	20%
WACC (k)	**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.

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

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**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

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Important Research Disclosures

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— Bradley W. Korch, Research Analyst
— Joseph A. Mastrogiovanni, Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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Piper Jaffray was making a market in the securities of TeleNav, Inc. at the time this research report was published. Piper Jaffray will buy and sell TeleNav, Inc. securities on a principal basis.

Piper Jaffray has received compensation for investment banking services from or has had a client relationship with TeleNav, Inc. within the past 12 months.

Within the past 12 months Piper Jaffray was a managing underwriter of a public offering of, or dealer manager of a tender offer for, the securities of TeleNav, Inc. or the securities of an affiliate.

Within the past 3 years Piper Jaffray participated in a public offering of, or acted as a dealer manager for, TeleNav, Inc. securities.

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Piper Jaffray research analysts receive compensation that is based, in part, on overall firm revenues, which include investment banking revenues.

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Stock Ratings: Piper Jaffray ratings are indicators of expected total return (price appreciation plus dividend) within the next 12 months. At times analysts may specify a different investment horizon or may include additional investment time horizons for specific stocks. Stock performance is measured relative to the group of stocks covered by each analyst. Lists of the stocks covered by each are available at www.piperjaffray.com/researchdisclosures. Stock ratings and/or stock coverage may be suspended from time to time in the event that there is no active analyst opinion or analyst coverage, but the opinion or coverage is expected to resume. Research reports and ratings should not be relied upon as individual investment advice. As always, an investor's decision to buy or sell a security must depend on individual circumstances, including existing holdings, time horizons and risk tolerance. Piper Jaffray sales and trading personnel may provide written or oral commentary, trade ideas, or other information about a particular stock to clients or internal trading desks reflecting different opinions than those expressed by the research analyst. In addition, Piper Jaffray technical research products are based on different methodologies and may contradict the opinions contained in fundamental research reports.

- **Overweight (OW):** Anticipated to outperform relative to the median of the group of stocks covered by the analyst.
- **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.

An industry outlook represents the analyst's view of the industry represented by the stocks in the analyst's coverage group. A Favorable industry outlook generally means that the analyst expects the fundamentals and/or valuations of the industry to improve over the investment time horizon. A Neutral industry outlook generally means that the analyst does not expect the fundamentals and/or valuations of the industry to either improve or deteriorate meaningfully from its current state. An Unfavorable industry outlook generally means that the analyst expects the fundamentals and/or valuations of the industry to deteriorate meaningfully over the investment time horizon.

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Deutsche Bank

29 April 2011

TeleNav

Reuters: **TNAV.OQ** Bloomberg: **TNAV US** Exchange: **NMS** Ticker: **TNAV**

A good quarter, raising price target to $11

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Good results and guidance
Telenav reported Q4 results of $57 million, including a one-time payment from Ford of $6 million. Excluding this the company still beat our estimate and consensus of $49 million. Pro-forma EPS of $0.27 also beat expectations of $0.18. The company continue to demonstrate steady growth and operating leverage of its SAAS revenue model. However, we remain cautious about trends affecting the navigation market particularly in regards to carrier ordering trends. We reiterate our Hold rating.

Growth in all segments, with non-carrier businesses growing
The company saw better than expected subscriber growth and further diversification away from AT&T and Sprint. The two combined contributed only 70% of revenue in the quarter. More encouraging, the non-carrier business reached 19% of revenue, stripping out the Ford payment this figure stood at 8%, and the company continues to believe this can reach 13% by the end of FY12. The company continues to build its advertising business expanding it work with ad networks and its own internal direct sales effort.

New growth legs are beginning to gather strength
The challenge for Telenav remains its ability to regain investor confidence in its long-term potential. This process will take time as the market waits for meaningful contribution from non-carrier businesses. As such, we reiterate our Hold rating.

Raising estimates and price target from $8 to $11, maintain Hold rating
We have valued Telenav using a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%). Downside risks include the threat of continued competition from free navigation providers such as Google. Upside risks include the potential for increased ramp in premium services and a better than advertising results from Sprint customers in 2011.

Forecasts and ratios

Year End Jun 30	2010A	2011E	2012E
1Q EPS[1]	0.02	**0.29A**	0.21
2Q EPS	0.23	**0.24A**	0.20
3Q EPS	0.31	**0.27A**	0.27
4Q EPS	0.31	**0.20**	0.28
FY EPS (USD)	1.10	**0.99**	0.97
OLD FY EPS (USD)	1.10	**0.88**	0.81
% Change	0.0%	**12.9%**	19.3%
P/E (x)	7.8	**11.6**	11.9
DPS (USD)	0.00	**0.00**	0.00
Dividend yield (%)	0.0	**0.0**	0.0
Revenue (USDm)	171.2	**210.7**	241.9

Source: Deutsche Bank estimates, company data

[1] Includes the impact of FAS123R requiring the expensing of stock options.
[2] This is the 2nd footnote
[3] This is the 3rd footnote

Forecast Change

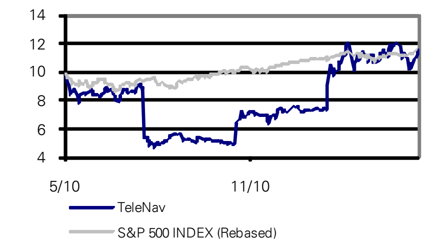
Hold

Price at 28 Apr 2011 (USD)	**11.47**
Price target	**11.00**
52-week range	**12.07 - 4.68**

Key changes

Price target	8.00 to 11.00 ↑	**37.5%**
EPS (USD)	0.88 to 0.99 ↑	**12.9%**
Revenue (USDm)	197.0 to 210.7 ↑	**7.0%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*1.9*	*28.2*	*–*
S&P 500 INDEX	*3.8*	*6.6*	*14.2*

Stock & option liquidity data

Market Cap (USDm)	483.3
Shares outstanding (m)	42.1
Free float (%)	100
Volume (28 Apr 2011)	53,991
Option volume (und. shrs., 1M avg.)	–

Deutsche Bank Securities Inc.

Model updated:29 April 2011

Running the numbers

North America

United States

Wireless Equipment

TeleNav

Reuters: TNAV.OQ Bloomberg: TNAV US

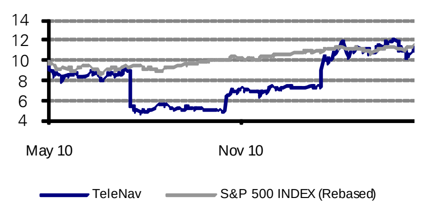
Hold

Price (28 Apr 11)	USD 11.47
Target price	USD 11.00
52-week Range	USD 4.68 - 12.07
Market Cap (m)	USDm 483 EURm 326

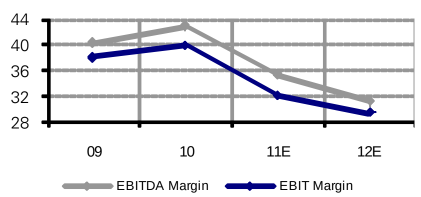
Company Profile

TeleNav is a provider of location based services, or LBS, on mobile phones. Their LBS solutions provide consumers and enterprises with location specific, real time and personalized features and functions. Through their hosted service delivery model, they provide solutions through the networks of leading wireless carriers in the United States, including Sprint Nextel Corporation, or Sprint, and AT&T Inc., or AT&T, as well as through certain carrie.

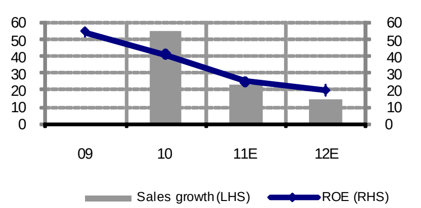
Price Performance



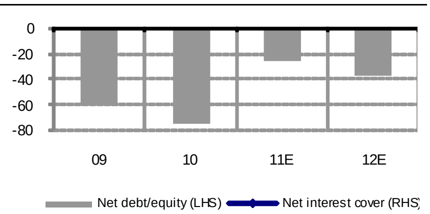
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2009	2010	2011E	2012E
Financial Summary				
DB EPS (USD)	0.07	1.10	0.99	0.97
Reported EPS (USD)	0.09	1.34	0.93	0.90
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.40	9.57	4.44	5.44
Valuation Metrics				
Price/Sales (x)	nm	0.8	2.3	2.1
P/E (DB) (x)	na	7.8	11.6	11.9
P/E (Reported) (x)	na	6.4	12.4	12.8
P/BV (x)	0.0	0.9	2.6	2.1
FCF yield (%)	na	26.0	11.9	9.3
Dividend yield (%)	na	0.0	0.0	0.0
EV/Sales	nm	0.1	1.3	1.0
EV/EBITDA	nm	0.3	3.5	3.1
EV/EBIT	nm	0.3	3.9	3.3
Income Statement (USDm)				
Sales	111	171	211	242
EBITDA	45	74	75	76
EBIT	42	68	68	71
Pre-tax profit	42	68	69	72
Net income	**30**	**41**	**42**	**42**
Cash Flow (USDm)				
Cash flow from operations	**24**	**44**	**64**	**51**
Net Capex	-8	-10	-6	-5
Free cash flow	**16**	**35**	**57**	**46**
Equity raised/(bought back)	0	43	-2	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	0	2	-120	-4
Net cash flow	**16**	**80**	**-65**	**42**
Change in working capital	*-9*	*-13*	*6*	*-6*
Balance Sheet (USDm)				
Cash and cash equivalents	33	113	47	89
Property, plant & equipment	7	10	8	4
Goodwill	0	0	0	0
Other assets	32	51	220	231
Total assets	**72**	**174**	**275**	**324**
Debt	0	0	0	0
Other liabilities	17	25	88	88
Total liabilities	**17**	**25**	**88**	**88**
Total shareholders' equity	**55**	**149**	**187**	**236**
Net debt	*-33*	*-113*	*-47*	*-89*
Key Company Metrics				
Sales growth (%)	nm	54.4	23.1	14.8
DB EPS growth (%)	na	1,526.3	-10.1	-2.6
Payout ratio (%)	0.0	0.0	0.0	0.0
EBITDA Margin (%)	40.3	43.0	35.4	31.3
EBIT Margin (%)	38.1	40.0	32.1	29.4
ROE (%)	54.1	40.6	24.9	19.8
Net debt/equity (%)	-60.5	-75.7	-25.1	-37.7
Net interest cover (x)	nm	nm	nm	nm
DuPont Analysis				
EBIT margin (%)	38.1	40.0	32.1	29.4
x Asset turnover (x)	1.5	1.4	0.9	0.8
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.7	0.6	0.6	0.6
= ROA (post tax) (%)	**41.0**	**33.7**	**18.7**	**14.0**
x Financial leverage (x)	1.3	1.2	1.3	1.4
= ROE (%)	**54.1**	**40.6**	**24.9**	**19.8**
annual growth (%)	*na*	*-24.9*	*-38.7*	*-20.6*
x NTA/share (avg) (x)	0.2	3.3	3.7	4.5
= Reported EPS	**0.09**	**1.34**	**0.93**	**0.90**
annual growth (%)	*na*	*1,408.6*	*-31.0*	*-3.4*

Source: Company data, Deutsche Bank estimates

Good results and guidance

Telenav reported Q4 results of $57 million, including a one-time payment from Ford of $6 million. Excluding this the company still beat our estimate and consensus of $49 million. Pro-forma EPS of $0.27 also beat expectations of $0.18. The company continue to demonstrate steady growth and operating leverage of its SAAS revenue model. However, we remain cautious about trends affecting the navigation market particularly in regards to carrier ordering trends. We reiterate our Hold rating.

Growth in all segments, with non-carrier businesses growing

The company saw better than expected subscriber growth and further diversification away from AT&T and Sprint. The two combined contributed only 70% of revenue in the quarter, down from over 90% in the past. This in part reflects new payment terms from Sprint. More encouraging, the non-carrier business reached 19% of revenue, stripping out the Ford payment this figure stood at 8%, and the company continues to believe this can reach 13% by the end of FY12. The company continues to build its advertising business expanding it work with ad networks and its own internal direct sales effort.

New growth legs are beginning to gather strength

We view the company's long-term prospects as being built around consumer rather than carrier-oriented businesses. They are continuing to make progress on the various growth initiatives. In China, they have finally launched nationwide service on China Mobile's network. This opportunity will take some time to mature, but the sheer size of the installed base holds promise, and the move to national availability is an important milestone. The company's ad business continues to gain pace, as noted above. This could eventually become the major engine of the company's growth, however the mobile ad market is in very early stages of discovery. Finally, we believe the company is well positioned to compete in the shifting auto OEM landscape. They are already deep into their partnership with Ford. We believe that over the next 12 months other OEMs will expand their navigation partnerships. For instance, we believe GM is working to revamp its OnStar offering. While we have no reason to believe that Telenav has won any such business, we think they are a strong competitor in the space.

The challenge for Telenav remains its ability to regain investor confidence in its long-term potential. This process will take some time as the market waits for more meaningful contribution from non-carrier businesses. As such, we reiterate our Hold rating.

Raising price target from $8 to $11 to reflect revised estimates.

We are raising our numbers as below.

4Q11 was $49m and $0.17, is $54m and $0.20
1Q12 was $49m and $0.17, is $56m and $0.26
FY11 was $197m and $0.88, is $210m and $0.99
FY12 was $208m and $0.81, is $241m and $0.97
CY11 was $196m and $0.69, is $225m and $0.88
CY12 was $223m and $0.97, is $263m and $1.12

Risks & Valuation

We are raising our price target from $8 to $11 in line with our revised estimates. Our valuation is based on a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15%discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%).

We see two primary sources of downside risk for Telenav. The first is their dependence on a small number of carrier customers for their revenue. Carriers are known to be very demanding customers. While we believe Telenav's relationship with its carrier partners is strong, the risk exists that these carriers source navigation elsewhere or more likely pressure Telenav to bring down its prices. A second, related risk is competition from OTT navigation providers. The most significant of these are deep-pocketed players in the mobile and Internet landscape including Google, Nokia and Microsoft. These three all offer comparable navigation services bundled with their mobile operating systems (OS) at no cost to carriers or consumers. We think Telenav's relationship with the carriers shield them to some degree from this competition, but long-term expect pricing to converge on these $0 offerings. The chief upside risk is that the renegotiation with Sprint resolves with no change in earnings and the company returns to its prior growth trajectory. The company also has the ability to win new customers or see major customers such as AT&T switch to bundled pricing plans which would drive earnings above our estimates. We would also see upside risk should the company’s mobile ad platform take off sooner than expected.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TeleNav	TNAV.OQ	11.47 (USD) 28 Apr 11	2

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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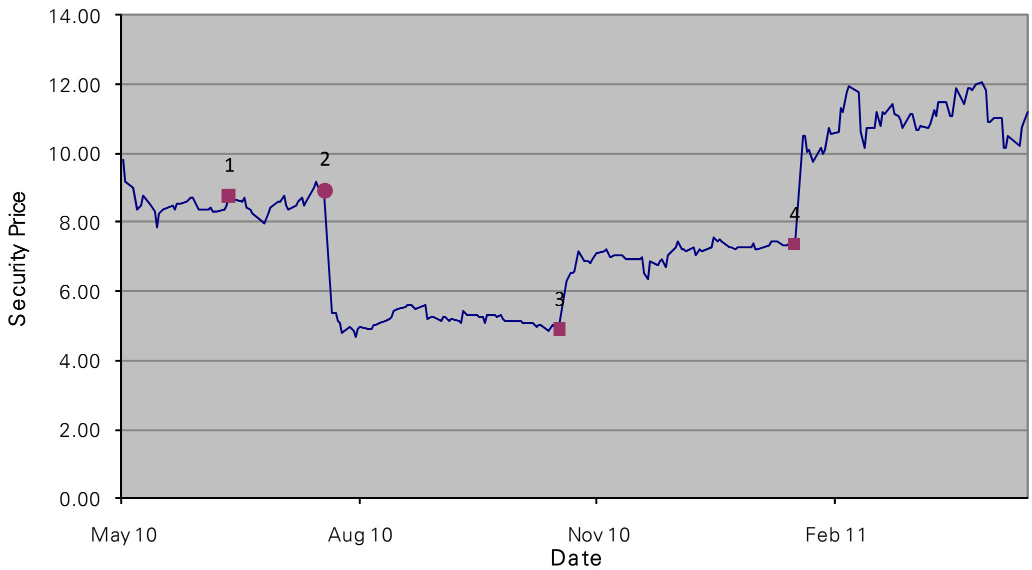
Historical recommendations and target price: TeleNav (TNAV.OQ)

(as of 4/28/2011)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

1.	6/23/2010:	Buy, Target Price Change USD12.00	3.	10/29/2010:	Hold, Target Price Change USD5.00
2.	7/30/2010:	Downgrade to Hold, Target Price Change USD9.00	4.	1/28/2011:	Hold, Target Price Change USD8.00

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

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Notes:

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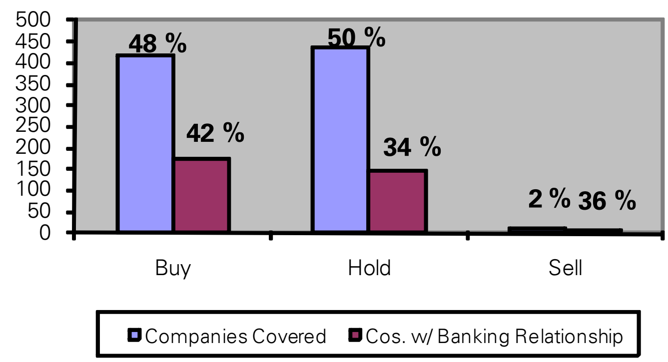

North American Universe

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Global Disclaimer

Changes	Annual EPS	Annual Revenue ($M)	Target
	2011E $0.98 from $0.86 2012E $0.95 from $0.93	2011E $209.5 from $198 2012E $231.5 from $227	$17 from $15.25

TeleNav

TNAV : NASDAQ : US$11.47

BUY

Target: US$17.00 ↑

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COMPANY STATISTICS:

52-week Range:	4.65 - 12.56
Avg. Daily Vol.(000):	207
Market Cap (M):	US$518
Shares Out basic (M):	45
LT Debt (M):	0.0
Net Cash /shr:	US$4.68
Bk Value /shr:	US$3.93
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2010A	2011E	2012E
Revenue (M):		171.2	209.5	231.5
EBITDA (M):		73.6	77.3	78.0
Net income (M):		41.4	41.8	39.0
EPS adj.:		1.14	0.98	0.95
EPS adj.:	Q1	0.22	0.29A	--
	Q2	0.27	0.24A	--
	Q3	0.34	0.27A	--
	Q4	0.31	0.20	--
Total		1.14	0.98	0.95

SHARE PRICE PERFORMANCE:

COMPANY DESCRIPTION:

TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

CONTINUED SOLID EXECUTION; NON-HANDSET REVENUE EXPANDING; FORD/CHINA MOBILE SOURCE OF UPSIDE; MAINTAIN BUY, TARGET RAISED TO $17

Investment recommendation

We are maintaining our BUY recommendation and increasing our target to $17 after TNAV's strong FQ3/11 report. We continue to believe that core operating fundamentals are strong and growing within an underpenetrated market. Additional sources of growth are emerging from mobile advertising, automotive and international.

Investment highlights

- Rev/adj. EPS of $57M (+28% y/y)/$0.27 vs. our and consensus' $49M/$0.18 estimate and guidance of $48-$50M/$0.16-$0.18. This is the third consecutive beat.
- Paying subs reached 22.5M vs. 19.6M last quarter, up 54% y/y.
- Guidance raised again: FQ4/11E rev/adj. EPS of $52M-$54M/$0.18-$0.20 vs. consensus $49.6M/$0.17. F2011E rev/adj. EPS of $208M-$210M/$0.98-$1.00 vs. consensus of $198M/$0.86 and prior guidance of $195-$200M/$0.84-$0.88.
- Cash per share now sits at $4.64/share (total cash of $211M).

Valuation

Our new $17 target implies 7x our new 2012 EV/EBITDA estimate and 12.5x our new 2012 adjusted EPS estimate plus net cash. Both multiples are unchanged from prior valuation. Maintain BUY.

EARNINGS SUMMARY

Figure 1: Earnings summary

FYE June 30 (US$000s, except per share)	FQ3/11A	FQ3/11E	Difference	FQ2/11A	Q/Q Chg %	FQ3/10A	Y/Y Chg %
Revenue	57,110	49,066	8,044.0	48,022	19%	45,101	27%
Gross margin	77.7%	80.0%	-2.3%	81.6%	-5%	84.1%	-8%
EBITDA	20,808	14,661	6,146.6	17,629	18%	20,324	2%
Operating margin	31.0%	24.8%	6.2%	31.6%	-2%	42.2%	-26%
Net income	11,165	7,421	3,744.0	10,040	11%	12,540	-11%
Pro-forma EPS (fd)	0.27	0.18	0.09	0.24	11%	0.34	-21%
Paying Subs	22,500	20,400	2,100.0	19,600	15%	14,545	55%
ARPU	0.75	0.75	0.0	0.80	-6%	1.02	-26%
Consensus revenue	49,210						
Consensus EPS	0.18						

Source: Company reports, Thomson ONE and Canaccord Genuity

- Paying subs increased to 22.5M from 19.6M last quarter, representing 54% y/y and 15% q/q growth. Notable here is Sprint has recently started to bundle turn-by-turn into its Boost prepaid wireless subscribers.
- ARPU of $0.71 vs. $1.02 last year and $0.80 last quarter. The decline was expected due to the shift in end-user growth to bundled offerings and, to a greater extent, the Sprint re-negotiation. Starting in FQ1/12, management will steer away from providing this metric.
- $6.6M of revenue came from catch-up payments triggered by amendments to TNAV's Ford agreement executed in March 2011 that now recognizes revenue when vehicles including TNAV's on-board navigation product are produced vs. ratably over a multi-year period. The per-auto fee did not change, but the pace and timing of revenue recognition did, making this more of a "one-time' event. We believe the amended agreement does, however, provide for a larger opportunity within Ford going forward.
- Revenue from automotive, enterprise LBS, mobile advertising and ecommerce was 8% of total revenue in the quarter (excluding the Ford one-time payment) vs. 7% last quarter. Including revenue from the Ford contract, it was 19%. Exiting the June quarter, this segment should be approximately 13% of consolidated revenue, showing solid and continued progress.
- China Mobile is expected to formally launch its branded turn-by-turn services (powered by TNAV) across all of China in March 2012. China Mobile is moving from eight regional carrier trial to all 26 carriers covering all of China. Together with this roll-out, China mobile is lowering the overall cost to the end consumer and expects also to invest in marketing initiatives. It is difficult to determine the potential impact here, but we do note China Mobile has approximately 600M wireless subscribers today.

- Repurchased 674K shares in the quarter for $7.4M. This was part of the $20M stock repurchase plan authorized in November 2010.
- Cash and equivalents at the end of the quarter was $211M, up from $156M in FQ2/11. Net cash per share increased to $4.68 from $3.47 last quarter. CFO of $64M in the quarter vs. $28M last quarter and ($1.9M) last year.
- FQ4/11E revenue/pro forma EPS guidance of $52M-$54M/$0.18-$0.20 vs. consensus of $49.6M/$0.17.
- F2011E revenue/pro forma EPS guidance of $208M-$210M/$0.98-$1.00 vs. consensus of $198M/$0.86 and previous guidance of $195M-$200M/$0.79-$0.83.

ESTIMATES

Our FQ4/11 estimate ticks up on the heels of the strong FQ3/11 report. Our revenue estimate goes to $53M from $50M, sitting at the midpoint of guidance, while our pro forma EPS estimate of $0.20 (up from $0.16) is at the high-end of guidance.

Our F2011 estimates were increased, as well, with our new revenue/pro forma EPS estimates of $209M/$0.98 falling in the mid/low-end of the guidance range. Our pro forma EPS estimate gets a bump up from both better revenue and gross margin assumptions.

Our F2012 estimates remain relatively unchanged, with the slight bump up in revenue and pro forma EPS being driven by the strong FQ3/11 report.

Figure 2: Estimate revisions

FYE June 30 (US$000s, except per share)	Original FQ4/11E	Revised FQ4/11E	Original F2011E	Revised F2011E	Original F2012E	Revised F2012E
Total revenue	49,888	53,232	198,076	209,464	227,263	231,470
y/y growth	0.8%	7.5%	15.7%	22.4%	14.7%	10.5%
Gross Margin	77.0%	80.0%	80.3%	80.4%	75.8%	75.8%
EBITDA	13,832	16,165	68,810	77,289	76,912	77,972
margin	27.7%	30.4%	34.7%	36.9%	33.8%	33.7%
Operating Margin	22.0%	25.0%	29.8%	32.0%	28.0%	27.9%
Net Income	6,705	8,240	36,524	41,803	38,407	39,043
Pro-forma EPS (FD)	0.16	0.20	0.86	0.98	0.93	0.95
y/y growth	-38.2%	-24.0%	-24.0%	-12.8%	4.5%	-7.4%
Paying Subs	20,700	22,800	20,700	22,800	24,700	26,800
ARPU	$0.73	$0.73	$0.81	$0.80	$0.70	$0.70
Consensus revenue	49,600		198,420		217,520	
Consensus EPS	0.17		0.86		0.74	

Source: Thomson ONE and Canaccord Genuity

VALUATON AND RECOMMENDATION

Our new $17 target (up from $15.25) implies just 7x our new 2012 EV/EBITDA estimate and 12.5x our new 2012 adjusted EPS estimate, plus net cash per share. Both multiples are unchanged from prior valuation. Continued success in non-carrier revenues holds the potential to support higher valuation multiples in the future. Maintain BUY.

INVESTMENT RISKS

Investment risks include, but are not limited to, customer concentration, competition, scalability, intellectual property and regulation.

Figure 3: Income statement

TeleNav, Inc.												
Consolidated Income Statement			140,651					193,733				
(US$000, except per share)		25.6%	28.8%	23.3%	25.6%		26.4%	24.8%	25.9%	24.1%		
	FY09	**FQ1/10**	**FQ2/10**	**FQ3/10**	**FQ4/10**	**FY10**	**FQ1/11**	**FQ2/11**	**FQ3/11**	**FQ4/11**	**FY11E**	**FY12E**
		Sep-09	**Dec-09**	**Mar-10**	**Jun-10**		**Sep-10**	**Dec-10**	**Mar-11**	**Jun-11**		
Revenue	110,880	36,048	40,503	45,101	49,510	171,162	51,100	48,022	57,110	53,232	209,464	231,470
q-o-q growth		5.2%	12.4%	11.4%	9.8%		3.2%	-6.0%	18.9%	-6.8%		
y-o-y growth	130.7%	67.5%	60.4%	51.1%	44.5%	54.4%	41.8%	18.6%	26.6%	7.5%	22.4%	10.5%
Cost of Goods Sold	20,250	7,067	6,890	7,173	8,351	29,481	8,852	8,828	12,739	10,646	41,065	56,052
As a % of sales	18.3%	19.6%	17.0%	15.9%	16.9%	17.2%	17.3%	18.4%	22.3%	20.0%	19.6%	24.2%
Gross Profit	90,630	28,981	33,613	37,928	41,159	141,681	42,248	39,194	44,371	42,586	168,399	175,417
Gross margin	81.7%	80.4%	83.0%	84.1%	83.1%	82.8%	82.7%	81.6%	77.7%	80.0%	80.4%	75.8%
y-o-y growth	146.9%	65.6%	61.6%	54.5%	48.2%	56.3%	45.8%	16.6%	17.0%	3.5%	18.9%	4.2%
Research & Development	23,500	7,912	9,389	10,948	13,473	41,722	13,027	13,473	14,239	16,395	57,134	62,910
As a % of sales	21.2%	21.9%	23.2%	24.3%	27.2%	24.4%	25.5%	28.1%	24.9%	30.8%	27.3%	27.2%
Sales & Marketing	16,536	3,914	4,098	4,474	4,674	17,160	4,726	5,804	6,699	7,399	24,628	26,824
As a % of sales	14.9%	10.9%	10.1%	9.9%	9.4%	10.0%	9.2%	12.1%	11.7%	13.9%	11.8%	11.6%
General & Administrative	8,302	2,559	3,104	3,484	5,243	14,390	3,746	4,723	5,701	5,483	19,653	21,011
As a % of sales	7.5%	7.1%	7.7%	7.7%	10.6%	8.4%	7.3%	9.8%	10.0%	10.3%	9.4%	9.1%
Other Operating Expense/(Income)	0	0	0	0	0	0	0	0	0	0	0	0
Operating expenses	48,338	14,385	16,591	18,906	23,390	73,272	21,499	24,000	26,639	29,278	101,416	110,746
As a % of sales	43.6%	39.9%	41.0%	41.9%	47.2%	42.8%	42.1%	50.0%	46.6%	55.0%	48.4%	47.8%
Operating profit	42,292	14,596	17,022	19,022	17,769	68,409	20,749	15,194	17,732	13,308	66,983	64,672
Operating margin	38.1%	40.5%	42.0%	42.2%	35.9%	40.0%	40.6%	31.6%	31.0%	25.0%	32.0%	27.9%
y-o-y growth	784.6%	98.3%	82.3%	59.0%	30.3%	61.8%	42.2%	-10.7%	-6.8%	-25.1%	-2.1%	-3.5%
Other income (expense), net	(776)	(522)	212	(20)	(77)	(407)	197	248	305	200	950	400
Earnings before income tax	41,516	14,074	17,234	19,002	17,692	68,002	20,946	15,442	18,037	13,508	67,933	65,072
EBT margins	37.4%	39.0%	42.5%	42.1%	35.7%	39.7%	41.0%	32.2%	31.6%	25.4%	32.4%	28.1%
Provision for income tax	11,897	5,953	7,098	6,462	7,080	26,593	8,588	5,402	6,872	5,268	26,130	26,029
Tax rate	28.7%	42.3%	41.2%	34.0%	40.0%	39.1%	41.0%	35.0%	38.1%	39.0%	38.5%	40.0%
Net Income (loss)	29,619	8,121	10,136	12,540	10,612	41,409	12,358	10,040	11,165	8,240	41,803	39,043
Net margins	26.7%	22.5%	25.0%	27.8%	21.4%	24.2%	24.2%	20.9%	19.5%	15.5%	20.0%	16.9%
q-o-q growth		-21.4%	24.8%	23.7%	-15.4%		16.5%	-18.8%	11.2%	-26.2%		
y-o-y growth	543.1%	63.2%	47.7%	68.4%	2.7%	39.8%	52.2%	-0.9%	-11.0%	-22.4%	1.0%	-6.6%
Preferred dividends and other adjustments	13,899	3,762	4,496	5,562	1,676	15,496	1,952	1,586	1,763	1,301	6,602	6,166
Payout rate	46.9%	46.3%	44.4%	44.4%	15.8%	37.4%	15.8%	15.8%	15.8%	15.8%	15.8%	15.8%
Net Income (loss) to common	**15,720**	**4,359**	**5,640**	**6,977**	**8,936**	**25,912**	**10,406**	**8,454**	**9,402**	**6,939**	**35,201**	**32,877**
Net margins	14.2%	12.1%	13.9%	15.5%	18.0%	15.1%	20.4%	17.6%	16.5%	13.0%	16.8%	14.2%
EPS (common)												
Basic	1.40	0.23	0.29	0.36	0.32	1.16	0.29	0.24	0.27	0.19	0.99	0.91
Diluted	**0.57**	**0.21**	**0.27**	**0.33**	**0.24**	**1.06**	**0.27**	**0.22**	**0.25**	**0.18**	**0.93**	**0.86**
y-o-y growth	9678.7%	128.8%	103.4%	129.1%	-15.0%	86.9%	28.7%	-16.2%	-25.1%	-24.0%	-12.8%	-7.4%
Consensus EPS												
Pro-forma EPS (incl. SBC)												
Basic	1.43	0.24	0.30	0.37	0.34	1.24	0.31	0.26	0.29	0.21	1.05	1.01
Diluted	**0.58**	**0.22**	**0.27**	**0.34**	**0.31**	**1.14**	**0.29**	**0.24**	**0.27**	**0.20**	**0.98**	**0.95**
Weighted avg. shrs out. (000s)												
Basic	11,253	11,557	11,527	13,256	27,624	15,991	42,151	42,119	41,919	42,800	42,247	42,800
Fully diluted	27,648	28,421	28,833	33,158	37,481	31,973	44,939	44,894	45,181	45,500	45,129	45,500

Source: Company reports and Canaccord Genuity

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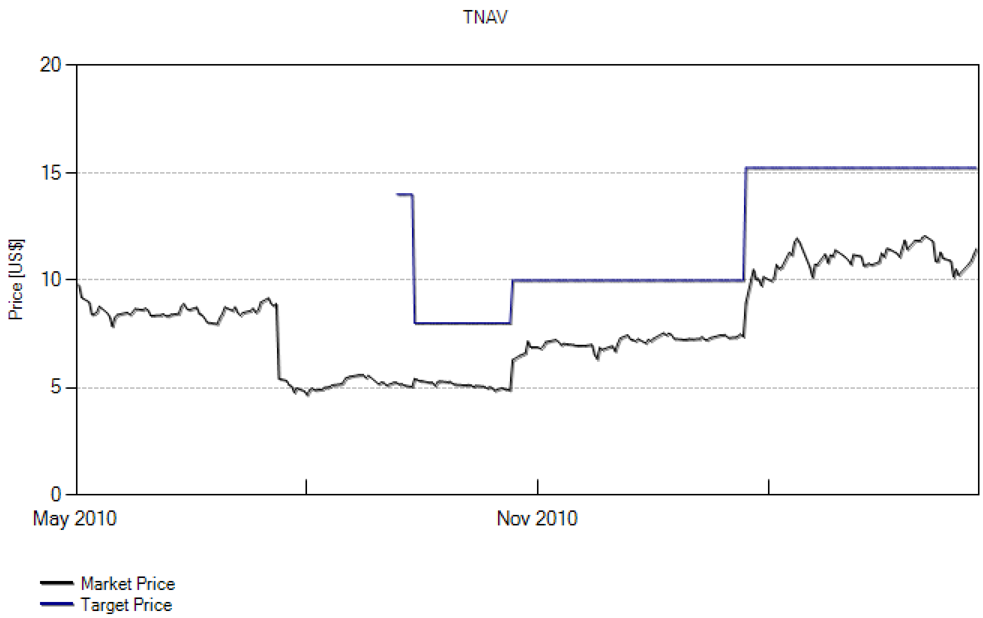
Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	07/30/2010	Rath	Buy	14.00	3)	10/29/2010	Rath	Buy	10.00
2)	09/21/2010	Rath	Buy	8.00	4)	01/28/2011	Rath	Buy	15.25

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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Global Stock Ratings
(as of 5 April 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	452	59.4%	37.2%
Speculative Buy	61	8.0%	68.9%
Hold	231	30.4%	16.5%
Sell	17	2.2%	5.9%
	761	100.0%	

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Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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Additional information is available on request.

MORNING NOTE

April 29, 2011

TELENAV, INC. (TNAV-Q)

Rating: Buy
New 12-Month Target: $18.90

Q3'11 RESULTS

Previous 12-Month Target: $16.80

MARKET INFO: TNAV-Q			
Closing Price			$11.47
Target Price			$18.90
Potential ROI			64.8%
52 Week Range ($)			$4.65 / $12.56
Market Cap ($mm)			$477.1
Cash (mm)			$211.3
Debt (mm)			$0.0
Enterprise Value (mm)			$265.8
Shares o/s (mm)			41.6
Avg Volume (previous 3 months)			206,970
FYE: June 30	**FY2010A**	**FY2011E**	**FY2012E**
Revenue (mm)	$171.2	$209.7	$242.1
EBITDA (mm)	$78.5	$82.2	$82.1
EBITDA margin (%)	45.9%	39.2%	33.9%
EPS, Basic	$1.64	$1.03	$1.01
EPS, F.D.	$0.83	$0.94	$0.92
VALUATION	**FY2010A**	**FY2011E**	**FY2012E**
EV/Sales	1.6X	1.3X	1.1X
EV/EBITDA	3.4X	3.2X	3.2X
P/E	7.0X	11.1X	11.4X

Source: Capital IQ, M Partners

Q3'11 RESULTS CRUSH CONSENSUS

- Last night TNAV reported a big beat with revenues 17.8% above our estimate and 15.8% above consensus. Adjusted EBITDA was 44.4% above our forecast and 48.3% higher than consensus EBITDA. Margin remained inline with last quarter, despite expectations that margins would contract. EPS was reported at $0.25 fully diluted, 47% higher than consensus and the M Partners estimate.
- An amendment to the Ford contract resulted in $6.6 million of revenue for the quarter. This was a catch up of deferred revenue from production for the past two quarters.
- Revenue excluding Ford was $50.5M and also above guidance and consensus. For the quarter revenue concentration from AT&T and Sprint declined to 34% and 36% respectively, with new US operators representing 10% of revenue and international operators representing 6%, up from 4%. Including the Ford contract adjustment, high potential business sectors represented 19% of total revenue. Telenav will exit FY'11 with these lines of business representing 13% of total revenues.
- The company generated $64.2 of cash from operations during the quarter, ending with $211.3M of cash and equivalents or $4.67 per fully diluted share. Cash from operations was positively impacted by an annual fixed license payment from Sprint.
- Operating expenses were $26.6M, generally inline with our estimate of $26.2M.
- The effective tax rate for Q3'11 was reported at 38%, which was lower than our estimate of 40%.

($mm)	Actuals			Q3'11 Estimates		Change	
	Q3'11A	Q2'11A	Q3'10A	M Partners	Consensus	Q/Q	Y/Y
Revenue	$57.1	$48.0	$45.1	$48.5	$49.3	18.9%	26.6%
Adj. EBITDA	$21.9	$18.5	$20.9	$15.2	$14.8	18.4%	4.8%
EBITDA (%)	38.4%	38.6%	46.4%	31.3%	30.0%	- 1749 bps	- 800 bps
EPS	$0.25	$0.22	$0.25	$0.17	$0.17	11.8%	0.4%

Source: M Partners, Company Reports, Capital IQ

GUIDANCE AND OUTLOOK

- Management is guiding for between $52.0M and $54.0M of revenue for Q4'11, which is ahead of our estimate of approximately $51.0M. We believe that the company could report near the higher end of guidance. The company also guided to $0.16 and $0.18 of fully diluted EPS for the quarter. Our estimate was $0.18 of fully diluted EPS.
- The company also increased full-year revenue guidance to between $208M and $210M, up from between $198M and $200M previously. Diluted net income per share was guided to between $0.91 and $0.93 for the full year, up from previous guidance of $0.79 to $0.83. Our estimate was $0.84 EPS per fully diluted share.
- We are adjusting our revenue forecast up for Q4'11 to $53.5M up from our previous estimate of $50.9M. In turn, we are increasing our FY'11 revenue estimate to $209.7M, up from $198.5M to reflect the increase in guidance from the company. Our new estimate falls within the range of guidance provided by management, albeit at the high end. Reporting evidence suggests that there is a solid probability that performance will align to the top-end of guidance
- The blended EBITDA margin for FY'11 calculates to 39.2%, based on an adjusted Q4'11 EBITDA margin estimate of 34%.

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- For Q4'11, we have increased our expense estimates to $27.6M, up from $26.9M, which is near the upper end of guidance provided by management at between $27M and $28M.
- Based on current evidence, it appears that Telenav performance is exceeding our expectations, and it does not appear that there are any known bumps along the way (at least in the short-term). As a result, we are also increasing our revenue estimate for FY'12 to $242.1M, up from our previous FY'12 estimate of $230.5M. Our new FY'12 estimate infers a 15% YoY growth rate from our new FY'11 estimate of $209.7M. We maintain a 15% YoY growth forecast, which is consistent with our previous forecast but from a higher base.
- The quarterly trajectory accelerated slightly in H2'12 due to the potential impact of China Mobile deployments, which appear to be on schedule. Our Q1'12 revenue forecast increases to $56.2M, up from our previous FY'12 estimate of $53.5M.

UPSIDE POTENTIAL TO OUR FORECAST

- Even as we increase our forecasts, there are potential upside events that could positively impact performance:
  - Although the Delphi contract is baked into our estimates, there is a possibility that TNAV could sign new automotive OEM partners, or expand its relationship with current clients like Ford.
  - The Verizon iPhone 4 program could take off.
  - New international mobile operators could come online within the next four quarters.
  - New advertising, commerce, and value-added services partnerships could come online.
  - Telenav may leverage its balance sheet to make accretive acquisitions.
- Based on the potential for new opportunities for Telenav over the next few quarters, there is a chance that it could grow by more than 15% during FY'12. Between FY'10 and FY'11, the company should grow by about 19% based on its current FY'11 guidance, so there is evidence that Telenav could grow by more than 15%.

VALUATION

- Consistent with our recent initiating report, we are valuing the company based on a 7x FY'12 EV/EBITDA multiple, which is inline with the median of its immediate peers at 7.2X FYE+1 EV/EBITDA multiple. Considering that its growth trajectory and EBITDA margins are both higher than the peer set, and it does not look like it is declining any time soon, we argue that Telenav should be valued at least equivalent to the peer set. Currently Telenav has no debt with $211.3M of cash and cash equivalents and trades at 3.2X FY'12 EV/EBITDA. Based on a 7x EV/EBITDA multiple of our new FY'12 EBITDA estimate of $82.1M, up from $79.4M, the implied share price calculates to $18.90. **As a result, we reiterate our BUY recommendation, and increase our 12-month share price target to $18.90 from $16.80.** The implied return from yesterday's closing share price is 65%.
- Our EV/EBITDA multiple valuation is supported by our DCF model calculation, which values the company at $19.18 based on a discount rate of 11.5% and a terminal growth rate of 3%.

RISKS

- We believe that we have properly estimated expenses, although the company has stated that there is upward pressure on wages in both China and in the Valley.
- China Mobile may not roll-out as expected, although indications are that it is on target.
- Although it is declining, Telenav has customer concentration risk, with over 70% of revenues coming from two large clients.
- The mobile sector is exceptionally litigious, and Telenav may need to defend its IP position against a third-party, which could impair margins.
- The competitive landscape could shift unexpectedly, impairing short-term performance.

											Valuation Multiples				
TeleNav	**Market Cap (mm)**	**Ent. Value (mm)**	**LTM Revenues (mm)**	**Cash & Equiv. (mm)**	**LTM EBITDA (mm)**	**LTM EBITDA Margin (%)**	**LTM EPS**	**EBITDA (%)**	**ROE (%)**	**3-Year Growth Rate (%)**	**FYE TEV/ EBITDA**	**FY+1 TEV/ EBITDA**	**FWD P/E**	**TEV/ LTM EBITDA**	**TEV/ LTM Revenues**
LBS Vendors															
DigitalGlobe, Inc. (NYSE:DGI)	$1,339.3	$1,506.1	$322.2	$179.3	$164.1	50.9	0.1	50.9%	0.8%	28.5%	6.1x	5.6x	85.7x	9.2x	4.7x
Garmin Ltd. (NasdaqGS:GRMN)	$6,647.0	$5,361.6	$2,689.9	$1,285.4	$731.3	27.2	3.0	27.2%	19.9%	-5.4%	8.4x	8.6x	14.6x	7.3x	2.0x
GeoEye, Inc. (NasdaqGS:GEOY)	$823.9	$998.7	$330.3	$333.4	$170.1	51.5	1.0	51.5%	6.8%	21.8%	5.3x	4.1x	19.0x	5.9x	3.0x
TomTom NV (ENXTAM:TOM2)	$1,345.3	$1,647.6	$1,521.1	$291.8	$276.6	18.2	0.5	18.2%	0.7%	0.0%	6.1x	5.7x	9.6x	9.6x	NM
Trimble Navigation Limited (NasdaqGS:TRMB)	$6,176.3	$6,128.2	$1,293.9	$220.8	$206.2	15.9	0.8	15.9%	7.8%	1.9%	20.7x	17.5x	26.0x	28.1x	4.7x
Wireless Matrix Corp. (TSX:WRX)	$73.3	$59.8	$37.7	$13.5	$5.2	13.9	(0.0)	13.9%	-11.5%	4.0%	12.1x	9.1x	18.5x	11.4x	1.6x
Average								29.6%	4.1%	8.5%	9.8x	8.4x	28.9x	11.9x	3.2x
Median								22.7%	3.8%	3.0%	7.2x	7.2x	18.8x	9.4x	3.0x
TeleNav, Inc. (NasdaqGS:TNAV)	$477.1	$265.8	$205.7	$211.3	$88.4	43.0%	1.0	43.0%	33.0%	63.1%	3.2x	3.2x	11.1x	3.0x	1.3x

Source: Capital IQ, M Partners

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TeleNav Inc.
Year Ended June 30

Income statement ($MM, except per share amounts)	F'08A	F'09A	F'10A	Q1'11A	Q2'11A	Q3'11A	Q4'11E	F'11E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	F'12E
Revenue	48.07	110.88	171.16	51.10	48.02	57.11	53.50	209.73	56.18	58.98	61.93	65.03	242.12
Cost of Sales	11.36	20.25	29.48	8.85	8.83	12.74	10.70	41.12	11.38	12.04	12.77	13.53	49.71
Gross Margin	36.71	90.63	141.68	42.25	39.19	44.37	42.80	168.61	44.80	46.94	49.17	51.50	192.41
Operating Expenses													
Research & Development	13.69	23.50	41.56	13.03	13.47	14.24	14.75	55.49	16.29	17.11	17.96	18.86	70.22
Sales & Marketing	13.25	16.54	17.20	4.73	5.80	6.70	6.94	24.17	6.74	7.08	7.43	7.80	29.05
General and Administrative	4.99	8.30	14.52	3.75	4.72	5.70	5.91	20.08	5.62	5.90	6.19	6.50	24.21
	31.93	48.34	73.27	21.50	24.00	26.64	27.60	99.74	28.65	30.08	31.59	33.17	123.48
Operating Income	**4.78**	**42.29**	**68.41**	**20.75**	**15.19**	**17.73**	**15.20**	**68.88**	**16.15**	**16.86**	**17.58**	**18.34**	**68.93**
Adj. EBITDA	**6.73**	**45.19**	**78.53**	**23.54**	**18.54**	**21.94**	**18.21**	**82.23**	**19.15**	**20.06**	**20.98**	**21.95**	**82.14**
Other Income													
Other income (expense)	(0.58)	(1.04)	(0.52)	0.20	0.17	(0.00)	0.00	0.36	0.00	0.00	0.00	0.00	0.00
Interest income	0.59	0.27	0.11	0.00	0.08	0.31	0.21	0.60	0.21	0.21	0.21	0.21	0.86
	0.01	**(0.78)**	**(0.41)**	**0.20**	**0.25**	**0.31**	**0.21**	**0.96**	**0.21**	**0.21**	**0.21**	**0.21**	**0.86**
Income (loss) before tax	**4.79**	**41.52**	**68.00**	**20.95**	**15.44**	**18.04**	**15.41**	**69.84**	**16.36**	**17.07**	**17.80**	**18.55**	**69.79**
Provision for income taxes	0.18	11.90	26.59	8.59	5.40	6.87	6.01	26.87	6.55	6.83	7.12	7.42	27.91
Net income	**4.61**	**29.62**	**41.41**	**12.36**	**10.04**	**11.17**	**9.40**	**42.97**	**9.82**	**10.24**	**10.68**	**11.13**	**41.87**
Net income aplicable to common shareholders	**1.88**	**15.72**	**25.56**	**12.36**	**10.04**	**11.17**	**9.40**	**42.97**	**9.82**	**10.24**	**10.68**	**11.13**	**41.87**
Earnings per share													
Basic	$0.17	$1.39	$1.64	$0.29	$0.24	$0.27	$0.23	$1.03	$0.24	$0.25	$0.26	$0.27	$1.01
Diluted	$0.07	$0.57	$0.83	$0.27	$0.22	$0.25	$0.21	$0.94	$0.22	$0.23	$0.23	$0.24	$0.92
Weighted average shares													
Basic	11.2	11.3	15.6	42.2	42.1	41.9	41.6	41.6	41.6	41.6	41.6	41.6	41.6
Diluted	26.9	27.7	30.8	44.9	44.9	45.2	45.5	45.5	45.5	45.5	45.5	45.5	45.5
Margins:													
Gross margin	76.4%	81.7%	82.8%	82.7%	81.6%	77.7%	80.0%	80.4%	79.8%	79.6%	79.4%	79.2%	79.5%
Adj EBITDA	14.0%	40.8%	45.9%	46.1%	38.6%	38.4%	34.0%	39.2%	34.1%	34.0%	33.9%	33.8%	33.9%
OPEX as % of Revenues	66.4%	43.6%	42.8%	42.1%	50.0%	46.6%	51.6%	47.6%	51.0%	51.0%	51.0%	51.0%	51.0%
Operating	9.9%	38.1%	40.0%	40.6%	31.6%	31.0%	28.4%	32.8%	28.8%	28.6%	28.4%	28.2%	28.5%
Net income	9.6%	26.7%	24.2%	24.2%	20.9%	19.5%	17.6%	20.5%	17.5%	17.4%	17.2%	17.1%	17.3%

Source: Company Reports, M Partners

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Has M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceeding 12 months, (may seek compensation for investment	No
Is any director, officer, employee or research analyst an officer, director or employee of the company, or serves in an advisory capacity to the company.	No
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Rating System

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

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

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Corrected Note

TeleNav, Inc.

F3Q11 Results: Stabilizing, Resuming Growth; Increasing Ests. and PT

TNAV reported F3Q results that beat expectations, even adjusting for a one-time revenue benefit from a change to automotive revenue recognition. Gross margins appear to be stabilizing notwithstanding the shift to fixed revenues for the Sprint bundling solution, and revenues from strategic growth initiatives (enterprise solutions, premium services, auto, and Ad-based) continue to grow faster than the overall business. We believe TNAV will resume sequential growth now, and with a moderating decline in gross margins, there is potential for upside to our upwardly revised estimates. Solid execution, ever since the Sprint contract shock in July 2010, warrants a higher multiple in our view. **Price Target goes to $13.00. Maintain Neutral; we believe the stock is close to full value.**

- **TNAV beat F3Q11 expectations**, reporting PF EPS of $0.27 on revenue of $57.1mm (JPM prior est $0.18/48.6mm, Street $0.18/$49.2mm). Adjusting for a one-time $6.6mm revenue benefit relating to a change in the revenue recognition for the Ford contract, the company still beat expectations, and the high-end of guidance, slightly. TNAV ended F3Q with over 23 million subscribers. Revenue at Sprint has now stabilized, revenue in all other categories continues to grow, with the strategic growth initiatives (enterprise solutions, premium services, auto and Ad-based) growing to about 8% of revenue (excluding the $6.6mm one-time). The balance sheet remains in excellent shape, buoyed this quarter by a very significant increase in deferred, largely relating to Sprint.

- **Other positives.** TNAV repurchased 640K shares intra-quarter (at an average price of $11.56 p/share) and is still authorized to purchase $10.3mm of shares. The balance sheet supports expansion of this program. China Mobile has now launched with TNAV navigation services in multiple regions, revenues should grow starting in late 2011. TNAV has also launched with Nextel in Mexico. Applications have been developed for the Apple and Android platforms, in the latter case focused on Verizon. TNAV continues to ramp sales and software development resources in pursuit of future growth opportunities; 40% of the development resource is focused on international markets.

TeleNav, Inc. (TNAV;TNAV US)

	2010A	2011E (Old)	2011E (New)	2012E (Old)	2012E (New)	2013E
EPS - Recurring ($)						
Q1 (Sep)	0.22	0.29A	0.29A	0.16	0.17	0.17
Q2 (Dec)	0.28	0.24A	0.24A	0.15	0.17	0.18
Q3 (Mar)	0.34	0.18	0.27A	0.15	0.16	0.18
Q4 (Jun)	0.31	0.16	0.19	0.15	0.16	0.19
FY	1.15	0.86	0.99	0.61	0.67	0.72
CY	1.18	0.64	0.80	0.58	0.68	0.76
EBITDA CY ($ mn)	86	61	73	58	64	74
Revenues FY ($ mn)	171	197	208	210	217	238

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.07; FY11: 1QA=$0.27, 2QA=$0.22, 3QA=$0.25, 4QE=$0.17; FY11E=$0.92;
FY12E=$0.60

Neutral

TNAV, TNAV US

Price: $11.47

Price Target: $13.00

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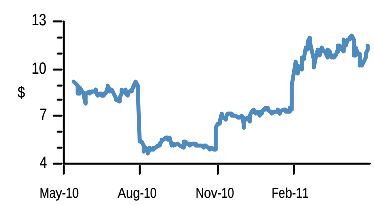
Price Performance



	YTD	1m	3m	12m
Abs	57.6%	1.9%	28.2%	24.7%

SMid Cap Research
THINK BIG, BUY SMALL

We updated our summary financials page for quarterly 2011 estimates.

Company Data

Price ($)	11.47
Date Of Price	28 Apr 11
52-week Range ($)	12.56 - 4.65
Mkt Cap ($ mn)	514.93
Fiscal Year End	Jun
Shares O/S (mn)	45
Price Target ($)	13.00
Price Target End Date	31 Dec 11

See page 5 for analyst certification and important disclosures.

- **Guidance is ahead of expectations.** TNAV looks for F4Q PF EPS of $0.18-$0.20 on revenue of $52-$54mm (JPM prior est $0.16/$49.4mm, street $0.17/$50.2mm). We are adjusting estimates to align, and we are taking up estimates through CY12, primarily because gross margins are not declining as rapidly as we anticipated, notwithstanding the shift to fixed revenues at Sprint.

- **We maintain a Neutral Rating for TNAV**, but we believe an upward re-rating to the multiple is justified by three quarters of solid execution following the disappointing revision to the Sprint contract that took place in July 2010. Our Price Target goes to $13.00 based on 6 times revised CY12E EV/EBITDA of $64.3mm, a one-turn increase to the multiple.

Valuation

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is close to fully valued, in our view, and we believe TNAV will not outperform until we get improved metrics relating to the growth of auto, premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth.

Our December 2011 price target is $13.00 based on an assigned multiple of 6 times revised CY12E PF EBITDA of $64.3mm (previously $58.1m). Our revised multiple is one turn closer to the mean for the comms software/services peer group current median multiple of ~7x, but with a discount that takes into consideration significant shifts and risks in the competitive landscape (free navigation solutions, Android gaining market share in handsets, TomTom gaining share in autos).

Risks to Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav's growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV's prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav's ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

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TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E
Revenues	171	208	217	238
Cost of products sold	29	41	56	67
Gross profit	142	167	160	171
SG&A	32	44	52	55
R&D	42	56	63	69
Stock based comp.	5	4	6	7
Non-cash charges	-	-	-	-
Operating Income	68	67	44	48
EBITDA	78	83	64	69
Other income / (expense)	(0)	0	(0)	(0)
Pre-tax income	68	68	46	50
Income taxes	27	26	19	20
Net income - GAAP	41	42	28	30
Net income PF	45	45	31	34
Diluted shares outstanding	39	45	47	48
EPS - GAAP	1.07	0.92	0.60	0.63
EPS PF	1.15	0.99	0.67	0.72

Income Statement - Quarterly	1Q11A	2Q11A	3Q11A	4Q11E
Revenues	51	48	57	52
Cost of products sold	9	9	13	11
Gross profit	42	39	44	41
SG&A	8	11	12	13
R&D	13	13	14	15
Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-
Operating Income	21	15	18	13
EBITDA	24	19	23	17
Other income / (expense)	0	0	(0)	(0)
Pre-tax income	21	15	18	13
Income taxes	9	5	7	5
Net income - GAAP	12	10	11	8
Net income PF	13	11	12	9
Diluted shares outstanding	45	45	45	46
EPS - GAAP	0.27	0.22	0.25	0.17
EPS PF	0.29	0.24	0.27	0.19

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	200	241	280
Accounts receivable	37	40	42	46
Inventories	0	0	0	0
Other current assets	5	10	10	10
Current assets	155	250	293	336
PP&E	10	7	5	6
Long-term portfolio investments	-	-	-	-
Goodwill and intangibles	-	-	-	-
Total assets	175	263	304	348
Accounts payable	3	3	4	5
Deferred revenues	7	52	57	62
Total debt	0	0	0	0
Total liabilities	26	76	84	90
Shareholders' equity	149	187	221	258
Net Income (including charges)	41	42	28	34
D&A	5	11	13	14
Change in Working Capital	(7)	45	6	3
Other	-	-	-	-
Cash flow from operations	44	103	53	54
Capex	(7)	(7)	(11)	(15)
Free cash flow	37	96	41	39
Cash flow from investing activities	(10)	(179)	(11)	(15)
Cash flow from financing activities	45	(7)	0	0
Dividends	-	-	-	-
Dividend yield	-	-	-	-

Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Sales growth	54.4%	21.7%	4.1%	9.7%
EBIT growth	72.1%	(3.9%)	(29.0%)	9.2%
EPS growth	11.0%	(14.3%)	(32.1%)	7.4%
Gross margin	82.8%	80.1%	74.0%	72.0%
EBIT margin	43.0%	34.0%	23.2%	23.1%
EBITDA margin	45.9%	39.8%	29.3%	29.0%
Tax rate	39.1%	38.7%	40.0%	40.0%
Net margin	26.2%	21.5%	14.5%	14.5%
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Return on assets (ROA)	36.4%	20.5%	11.1%	10.5%
Return on equity (ROE)	58.9%	26.7%	15.4%	14.4%
Return on invested capital (ROIC)	77.4%	81.2%	60.5%	61.1%
Enterprise value / Sales	1.6	0.9	0.7	0.4
Enterprise value / EBITDA	-	-	-	-
Free cash flow yield	11.1%	24.5%	10.2%	9.5%
P/E	10.8	12.5	19.3	18.2

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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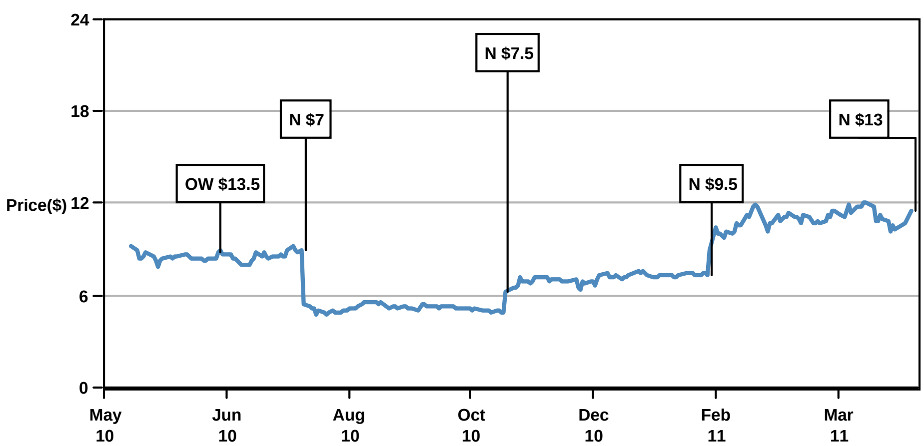
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	13.50
30-Jul-10	N	8.91	7.00
29-Oct-10	N	6.29	7.50
28-Jan-11	N	7.37	9.50
29-Apr-11	N	11.47	13.00

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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J.P. Morgan Global Equity Research Coverage	47%	42%	11%
IB clients*	50%	45%	33%
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IB clients*	70%	62%	56%

*Percentage of investment banking clients in each rating category.
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Reason for Report:
Earnings Announcement

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	$8.00	$11.00
FY11E Rev (mil)	$199.1	$209.3
FY12E Rev (mil)	$231.4	$259.0
FY11E EPS	$0.80	$0.92
FY12E EPS	$0.73	$0.94

Price:	$11.47
52 Week High:	$12.56
52 Week Low:	$4.65
12-Month Price Target:	$11.00
DCF with assumptions of 16% NT WACC, 3% LT growth rate.	
Shares Out (mil):	45.2
Market Cap. (mil):	$518.4
Avg Daily Vol (000):	207
Book Value/Share:	$3.93
Debt to Total Capital:	0%
Est LT EPS Growth:	11%
P/E to LT EPS Growth (FY11):	1.1x
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	3.0x	2.5x	2.0x
CY RM	2.7x	2.2x	1.8x

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	13.8x	12.5x	12.2x
CY P/E	7.4x	13.2x	11.1x

TeleNav, Inc. (TNAV - $11.47)
Neutral

TeleNav Reports Better 3Q; Raises Guidance

CONCLUSION:
TeleNav reported fiscal 3Q11 results and hosted a conference call after the close on April 28. Financial results and subscriber metrics were better than expected. Management raised fiscal 2011 guidance and issued fiscal 4Q11 guidance above our estimates.

- **Financial Results:** Third quarter revenues were 16.1% ahead of our forecast, while adjusted EBITDA was 47% ahead; note that reported financial measures included a $6.6M benefit from the renegotiation of TeleNav's terms with Ford. GAAP EPS of $0.25 was 9c ahead of our estimate and 7c ahead of street consensus of $0.18. See Exhibit 1 on the next page for a comparison of results to our estimates.

- **TeleNav's Mobile Navigation Business Continues To Grow; Automotive Picks Up Steam.** TeleNav grew its subscriber base to an average of 22.5M users, ahead of our estimates. This was helped by the recent launch of bundled service for Boost Mobile subscribers and the launch of nationwide service via the China Mobile brand. TeleNav may look to acquisitions (using its available cash) to speed entry into new geographies. Available in 4 cars today, the TeleNav/Ford My Touch system is gaining momentum.

- **Management Raises Guidance.** In addition to posting a strong 3Q, TeleNav increased its guidance for the remainder of the year. With only 1 quarter remaining in the fiscal year, TeleNav raised revenue guidance by more than 5%. See Exhibits 2 & 3 for a detailed look at our estimates versus guidance.

- **Net net,** TeleNav's results were better than expected, despite one-timers. The company is growing revenues at a faster than expected rate by increasing its market reach for mobile navigation, selling more premium LBS services and through its growing automotive business. We still have some long-term concerns about the competitive environment, but we are getting increasingly confident that new revenue sources (advertising, automotive and new carrier partnerships) can help to mitigate this risk. We are increasing our target to $11 after rolling it forward to fiscal 2012 (calendar June 2012) and on better revenue growth.

- **Changes to our model.** We are raising our 2011 revenue estimate by 5.1%, in-line with updated guidance. We are also raising GAAP EPS to $0.92 from $0.80.

INVESTMENT RECOMMENDATION:
We rate TeleNav Neutral with an $11 target price. We base our target price on our DCF valuation to 2015 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.

TeleNav Reports Strong Quarter And Raises Guidance

TeleNav reported fiscal 3Q11 results and hosted a conference call after the close on April 28. Financial results and subscriber metrics were better than expected. Management raised fiscal 2011 guidance and issued fiscal 4Q11 guidance above our estimates.

Exhibit 1: TNAV 3Q11 Results At A Glance
in millions, unless otherwise stated

	3Q10 Act.	2Q11 Act.	3Q11 Est.	3Q11 Act.	
Total Net Revenues	$ 45.1	$ 48.0	$ 49.2	$ 57.1	
Adjusted EBITDA	$ 19.6	$ 16.1	$ 12.8	$ 18.9	
Net Income	$ 12.5	$ 10.0	$ 7.3	$ 11.2	*
Total Subscribers	14.5	19.6	21.6	22.5	
Total Net Adds	1.8	1.9	2.0	2.9	
ARPU (calculated, includes pass thru)	$ 1.02	$ 0.76	$ 0.70	$ 0.67	
EPS - Piper Jaffray / Actual	$ 0.23	$ 0.22	$ 0.16	$ 0.25	*
EPS - Consensus Est.			$ 0.18		

**Reported*
Source: Company data, Piper Jaffray estimates

Financial Results
Third quarter revenues were 16.1% ahead of our forecast, while adjusted EBITDA was 47% ahead; note that reported financial measures included a $6.6M benefit from the renegotiation of TeleNav's terms with Ford. GAAP EPS of $0.25 was 9c ahead of our estimate and 7c ahead of street consensus of $0.18.

TeleNav's Mobile Navigation Business Continues To Grow
TeleNav grew its subscriber base to an average of 22.5M users, ahead of our estimates. This was helped by the recent launch of bundled service for Boost Mobile subscribers and the launch of nationwide service via the China Mobile brand. TeleNav may look to acquisitions (using its available cash) to speed entry into new geographies in the future. TeleNav also diversified its revenue base - during the quarter, Sprint and AT&T represented 36% and 34% of revenues respectively, down from 44% and 40% in the December quarter.

Automotive Picking Up Steam
During the quarter, TeleNav inked a new agreement with Ford that allows TeleNav to recognize revenue as soon as a TeleNav-enabled car rolls off the assembly line. Available in 4 cars today, the TeleNav/Ford My Touch system is gaining momentum. Ford accounted for 13% of revenues in the third quarter, but this was largely impacted by the $6.6M one-time payment. Adjusting for this, we estimate Ford would have accounted for less than 2% of revenues in the quarter. Still, TeleNav expects Ford to be one of TeleNav's largest and growing customers (but will not account for more than 10% of revenues in the June quarter).

Management Raises Guidance
In addition to posting a strong 3Q, TeleNav increased its guidance for the remainder of the year. With only 1 quarter remaining in the fiscal year, TeleNav raised revenue guidance by more than 5%. See Exhibits 2 & 3 for a detailed look at our estimates versus guidance.

Exhibit 2: TeleNav 4Q11 Guidance

in millions, unless otherwise stated

	Guidance	PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Total Revenue	$52 - $54 million	50.8	53.0
Gross Margin	80%	78%	80%
Non-GAAP Operating Expenses	$27 - $28 million, excluding $1.3M in stock-based comp	27.2	27.8
GAAP Net Income	$7.5 - $8.5 million	6.7	8.2
GAAP EPS	$0.16 - $0.18	$0.15	$0.18
Non-GAAP Net Income	$8.5 - $9.5 million	7.4	9.0
Non-GAAP EPS	$0.18 - $0.20	$0.16	$0.20
Effective Tax Rate	39%	40%	39%
Wtd-Avg Diluted Shares	45 - 46 million	45.1	45.2

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	$195 - $200 million	$208 - $210 million	199.1	209.3
Gross Margin	80%		80%	80%
Non-GAAP Operating Expenses	$97 - $100 million, excl. $4M in stock-based comp	$97 - $98 million, excl. $4.2M in stock-based	97.5	97.2
GAAP Net Income	$36 - $38 million	$41 - $42 million	36.3	41.8
GAAP EPS	$0.79 - $0.83	$0.91 - $0.93	$0.80	$0.92
Non-GAAP Net Income	$38 - $40 million	$44.5 - $45.5 million	38.7	44.7
Non-GAAP EPS	$0.84 - $0.88	$0.98 - $1.00	$0.86	$0.99
Effective Tax Rate	40%		39%	39%
Wtd-Avg Diluted Shares	45 million		45.0	45.0

Source: Company data, Piper Jaffray estimates

Net net

TeleNav's results were better than expected, even when the $6.6M of one-time revenues is factored-in. The company is growing revenues at a faster than expected rate by increasing its market reach for mobile navigation, selling more premium LBS services and through its growing automotive business. We still have some long-term concerns about the competitive environment, but without question we are getting increasingly confident that new revenue sources (advertising, automotive and new carrier partnerships) can help to mitigate this risk. We are maintaining our Neutral rating, but we are increasing our target to $11 after rolling it forward to fiscal 2012 (calendar June 2012) and on better revenue growth.

Changes to our model

We are raising our fiscal 2011 revenue estimate by 5.1%, in line with management's updated guidance. We are also raising GAAP EPS to $0.92 from $0.80.

TeleNav

(Figures in millions, except per share) **Income statement**	**FY 2008**	**FY 2009**	**FY 2010**	**Est FY 2011**	**Est FY 2012**	**Est FY 2013**	**Est FY 2014**	**Est FY 2015**
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%

4/28/2011
Source: Company data, Piper Jaffray estimates.

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TeleNav								**Est**	**Est**	**Est**	**Est**	**Est**
(Figures in millions, except per share)	*Sep-09*	*Dec-09*	*Mar-10*	*Jun-10*	*Sep-10*	*Dec-10*	*Mar-11*	*Jun-11*	*Sep-11*	*Dec-11*	*Mar-12*	*Jun-12*
Income statement	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**1Q12**	**2Q12**	**3Q12**	**4Q12**
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 sharehold												
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%

4/28/2011
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)			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) **Statement of Cash Flows**	**FY 2009**	**FY 2010**	**Est FY 2011**	**Est FY 2012**	**Est FY 2013**	**Est FY 2014**	**Est 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

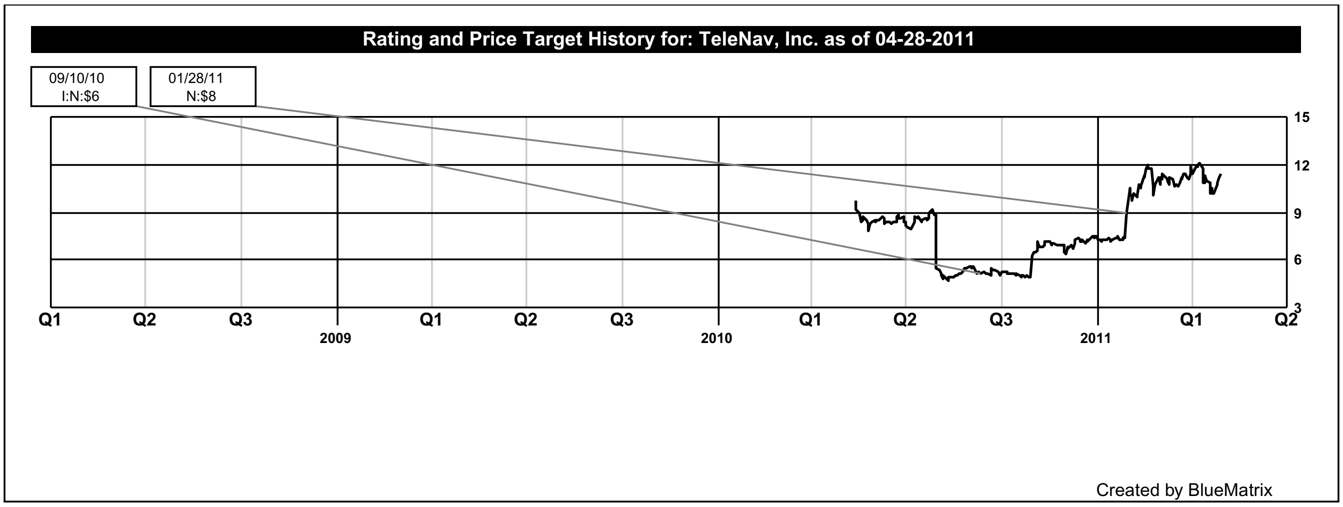
Valuation analysis			Est	Est	Est	Est	Est
($ millions, except per share data)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
EBIT	**$42**	**$68**	**$67**	**$71**	**$84**	**$97**	**$109**
Less: Tax Rate*EBIT	(15)	(24)	(23)	(25)	(29)	(34)	(38)
Plus: Depreciation	2	5	9	9	10	11	12
Less: Change in 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	**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%	5%
WACC (k)	**16.0%**	**13.3%**
Terminal FCF growth rate (g)		3.0%
FCF Terminal Multiple (1+g)/(k-g)		10.0x
Terminal Value of Firm		**$718**
Valuation *(end of FY 2011)*		
PV FCF 2012 through 2015	$144	
PV Terminal Value	$460	
PV of Firm	**$604**	
Less: 2011 Net Debt	$0	
Majority Equity Value	$604	
Less Minority Discount	15%	
Minority Equity Value	$513	
DCF Valuation Per Share	**$11**	

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.

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I: Initiating Coverage

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D: Discontinuing Coverage

S: Suspending Coverage

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N: Neutral

UW: Underweight

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			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [OW]	**313**	**50.50**	**71**	**22.68**
HOLD [N]	**259**	**41.80**	**25**	**9.65**
SELL [UW]	**48**	**7.70**	**2**	**4.17**

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— Bradley W. Korch, Research Analyst

— Joseph A. Mastrogiovanni, Research Analyst

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April 26, 2011

TELENAV, INC. (TNAV-Q)

Rating: Buy
12-Month Target: $16.80

Q3'11 EARNINGS PREVIEW

MARKET INFO: TNAV-Q	
Closing Price	$10.76
Target Price	$16.80
Potential ROI	56.1%
52 Week Range ($)	$4.65 / $12.27
Market Cap ($mm)	$452.4
Cash (mm)	$155.7
Debt (mm)	$0.0
Enterprise Value (mm)	$296.7
Shares o/s (mm)	42.0
Avg Volume (previous 3 months)	163,960

FYE: June 30	FY2010A	FY2011E	FY2012E
Revenue (mm)	$171.2	$198.6	$230.5
EBITDA (mm)	$78.5	$73.7	$79.5
EBITDA margin (%)	45.9%	37.1%	34.5%
EPS	$0.83	$0.84	$0.88

VALUATION	FY2010A	FY2011E	FY2012E
EV/Sales	1.7X	1.5X	1.3X
EV/EBITDA	3.8X	4.0X	3.7X
P/E	13.0X	12.9X	12.2X

Source: Capital IQ, M Partners

Q3'11 PREVIEW

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

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

Source: M Partners, Capital IQ

MEANINGFUL PROGRESS DURING THE QUARTER

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

ITEMS OF INTEREST FOR INVESTORS DURING THE CALL

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

WHAT WE THINK

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

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

Source: Capital IQ, M Partners

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Has M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceeding 12 months, (may seek compensation for investment	No
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Rating System
Buy: price expected to rise
Sell: price is inflated and expected to decrease
Hold: properly priced
Speculative Buy: price expected to rise; material risk to the investment exists
Under review: not currently rated

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

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J.P.Morgan

North America Equity Research
26 April 2011

TeleNav, Inc.

F3Q11 Preview: Stabilizing, Growth Still Back-End Loaded

We expect TNAV to report in-line results, providing us with a sequential comp post transition to fixed fee with Sprint. However, TNAV is still in transition, and we expect the business model to stabilize towards 2H CY11. While we think TNAV is attractively valued, competitive threats (especially Android handsets) still weigh on sentiment, the business model remains uncertain with emerging categories still being nascent, and the customer concentration risk remains a concern. Read-through from AT&T earnings was neutral, as subscriber growth continued and churn remained stable, despite end of iPhone exclusivity. We are maintaining our December 2011 price target of $9.50 and our Neutral rating.

- **TNAV reports F3Q11 results on April 28.** The conference call will begin at 5pm ET; dial-in 888-204-4317.
- **We expect TNAV to report F3Q11 PF EPS of $0.18 on $48.6mm in revenue** (Street: $0.17/$49.2mm). We expect total subscription/fixed fee revenue of $45.0mm and gross margin of 80.0%, down from 81.6% at F2Q11. We will be looking for metrics indicating that in-dash navigation is becoming material, and for evidence that mobile advertising volumes, click-through & drive-to rates are all improving. We expect emerging categories (premium navigation, auto, ad-based) to represent ~8% this quarter (from 7% last quarter).
- **Still in transition.** Post Sprint contract renegotiation, TNAV model has been in flux. After being able to isolate Sprint fixed fee for the first time last quarter, we restructured our model to account for Sprint fixed fee revenues vs. other carrier variable revenues separately. This quarter will be the fist sequential comp using our new forecasting methodology and should give us insight into its forecasting precision. We will be looking for additional metrics on the call to formulate precise subscription, fixed fee, and advertising revenue forecasts. We should also be in a better position to determine the ARPU trend associated with MRC, premium services and other revenues.

Neutral

TNAV, TNAV US

Price: $10.76

Price Target: $9.50

Applied & Emerging Technologies

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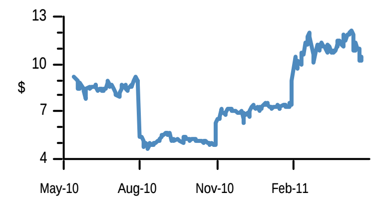
Price Performance



	YTD	1m	3m	12m
Abs	40.7%	-5.6%	39.7%	11.3%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010A	2011E	2012E
EPS - Recurring ($)			
Q1 (Sep)	0.22	0.29A	0.16
Q2 (Dec)	0.28	0.24A	0.15
Q3 (Mar)	0.34	0.18	0.15
Q4 (Jun)	0.31	0.16	0.15
FY	1.15	0.86	0.61
CY	1.18	0.64	0.58
EBITDA CY ($ mn)	86	61	58
Revenues FY ($ mn)	171	197	210

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.07; FY11: 1QA=$0.27, 2QA=$0.22, 3QE=$0.16, 4QE=$0.14; FY11E=$0.80;
FY12E=$0.53

Company Data	
Price ($)	10.76
Date Of Price	25 Apr 11
52-week Range ($)	12.56 - 4.65
Mkt Cap ($ mn)	483.06
Fiscal Year End	Jun
Shares O/S (mn)	45
Price Target ($)	9.50
Price Target End Date	31 Dec 11

See page 5 for analyst certification and important disclosures.

- **We expect F4Q11 guidance to be aligned with our estimates.** We look for F4Q PF EPS of $0.16 on $49.4mm in revenue (Street: $0.16/$50.2mm). We expect gross margin to dip further to 77%; continuing to decline. On 4/19, J.P. Morgan Comm Equipment analyst, Rod Hall, reduced his handset forecasts for Q2 and Q3 to account for disruption in the supply chain due to Japan, but his 2011 forecasts was only slightly impacted (0.4%). Therefore, we don't anticipate a significant impact on TNAV from these handset supply chain disruptions.
- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is close to fully-valued, in our view, and we believe TNAV will not outperform until we get improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth. Our December 2011 price target is $9.50.

Valuation

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is close to fully valued, in our view, and we believe TNAV will not outperform until we get improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth.

Our December 2011 price target is $9.50 based on an assigned multiple of 5x CY12E PF EBITDA of $58.1mm. Our multiple is based on the comms software/services peer group current median multiple of ~7x, but with a discount that takes into consideration significant shifts in the competitive landscape (free navigation solutions, Android gaining market share in handsets, TomTom gaining share in autos).

Risks to Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav’s growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV’s prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav’s ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

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TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11A	2Q11A	3Q11E	4Q11E
Revenues	171	197	210	234	Revenues	51	48	49	49
Cost of products sold	29	39	59	76	Cost of products sold	9	9	10	11
Gross profit	142	158	151	159	Gross profit	42	39	39	38
SG&A	32	43	42	43	SG&A	8	11	12	12
R&D	42	57	67	79	R&D	13	13	15	15
Stock based comp.	5	4	5	7	Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-	Non-cash charges	-	-	-	-
Operating Income	68	59	42	36	Operating Income	21	15	12	11
EBITDA	78	73	60	57	EBITDA	24	19	16	15
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0	0	0	0
Pre-tax income	68	60	42	38	Pre-tax income	21	15	13	11
Income taxes	27	24	17	15	Income taxes	9	5	5	5
Net income - GAAP	41	36	25	22	Net income - GAAP	12	10	7	7
Net income PF	45	39	28	26	Net income PF	13	11	8	7
Diluted shares outstanding	39	45	47	48	Diluted shares outstanding	45	45	46	46
EPS - GAAP	1.07	0.80	0.53	0.46	EPS - GAAP	0.27	0.22	0.16	0.14
EPS PF	1.15	0.86	0.61	0.55	EPS PF	0.29	0.24	0.18	0.16

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	157	189	215	Sales growth	54.4%	15.2%	6.4%	11.6%
Accounts receivable	37	38	42	45	EBIT growth	72.1%	(14.1%)	(25.8%)	(8.4%)
Inventories	0	0	0	0	EPS growth	11.0%	(25.3%)	(29.5%)	(9.5%)
Other current assets	5	14	14	14					
Current assets	155	209	245	275	Gross margin	82.8%	80.3%	71.9%	67.7%
PP&E	10	9	8	9	EBIT margin	43.0%	32.1%	22.4%	18.4%
Long-term portfolio investments	-	-	-	-	EBITDA margin	45.9%	36.8%	28.7%	24.3%
Goodwill and intangibles	-	-	-	-	Tax rate	39.1%	39.5%	41.0%	41.0%
Total assets	175	226	260	291	Net margin	26.2%	19.9%	13.6%	11.2%
Accounts payable	3	3	5	5	Debt / EBITDA	0.0	0.0	0.0	0.0
Deferred revenues	7	11	11	11	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0					
Total liabilities	26	38	42	44	Return on assets (ROA)	36.4%	19.6%	11.7%	9.5%
Shareholders' equity	149	188	218	247	Return on equity (ROE)	58.9%	23.3%	14.0%	11.3%
					Return on invested capital (ROIC)	77.4%	63.8%	50.3%	44.2%
Net Income (including charges)	41	36	25	23					
D&A	5	9	13	14	Enterprise value / Sales	1.6	1.2	0.9	0.7
Change in Working Capital	(7)	5	(1)	(1)	Enterprise value / EBITDA	-	-	-	-
Other	-	-	-	-	Free cash flow yield	11.1%	11.9%	7.9%	6.4%
Cash flow from operations	44	55	43	42	P/E	10.1	13.4	20.1	23.2
Capex	(7)	(8)	(11)	(15)					
Free cash flow	37	47	32	26					
Cash flow from investing activities	(10)	(122)	(11)	(15)					
Cash flow from financing activities	45	(1)	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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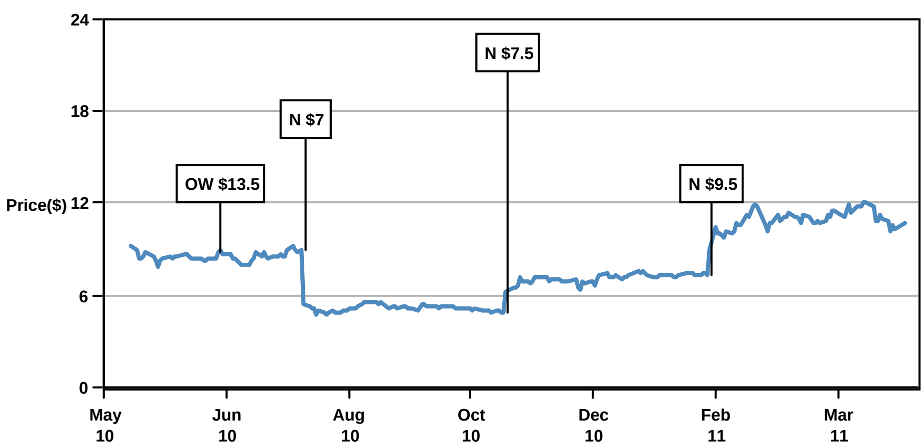
- **Non-Investment Banking Compensation:** JPMS has received compensation in the past 12 months for products or services other than investment banking from TeleNav, Inc.. An affiliate of JPMS has received compensation in the past 12 months for products or services other than investment banking from TeleNav, Inc..

TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	13.50
30-Jul-10	N	8.91	7.00
29-Oct-10	N	4.90	7.50
28-Jan-11	N	7.37	9.50

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.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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	Overweight (buy)	**Neutral** (hold)	**Underweight** (sell)
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IB clients*	50%	45%	33%
JPMS Equity Research Coverage	43%	49%	8%
IB clients*	70%	62%	56%

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MORNING NOTE

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February 28, 2011

TELENAV, INC. (TNAV-Q)

Rating: Buy
12-Month Target: $16.80

ON LOCATING A MOBILE GEM

MARKET INFO: TNAV-Q			
Closing Price			$10.86
Target Price			$16.80
Potential ROI			54.7%
52 Week Range ($)			$4.65 / $12.27
Market Cap ($mm)			$451.5
Cash (mm)			$155.7
Debt (mm)			$0.0
Enterprise Value (mm)			$295.9
Shares o/s (mm)			42.0
Avg Volume (previous 3 months)			166,370
FYE: June 30	**FY2010A**	**FY2011E**	**FY2012E**
Revenue (mm)	$171.2	$198.6	$230.5
EBITDA (mm)	$78.5	$73.7	$79.5
EBITDA margin (%)	45.9%	37.1%	34.5%
EPS	$0.83	$0.84	$0.88
VALUATION	**FY2010A**	**FY2011E**	**FY2012E**
EV/Sales	1.7X	1.5X	1.3X
EV/EBITDA	3.8X	4.0X	3.7X
P/E	13.1X	13.0X	12.3X

Source: Capital IQ, M Partners

On Friday, we initiated coverage on TeleNav Inc. (TNAV-Q) with a BUY recommendation and a $16.80 target price. Key highlights of our report are:

- TeleNav Inc. owns 36% of the U.S/E.U. mobile turn-by-turn (TBT) navigation market because mobile operator customers need TNAV to help protect margins from "off-deck" LBS solutions that use data but don't generate revenue.
- With a base of 20 million users each contributing $2.60 to annual FCF, TeleNav has leveraged this profitable beachhead to successfully expand into adjacent high growth LBS markets including automotive in-dash navigation, mobile advertising, and enterprise MRM.
- TeleNav's greatest perceived competitive risk comes from "free" mobile handset navigation applications, particularly from Google. This threat has been and continues to be a drag on its valuation relative to its peers. Through solid investments over the past three years, we believe the company is mitigating this threat. TeleNav should earn increasingly higher valuation multiples as the company continues to de-risk the threat of "free" alternatives by:
  - Winning global automotive OEM contracts for in-dash navigation with companies like Ford and Delphi;
  - Demonstrating the effectiveness of its mobile advertising model with "drive to rates" of 24%;
  - Signing deals with leading global carriers like Vivo and China Mobile; and
  - Continuing to penetrate the enterprise.
- We believe that there is significantly more value in the company than the current share price implies. On an enterprise value basis, TNAV trades at a 3.7x our FY'12 EBITDA estimate of $79.5M, which is an unwarranted 48% discount to LBS peers that trade at a median multiple of 7.2x.
- TeleNav operates in multiple ecosystems where valuation multiples are considerably higher than where the company trades at now, ranging from 5.9x for automotive OEM vendors to 16.7x for cloud platforms. With the largest install base, diversifying revenue streams, and sticky carrier contracts, we believe that TeleNav should at least trade at the median of its LBS peer set.
- **Our $16.80 target price based on applying a 7.0x EV/EBITDA multiple to our FY'12 EBITDA estimate of $79.5M.**
- As a cross-check to our multiple valuation, we also performed a DCF calculation on our forecasted cash flows. At a discount rate of 12.0%, and a terminal growth of 3%, the share price calculates to $16.34, which is a small variance of 2.7% from our multiples based valuation.

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Rating System

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

Summary of Recommendations		
As of December 31, 2010		
Buy	28	80%
Speculative Buy	1	3%
Sell	2	6%
Hold	3	9%
Under Review	1	3%
Total	35	100%

M | PARTNERS
Research • Trading • Advisory

TELENAV, INC (TNAV-Q)

Rating: BUY
Target: $16.80

MOBILE LOCATION-BASED PLATFORM FOR CARRIERS, CARS AND CAMPAIGNS

MARKET INFO: TNAV-Q			
Closing Price			$10.74
Target Price			$16.80
Potential ROI			56.4%
52 Week Range ($)			$4.65 / $12.27
Market Cap ($mm)			$451.5
Cash (mm)			$155.7
Debt (mm)			$0.0
Enterprise Value (mm)			$295.9
Shares o/s (mm)			42.0
Avg Volume (previous 3 months)			163,960
FYE: June 30	**FY2010A**	**FY2011E**	**FY2012E**
Revenue (mm)	$171.2	$198.6	$230.5
EBITDA (mm)	$78.5	$73.7	$79.5
EBITDA margin (%)	45.9%	37.1%	34.5%
EPS	$0.83	$0.84	$0.88
VALUATION	**FY2010A**	**FY2011E**	**FY2012E**
EV/Sales	1.7X	1.5X	1.3X
EV/EBITDA	3.8X	4.0X	3.7X
P/E	13.0X	12.8X	12.2X

Source: Capital IQ, M Partners

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Douglas Miller, CFO	
Robert Rennard, CTO	
Directors	
Shawn Carolan	
Joseph Zaelit	
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Soo Boon Koh	
Major Shareholders	
Digital Mobile Ventures	26.9%
Menlo Ventures	14.6%
iGlobe Partners	7.6%
Wellington Management Comp	5.0%
Insiders	11.7%

Source: Capital IQ

ON LOCATING A MOBILE GEM

➔ **With a base of 20 million users each contributing $2.60 to annual FCF, TeleNav has leveraged this profitable beachhead to successfully expand into adjacent high growth LBS markets including automotive in-dash navigation, mobile advertising, and enterprise MRM.**

➔ **Despite achieving the industry best combination of 3-year revenue CAGR of 89%, LTM EBITDA margins of 41.4% and ROE of 36.7%, TeleNav trades at a FY'12 EV/EBITDA of 3.7x, representing a 48% discount to LBS peers.**

➔ **TeleNav has $155.7M of cash on its balance sheet, representing 31% of its market cap and has zero debt.**

A CARRIER WEAPON UNLEASHED

- TeleNav Inc. (TNAV) owns 36% of the U.S/E.U. mobile turn-by-turn (TBT) navigation market because mobile operator customers need TNAV to help protect margins from "off-deck" LBS solutions that use data but don't generate revenue.
- What is not well understood is how effectively the company is:
  - Leveraging U.S leadership in mobile navigation to expand internationally. Current signed deals already includes 720 million potential new users.
  - Entering adjacent segments such as in-dash navigation and MRM solutions which increases its addressable market by over $2B per annum by 2014.
  - Evolving into a cloud-based "on-deck" LBS platform for advertising, m-commerce, services, and 3rd-party content. The addressable market size for this segment is estimated to be worth $2.6B by 2014.

VALUATION AND RECOMMENDATION

- We believe that there is significantly more value in the company than the current share price implies. On an enterprise value basis, TNAV trades at a 3.7x our FY'12 EBITDA estimate of $79.5M, which is an unwarranted 48% discount to LBS peers that trade at a median multiple of 7.2x.
- TeleNav operates in multiple ecosystems where valuation multiples are considerably higher than where the company trades at now, ranging from 5.9x for automotive OEM vendors to 16.7x for cloud platforms. With the largest install base, diversifying revenue streams, and sticky carrier contracts, we believe that TeleNav should at least trade at the median of its LBS peer set.
- **We are initiating coverage with BUY recommendation and $16.80 target price based on applying a 7.0x EV/EBITDA multiple to our FY'12 EBITDA estimate of $79.5M.**
- As a cross-check to our multiple valuation, we also performed a DCF calculation on our forecasted cash flows. At a discount rate of 12.0%, and a terminal growth of 3%, the share price calculates to $16.34, which is a small variance of 2.7% from our multiples based valuation.

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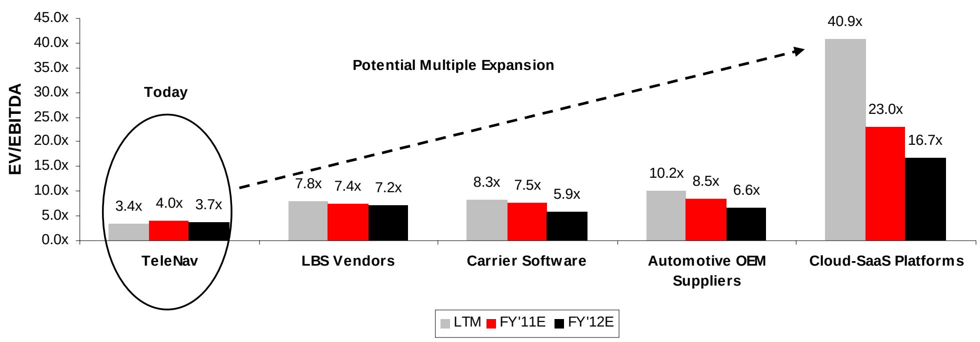
FIVE REASONS TO BUY THIS STOCK TODAY

1) **LBS is rocking and TeleNav is the lead singer:** According to a 2010 Juniper Research study, 1.5 billion consumer users are forecasted to drive annualized mobile location based services ("LBS") revenues to $12.7B by 2014. We believe that through its current LBS offerings alone, TeleNav is poised to address at least $5.0B of this market. With 19.6M users as of December 31, 2010, Telenav has the largest revenue-generating consumer LBS user base amongst over 6,000 LBS related vendors globally. TeleNav's success in its core mobile navigation platform is a key enabler of other location based opportunities such as mobile advertising, in-dash automotive navigation, and mobile resource management. Since going public in May of 2010, TNAV has grown its user base by 63%, adding 7M new users. **As a greater percentage of revenue is generated from new market segments, and as it scales as a mobile LBS platform, the EV/EBITDA multiple should expand accordingly.** *See chart below.*

Relative Valuation Multiples



2) **Customers are massive and motivated to drive revenue for TNAV:** Telenav is partnered with 15 leading carriers with a global footprint of 29 countries who need on-deck LBS apps to maintain subscriber stickiness and drive ARPU. Despite having grown its user base by 63% Y/Y, TeleNav still only has a 7% penetration rate among 5 US-based carrier clients, which have 275 million subscribers combined. The company is just beginning to deploy with leading international mobile operators, where signed contracts represent a universe of 720 million potential users. With third-party "off-deck" LBS providers like Google (GOOG-Q), and AOL threatening to turn carriers into "dumb pipes", TeleNav is a key partner for carriers to capture earnings in the rapidly growing market for LBS applications.

3) **Post-IPO disaster averted, stock reacts to execution:** One of the potentially unintended consequences of the IPO in May of 2010 was to expose just how much money TNAV was making from its largest customer Sprint. Upon viewing the 45%+ adjusted EBITDA margins and the 24%+ net income margins, Sprint may have decided to rebalance the deal. Leveraging its customer dominance, Sprint forced the contract to be re-opened and re-negotiated. Upon disclosing the renegotiation to the market with no assurances of success, TeleNav's shares subsequently plummeted to a low of $4.68. A month later, TNAV announced that Sprint had agreed to new terms and then in October the company confounded the market by beating expectations and guiding higher – despite the Sprint deal. Then they did again in January. Investors began to realize that the renegotiated Sprint contract may be better than at first glance and that TeleNav is not a broken business.

4) **New Sprint deal → more users, more revenue streams, better economics:** The new Sprint deal benefits TeleNav in two not well understood ways: i) Because margins improve on scaling, Sprint is incented to include Telenav in more data bundles up-sold to more current subscribers, thus accelerating the potential user base for Telenav; and ii) by carving out a greater revenue split for Telenav on incremental services, TeleNav's top-line becomes more highly levered to emerging rapid growth areas in LBS such as mobile advertising, m-commerce, lead generation, and other emerging revenue models.

5) **"Free" Fear is Overdone:** TeleNav's greatest perceived competitive risk comes from "free" mobile handset navigation applications, particularly from Google. This threat has been and continues to be a drag on its valuation relative to its peers. Through solid investments over the past three years, we believe the company is mitigating this threat TeleNav should earn increasingly higher valuation multiples as the company continues to de-risk the threat of "free" alternatives by: i) winning global automotive OEM contracts for in-dash navigation with companies like Ford and Delphi; ii) demonstrating the effectiveness of its mobile advertising model with "drive to rates" of 24%; iii) signing deals with leading global carriers like Vivo and China Mobile; and iv) continuing to penetrate the enterprise.

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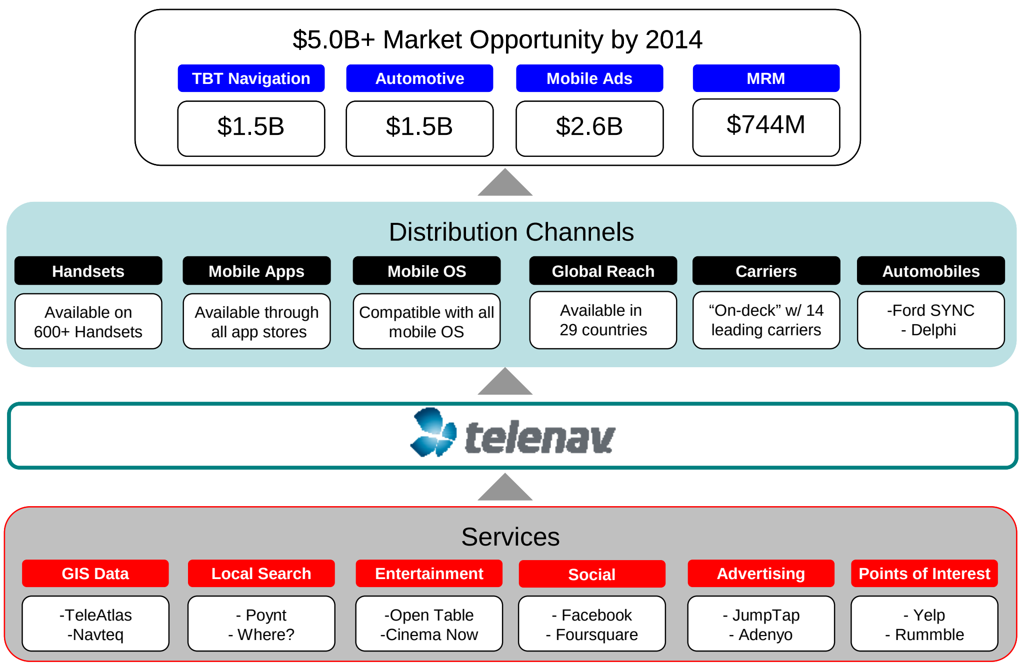
WHO IS TELENAV?

Headquartered in Santa Clara California, TeleNav is a cloud-based provider of location-based applications delivered to GPS-enabled phones. TeleNav was incorporated in Delaware in 1999 and went public in May 2010 with a listing on the NASDAQ as TNAV. The company has 953 employees with 800 engineers, of which about 500 are located in the company's R&D facilities in China.

TeleNav's flagship turn-by-turn (TBT) mobile navigation platform was launched with Nextel (now Sprint) in 2002. Since then they have launched with AT&T, US Cellular, T-Mobile as well as leading international carriers such as China Mobile, Vivo, and Telcel. With 19.6M paying users, the company is currently global leader in mobile navigation.

The company's leadership in mobile navigation platform has acted as a springboard to adjacent market opportunities in mobile advertising, mobile commerce, mobile resource management (MRM), and automotive in-dash solutions. Through significant investments and solid execution across a broad range of vertical markets, TeleNav has increased it market opportunity to $5.0B (up from $1.5B) as an end-to-end LBS platform spanning across multiple distribution channels including handsets, operating systems, carriers, and automobiles.

An end-to-end LBS platform spanning multiple distribution channels with a $5.0B addressable market opportunity by 2014.



Source: M Partners, Company Reports

CLOUD-BASED, SERVICE DELIVERY ARCHITECTURE

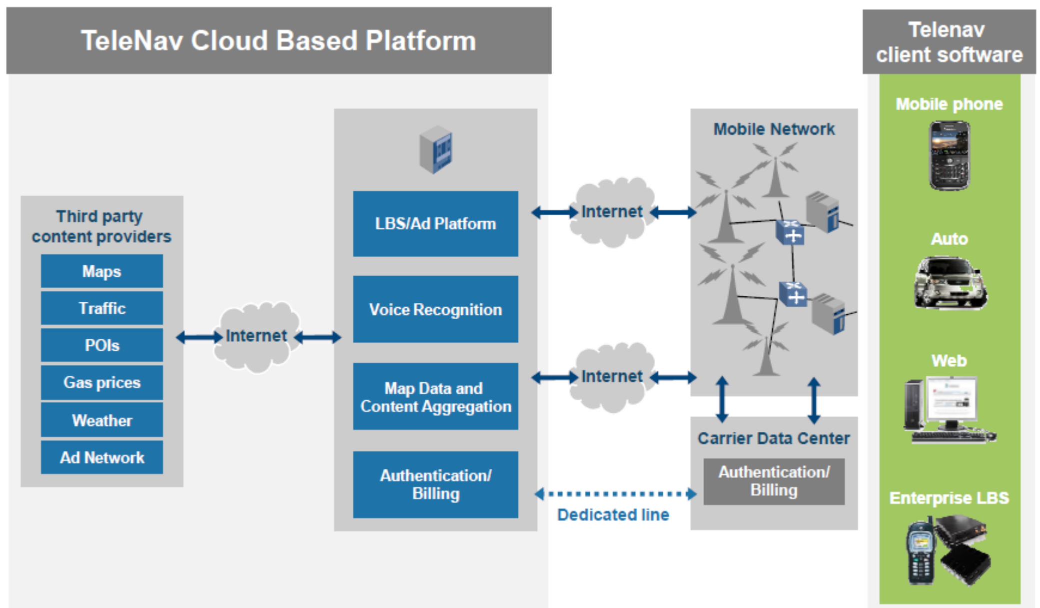
The TeleNav navigation solution is implemented on a cloud-based architecture, which allows a multitude of navigation services to be delivered to almost all the mobile handsets in the market. The mobile-phone-based navigation application takes basic location readings from GPS signals and cell-tower triangulation and then sends them back to TeleNav's servers. Based on a user's location and desired destination, TeleNav runs map lookups and routing algorithms at the server level, before sending out the set of instructions to get to a targeted address.

Since the application essentially exists in the cloud, upgrades to the services or the addition of incremental capabilities can be implemented easily. Recent additions to the platform include the ability to deliver targeted mobile advertising or to track a mobile field worker's location and progress. The cloud platform makes it easy to add content, services, and partners.

TeleNav's service delivery system includes a direct connection to the carrier partner's back-end, allowing for seamless authentication and billing. Carriers bill customers directly and the revenues are passed on to TeleNav. End users do not have to set up and pay a separate bill and TeleNav does not have to develop its own billing infrastructure or take on additional credit risks.

GIS data is pulled from TeleAtlas and Navteq, while POI information comes from multiple third-party sources. Local advertisements are provided by ad networks such as yp.com, Yelp, or directly from advertisers (e.g., Darden Restaurants, Holiday Inn, etc.). TeleNav's application programming interfaces (APIs) allow third party developers to connect TeleNav's location-based services, such as turn-by-turn directions and location sharing, to their mobile and web applications. This helps developers reach the company's 20 million subscribers and enables seamless navigation and location sharing across all major mobile operating systems on hundreds of devices supported by the networks of TeleNav's carrier partners.

Cloud Brings: More content, more services, more devices, and more market segments.



Source: Company Presentation

FINANCIAL PERFORMANCE & OUTLOOK

Customer concentration should decline with fastest growth coming from new segments

REVENUE PERFORMANCE

Almost 100% of TeleNav's revenue is recurring and subscription-based, providing the company with excellent visibility. Over the past three fiscal years ended June 30, TNAV achieved a revenue CAGR of 89% - growing from $48.1M in FY'08 to $171.2M in FY'10. Revenue growth to date has primarily been driven by Sprint and AT&T which represented 61% and 29% of FY'09 revenue and 55% and 34% of FY'10 revenue.

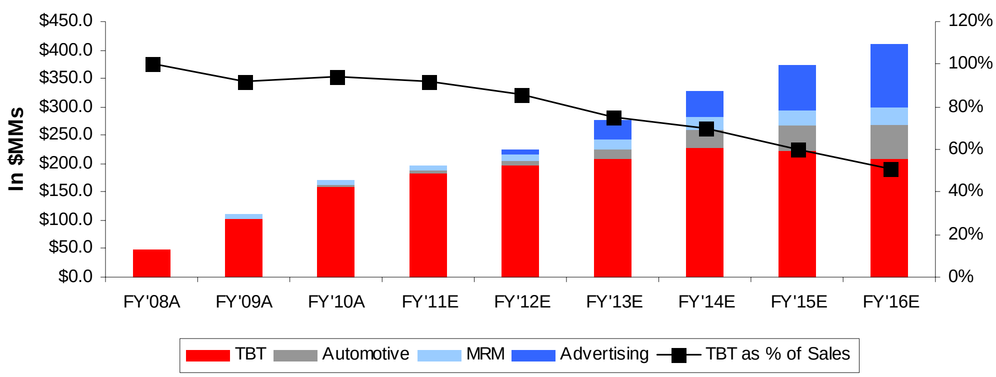
During Q2'11, TeleNav reduced its revenue concentration from Sprint and AT&T to 44% and 40% of total revenue respectively. Q2'11 revenue from US Cellular and T-Mobile grew by 169% Y/Y to account for $4.3M or 9% of total revenue, up from $1.6M in Q2'10. We expect this trend to continue and we see Sprint/AT&T revenue concentration declining considerably to 35% and 31% by FY'12 as the company ramps up its deployments with new carrier partners, new automotive OEMs, and new content providers.

While management has not delineated specific contribution from automotive, mobile advertising, and MRM, they indicated that the company is on track to exit FY'11 with a run-rate of about 10% of total revenues from these business segments. This is up from 7% of total Q2'11 revenue.

REVENUE FORECAST ASSUMPTIONS

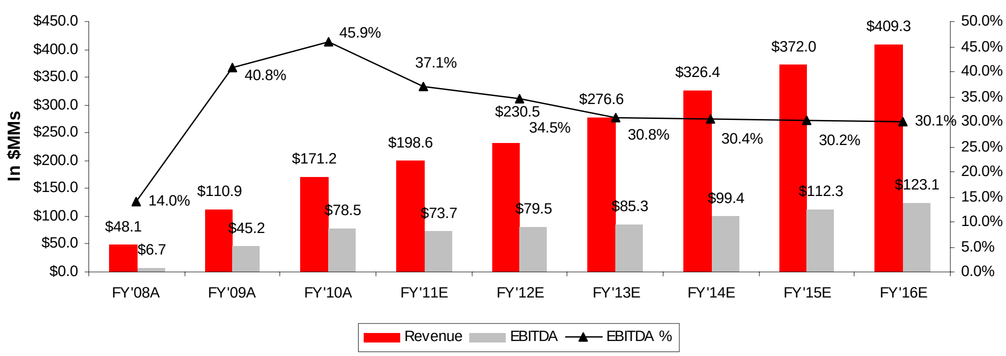
- **Carrier TBT Navigation**: We believe that Sprint currently pays about $20M per quarter in its fixed fee contract with TeleNav until December 2012. We expect Sprint to rollover the agreement but at lower successive rates. Our forecast also assumes that a majority of TeleNav's US carrier partners will migrate to fixed fee arrangements by H2'13. For its international carrier partners, we are forecasting modest until network infrastructure begins to mature in emerging markets. Based on the current pace capital spending on equipment and infrastructure, we expect this to occur by 2013.
- **Automotive**: For FY'12 and beyond, we expect rapid growth from TeleNav's automotive revenues as SYNC navigation becomes a standard feature in all Fords and MyTouch gains traction amongst consumers. We do not anticipate any contribution from Delphi until H2'12 as automakers typically take between one and two years to begin production once they have chosen their suppliers.
- **Mobile Advertising**: We see advertising as a key growth driver for the company given the breadth of their platform and early success with "drive-to-rates". However, since TeleNav's advertising platform was only launched in September 2010, we expect limited advertising revenue in the near term. While we anticipate rapid growth from this segment, it will be from a small base. Consequently, we are not modeling mobile advertising as a 10% revenue contributor until FY'13.
- **Enterprise MRM**: To date, TeleNav has relied primarily on its carrier partnerships with AT&T and Sprint as sales channels for their MRM business. Given that TeleNav's two most direct competitors also sell through the same channels and the undifferentiated core product suites, we are modeling in modest growth in this segment. We could become more constructive about TeleNav's MRM business if company builds out more direct sales and marketing resources and delivers some solid customer wins over the next two quarters.

Revenue Composition



EBITDA margins should normalize at 30%

Financial Performance



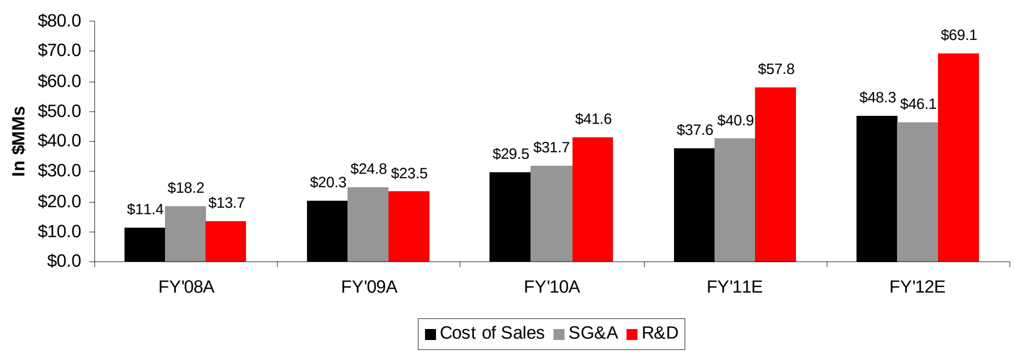
Source: M Partners, Company Reports

EARNINGS HISTORY AND OUTLOOK

Gross Margin: TeleNav has historically enjoyed gross margins in excess of 80%, with gross margins of 83% over the last four quarters. Management expects this to decline to about 80% by the end of FY'11 due to higher third party data costs as automotive and mobile advertising contribute more to revenue. Longer term, management has set a gross margin target range of 72% to 75%.

Adj. EBITDA: Before reporting adj. EBITDA margins of 38.6% for Q2'11, TeleNav had achieved adj. EBITDA margins in excess of 40% for the prior eight quarters and reported an annual adj. EBITDA margin of 45.9% for FY'10. During Q2'11, management disclosed that 30% of its operating costs were being allocated to strategic growth areas which only contribute to 7% of the company's total revenues today. As management is expecting to increase R&D investments to capture a greater share of the growing LBS pie, they guided that longer term adj. EBITDA would fall in the range of 33% to 36%. We believe that significant investments in R&D are the key to TeleNav's future and are forecasting more modest longer term adj. EBITDA margins of about 30%.

Costs Driven by Increasing R&D Investments



Source: M Partners, Company Reports

Net Income: Driven by historically high gross and operating margins, TeleNav has in the past achieved a net income margins in the range of 23% to 27%. Net income is negatively impacted by a high California corporate tax rate which is currently in excess of 40%. As international operations begin contributing more to revenue, we expect the tax rate to decline to about 35%.

CASH FLOW AND BALANCE SHEET

Due to minimal working capital and capital expenditure requirements, TeleNav generates a consistent stream of free cash flow and has a solid debt free balance sheet. In addition to raising $44.6M from its May 2010 IPO, the company generated FCF of $36.4M. During H2'11, TeleNav added an additional $44.1M in FCF exiting Q2'11 with a total cash balance of $155.7M. We believe that Sprint made an upfront annual payment of $80M in January to cover its fixed licensing obligations for 2011 inferring a pro forma cash balance of over $235M or $5.60 per share.

As of December 31, 2010 there were 42.2 million basic shares outstanding and 45.9 million fully diluted shares outstanding including options. Insiders control 11.7% of shares outstanding with 49.1% of outstanding shares retained by its venture capital investors.

KEY MARKETS AND PRODUCT OFFERINGS

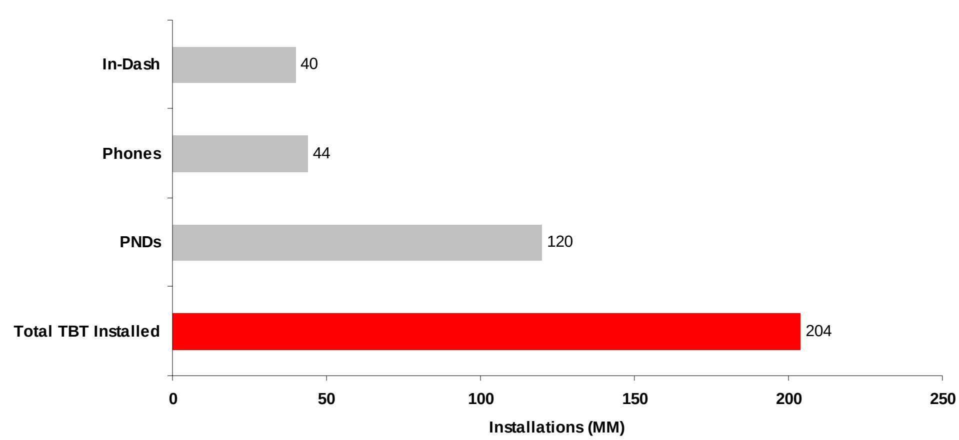
ON-DECK MOBILE NAVIGATION

TeleNav's core product is an "on-deck" mobile navigation application which represents 93% of its current revenues. The application is pre-loaded onto a carrier's handsets and provides voice-guided, turn by turn navigation with a feature set that includes real time traffic, gas prices, and points of interest (POI). Users can also pre-plan trips through the TeleNav website which can be accessed through mobile devices.

Source: Company Website

According to Berg Insight, there were 200 million turn-by-turn installations in North America and Europe as of June 2010. Although Personal Navigation Devices (PND) such as those offered by TomTom and Garmin represent the largest install base, navigation enabled phones are the fastest growing category. Of the 44 million phones enabled with TBT navigation as of June 2010, TeleNav's 16.1M users accounted for 36.5% of the market. We expect that as the penetration of GPS enabled phones in the market increases, phones will eclipse PNDs as the access point for TBT navigation.

TBT Navigation Systems Installed (NA/EU) as of June 2010



Source: Berg Insight

US	
	SUBSCRIBERS
at&t	96M
Sprint Together with NEXTEL	49M
T-Mobile	34M
U.S. Cellular	6M
verizon	94M

Canada	
	SUBSCRIBERS
Bell	7M
ROGERS	9M

Asia	
	SUBSCRIBERS
中国移动通信 CHINA MOBILE	584M

South America	
	SUBSCRIBERS
telcel GSM	63M
vivo	58M

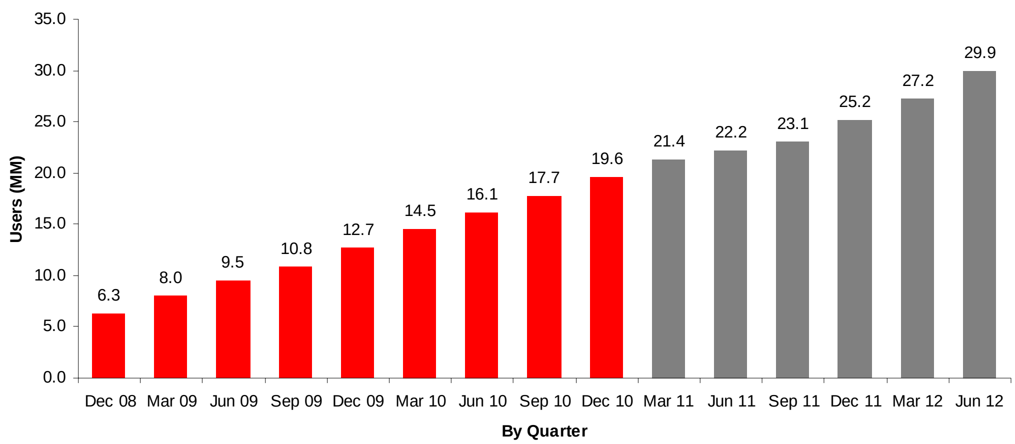
Europe	
	SUBSCRIBERS
T-Mobile (UK prior to Orange JV)	28M

Frost & Sullivan estimates that the market for TeleNav's core on-deck carrier TBT product should grow at a CAGR of 20% from $614M to over $1.5B by 2015. This forecast excludes ad-based revenue but includes up-sells of premium services such as traffic or speed trap alerts. Key drivers in the growth of the carrier TBT navigation market are:

A. **Pre-loaded TBT is a Strategic Focus for Carriers**: With third-party off-deck LBS providers like Google (GOOG-Q), Foursquare, and Where? threatening to turn carriers into "dumb pipes", carriers are increasingly turning to TBT navigation to aggressively monetize data, mitigate churn rates and declining ARPU. Carriers view personalization options associated with mobile navigation as a potential source of customer loyalty as well as an entry point to a broader array of new revenue streams such as mobile advertising and local search. AT&T's 411 and yp.com mobile search and advertising platforms are deeply integrated with TeleNav's pre-loaded navigator application.

B. **Proliferation of GPS Enabled Phones**: IDC estimates that only about 16% (205M) of mobile phones globally are 3G+ GPS enabled 205M. As this number almost triples to over 520M by 2014, we believe consumers will increasingly turn to their mobile phones for turn by turn navigation as a substitute to PND devices.

TeleNav User Base



Source: M Partners, Company Reports

CUSTOMER BASE INCLUDES LEADING GLOBAL CARRIERS

Telenav is partnered with 15 carriers with a global footprint of 29 countries representing a potential universe of 720M users globally. Sprint deployed TeleNav's TBT navigation product in 2002 and is currently TeleNav's largest customer representing 44% of total revenues. TeleNav launched with its second biggest customer, AT&T in 2007, which now accounts for 40% of total revenues.

Newer US carrier partners US Cellular and T-Mobile are beginning show traction with revenue from these deployments growing 169% Y/Y to $4.3M in Q2'11 from $1.6M in Q2'10. US Cellular and T-Mobile now represents 9% of total revenue, up from 6% Y/Y.

Internationally, TeleNav has signed up leading carriers such as China Mobile, Telcel GS, Vivo, and Orange. China Mobile on its own represents a potential universe of 560 million users. Revenue from these international carriers represented 4% of total Q2'11 revenue, up from 3% Y/Y. Although the number of potential users in emerging countries such as China and Brazil is staggering, we do not expect material contribution from these markets until their network infrastructures mature. These countries also lag North America and Europe in the adoption of GPS enabled phones. We anticipate that significant growth should occur in these markets by late 2013 or early 2014.

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PRICING MODELS

GPS Navigator revenues are either billed directly to end-users by carriers as a Monthly Recurring Charge (MRC) or as part of a bundle of services offered with data plans. Currently, Sprint is the only carrier bundling the application as part of its all inclusive data plans. Users do not have to opt-in as they are not explicitly charged for the service. We believe that Sprint pays TeleNav a fixed fee of $20M per quarter for the term of its agreement which ends in December 31 2012.

With the rest of its carrier partners, TNAV operates through a Monthly Recurring Charge (MRC) revenue share model. The TNAV application is typically white-labeled and pre-loaded onto the carrier's GPS enabled phones and users have the option to activate the application for a monthly fee of $7-$10 which carriers then split with TeleNav. Carriers typically offer a free month of service to spur initial user adoption.

We believe that TBT navigation systems will continue to be used as a weapon against "off-deck" handset-based free services (most notably Google) that disintermediate subscriber revenue streams. TeleNav is well-positioned as a platform for carriers to capture a broader array of advertising, commerce, and content based revenue streams. As a result, we predict that TBT navigation will become a standard feature bundled into personalized subscriber data plans. Consequently, we expect carriers to transition from the MRC model to fixed fees. This should result in a rapid expansion of TeleNav's user growth rates as users will no longer explicitly pay for the service. In the end, carriers will fight "free" with "free".

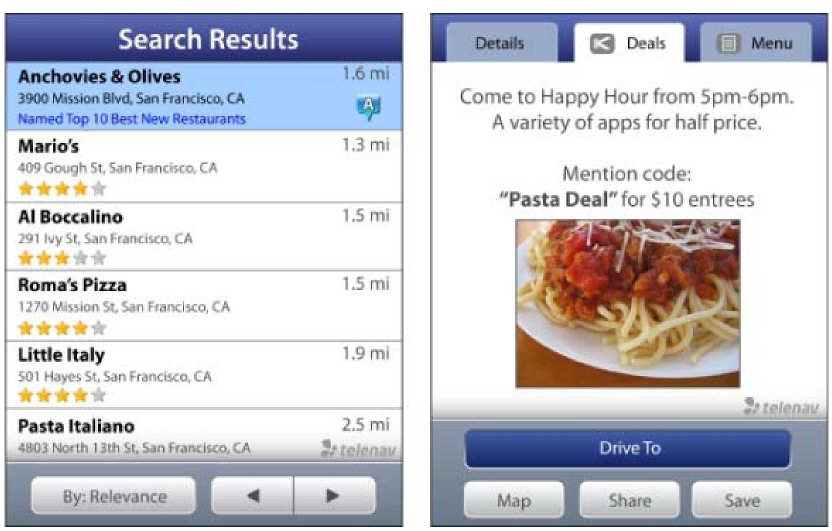
We believe that some per-unit licensees are likely to migrate to a similar licensing model as Sprint, which promotes more users, and revenue sharing for incremental services layered on top of the TBT platform.

MOBILE ADVERTISING

eMarketer predicts that US mobile advertising will grow at a 43% CAGR from $416M in 2009 to $2.6B by 2014. To address this market opportunity, TeleNav launched its location based advertising platform in September 2010. Although not a material contributor to revenue today, we believe TeleNav is well positioned to capture this market opportunity through its large and growing base of 20M+ users conducting 40M+ local searches per month. Moreover, the company recently announced that it now has over 750,000 advertisers on its platform through its partnerships with ad networks such as CitySearch, XAD, and yp.com.

TeleNav measures a "drive-to-rate", capturing the number of users who viewed an ad and drove to the advertiser's location.

TeleNav's ad platform delivers relevant and targeted ads to users based on the location and context of the search query. In addition to measuring traditional ad metrics such as impressions, click thru rate (CTR), and calls, TeleNav also measures a "drive-to-rate" which captures the number of users who viewed an ad and chose to drive to the advertiser's location. We believe the "drive-to-rate" provides advertisers with a compelling value proposition because it can more accurately measure a campaign's return on investment. TeleNav's advertising platform allows advertisers to include additional content in the mobile ad, such as coupons, menus or promotional information to incentive users to "drive to".



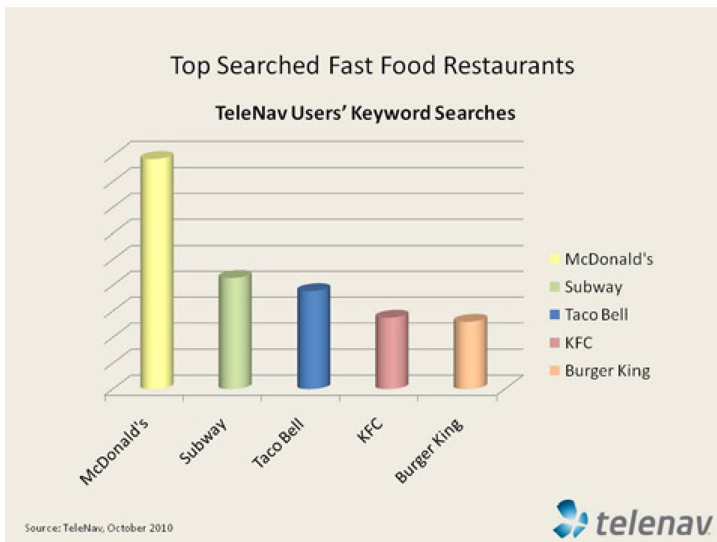
Source: Company Website

We believe that the cross platform, multi-device, multi-service, and multi-carrier partnerships provide TeleNav with a competitive edge in mobile advertising as the fragmented nature of mobile operators, handsets, and operating systems has made the process of buying and delivering mobile advertising very complex. Having captured the leading share of mobile navigation users across carriers, platforms and mobile devices, TeleNav acts as a one-stop shop for publishers to deliver location-based ads.

TeleNav's mobile advertising platform generates valuable data for advertisers which is still to be monetized.

TeleNav's mobile advertising platform also generates valuable data for advertisers. In November 2010, the company released usage data indicating the brands drivers were most actively searching for while on the road. The top brands were identified by analyzing how frequently TeleNav's users entered the brand names as a keyword search on its mobile navigation application. The data revealed leading brands in a variety of vertical industries measured by local search queries. For instance, TeleNav's data analysis found that six of the top ten most searched restaurants in the US were fast-food locations with McDonald's topping the charts as the number one.

Local search data can be of great value to potential advertisers as they can use TeleNav's ad platform to place their listings at the top of the search results list and include deals or coupons within their listings to increase the number of users who visit their locations after conducting a search.



REVENUE POTENTIAL FOR U.S. BASED M-ADVERTISING IS SUBSTANTIAL

During Q2'11, TeleNav reported a "click thru rate" of 3.5% and a "drive-to-rate" of 24%. We believe that the "drive-to-rate" results were based on campaigns with several national restaurant, hotel, and retail chains and estimate that TeleNav generated about $3 per "drive to". The company explained that the high "drive-to rate" was because 84% of users were in their cars when searching for a place to go, indicating that search views occurred when users were at a high point of need. For instance, display ads or coupons for restaurant properties would be delivered at the very moment a user is searching for food around their current location.

To illustrate the revenue potential of mobile advertising on the TeleNav platform today, we assumed an average cost per click (CPC) of $0.25 on display ads and a $3.00 cost per action (CPA) for "drive-tos". Assuming that 24% of users who click thru continue to "drive to", we arrive at a total revenue potential today of $2.4M. Current revenue potential is limited by the % of users with ad enabled clients as well as a low fill rate which is a function of the number of advertisers on the network. Both performance limitations should decline quickly with adoption.

We expect that the number of users with ad enabled clients will increase over time to 100% as carriers pre-load them onto handsets anticipation of driving ad based revenues. If TeleNav can increase the number of monthly searches per user and increase its fill rate as more advertisers are added to the network, then at 50% penetration of its US carrier partner's subscriber bases, the revenue potential increases by a multiple of almost 85x to $203.6M.

US Mobile Advertising Revenue Potential			
Penetration Rates	**Today**	**25%**	**50%**
# Users (MM)	20.0	46.3	92.5
# of Searches Per User / Month	2.0	5.0	8.0
# Local Searches / Month (MM)	40.0	231.3	740.0
% of Users w/ Ad-Enabled Client	30%	100%	100%
Fill Rate	50%	60%	70%
Click thru rate	3.6%	3.6%	3.6%
Avg CPC	$0.25	$0.25	$0.25
Drive to rate	24.0%	24.0%	24.0%
Avg CPA	$3.00	$3.00	$3.00
Total Annual Revenue Potential (MM)	**$2.4**	**$54.5**	**$203.6**

Source: M Partners

AUTOMOTIVE IN-DASH NAVIGATION

Over the next five years, we believe that OEM TBT in-dash navigation could become standard on the majority of the 25M to 30M passenger cars sold in Europe and North America annually. ABI Research predicts that over 60% of these navigation solutions will be connected and software-based by that time. We estimate that TeleNav's total addressable market in the OEM automotive space could be worth as much as $1.5B by 2014.

Cloud-based TBT will be adopted by automotive OEMs as a substitute to today's unconnected in-dash PND due to software cost advantages, advances in on-board connectivity, and to better extensibility to meet changing customer needs. Additionally, software navigation solutions can provide drivers with real-time data, and can reduce driver distraction through voice interaction. TeleNav's automotive applications can be integrated with all the major operating systems that could be selected by automotive OEMs including Linux, Windows CE, QNX, and Android.

Leveraging its leadership in mobile navigation, TeleNav is the exclusive provider of TBT navigation solutions for the Ford's SYNC and MyTouch in-dash platforms. SYNC became available on all Fords beginning in 2010 and MyTouch is standard on all Lincoln and high-end Fords. The SYNC navigation system is strictly voice activated and connects to the driver's phone via Bluetooth sending data over the carrier's network. In addition to all the features of SYNC, MyTouch features a visual, touch-screen interface.

Ford SYNC

MyTouch

In terms of pricing, TeleNav receives a one-time payment for every Ford sold with a MyTouch. This one-time payment is recognized over the term of the contract which based on standard OEM contracts, which we assume to be five years. For SYNC, the company receives and recognizes a monthly fee per vehicle. We estimate that about 1M cars shipped by Ford this year came equipped with the SYNC or MyTouch systems.

The successful deployments with Ford, has opened up new opportunities in the automotive in-dash segment. As part of reporting its Q2'11 financial results, TeleNav announced a long term deal with Delphi (a tier-1 automotive supplier) to supply its in-dash navigation software to a second undisclosed global automotive manufacturer. We believe that the second OEM could be Audi who sells 1.5M cars annually. Additionally, the recently announced partnership with QNX increases the potential for new deals with global manufacturers like Mercedez-Benz, and BMW. Based on the pricing of OEM in-dash navigation offerings from TomTom and Garmin, we believe that TeleNav could generate approximately $50.00 per vehicle.

MOBILE RESOURCE MANAGEMENT (MRM)

TeleNav's Enterprise Mobile Resource Management (MRM) enables companies to manage mobile resources to enhance productivity and efficiency. Mobile resources include field workers, vehicles and other assets. The MRM market can be broken out into the Field Worker Market and the Automatic Vehicle Location Market (AVL). AVL focuses on the geographic location of vehicle fleets and is also referred to as telematics. MRM for mobile field workers are solutions for employees who spend a majority of their time out-of-office such as cable installers, utility workers, and sales professionals.

Although TeleNav offers both AVL and field worker solutions, the company primarily focuses on the field worker market which we expect to grow at a CAGR of 46% to $744M in 2013, up from $166M in 2009. Growth will be primarily driven by adoption of handset based MRM solutions to improve mobile worker productivity in combination with a steep decline in the cost of GPS enabled handsets and data plans. According to Frost & Sullivan, the annual cost of deploying the MRM solution has decreased at a CAGR of around 27% from $1526/subscriber in 2005 to $538/subscriber in 2009.

In addition to real-time alerts, traffic re-routing and TBT navigation, TeleNav's MRM solutions provide enterprises with the mobile workforce productivity enhancing applications such as wireless timecards, dynamic scheduling/dispatching, wireless data capture forms, and back office integration. TeleNav has over 9,000 enterprise customers to date and most recently won a deployment with FedEx.

Similar to its flagship TBT product, TeleNav's key distribution channels for its MRM solutions are the mobile carriers. The company is currently partnered with AT&T, Sprint, and Verizon who are responsible for tracking usage information and providing a single bill to customers. MRM productivity suites are primarily marketed and sold by the carriers as up-sells to their enterprise customers and then split on a per user basis with TeleNav. TeleNav also earns incremental revenue from professional services in deploying and integrating its solution with a customer's back office.

COMPETITIVE LANDSCAPE

As TeleNav executes its platform strategy and extends its offerings beyond mobile navigation, it competes with a multitude of segment specialists and potential substitutes. The company's greatest perceived competitive threat for user share comes from "free" mobile navigation applications, particularly from Google. Management has indicated that the company has made significant investments over the past three years to contain this threat. During Q2'11, management disclosed that 30% of its operating costs were being allocated to strategic growth areas which only contribute to 7% of the company's total revenues today. We believe the following data points support our view that the threat of "free" may not be as great a risk as investors perceive:

1) TeleNav is partnered and tightly integrated with large carriers whose influence with handset makers may be underestimated. Carriers have the ability to pre-load and bundle mobile navigation services onto their handsets offerings. As carriers fight to protect data margins in the expanding market place for location based services, we could see carriers pressure Android handset makers into not pre-loading Google's mobile navigator to minimize Google's control of location content.

2) TeleNav's navigator is available across over 600 smart phones and feature phones: 50% of phones on the market today are feature phones without access to "free" TBT navigation.

3) With a cross channel, multi-device, multi-OS, and multi-carrier platform, TeleNav simplifies the process of buying and delivering mobile content and advertising for advertising partners. Having captured the leading share of mobile navigation users across carriers, platforms and mobile devices, TeleNav is one-stop shop for publishers to deliver ads.

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4) Free navigation apps like Android have actually helped to grow TNAV user base by raising consumer awareness. Since Android came to market with free navigation two years ago, TNAV has doubled its user base.

5) "Free" navigation apps are not actually "free" as users still pay for data consumed. We believe that current monthly recurring charge (MRC) carrier partners are likely to migrate to Sprint's bundling model which essentially makes TeleNav also "free" in the perception of users.

6) The Chinese telecom industry strictly protects state owned carriers like China Mobile. This provides a competitive moat in respect of TeleNav's access to China Mobile's 584M subscribers as carriers can use government regulations to exclude the use of third party mobile navigation on its handsets.

7) TeleNav's recurring revenue model and solid balance sheet provides the company with the financial flexibility to invest in new strategic areas through acquisitions or organically.

MOBILE NAVIGATION

TeleNav's most direct competitor in the on-deck mobile navigation space is Telecommunications Systems (TCS) through its acquisition of Networks in Motion (NIM) in November 2009. However, with four of the five largest carriers in the US signed up and over 20M users, TeleNav has a significant lead. Other smaller carrier aligned mobile navigation vendors include Telmap, Jentro, and Appello Systems.

TeleNav also competes with numerous other paid TBT navigation apps available in mobile app stores such as Sygic and Navigon. However, TeleNav consistently outperforms these apps in the majority of professional reviews from blogs such as Gizmodo.com, Androidguys.com. and crackberry.com.

AUTOMOTIVE

In the automotive segment, TeleNav primarily competes with "on-board" factory fitted hardware based navigation devices from vendors such as Garmin and TomTom. These devices are typically unconnected, difficult to update, and do not provide drivers with real time information. In contrast, cloud based navigation solutions like Ford's MyTouch or SYNC offerings provide drivers with the most up to date maps and real time traffic information as well as points of interest.

Due to their cost advantages to auto makers as well as the benefit of real time data to drivers, ABI Research predicts that by 2014, connected software-based navigation will dominate hardware based solutions in the automotive space. We believe that through its partnerships with Ford, Delphi, and QNX, TeleNav is well positioned to capture a sizeable piece of the automotive navigation market.

ENTERPRISE LBS

TeleNav distributes its mobile resource management solutions to the enterprise through direct and indirect channels in partnership with Sprint, AT&T, and Verizon. Each one of these partners also acts as distribution channels TeleNav's direct competitors in mobile resource management. Primary competitors also marketed by Sprint, AT&T, and Verizon are Xora and ActSoft with limited differentiation in core product functionality.

Despite showing solid traction other areas, although we believe that the company could face challenges within the highly competitive and complex enterprise MRM segment. Even as TeleNav competes with Xora and Actsoft through its mobile operator channels, there are a myriad of competitors with deep expertise in logistics and supply chain management that sell directly enterprises including large players such as Trimble and Descartes Systems. There are also numerous point solutions such as telematics, field worker software vendors, and large hardware vendors such as Ingenico and Intermec that also provide MRM solutions to the enterprise.

VALUATION AND RECOMMENDATION

We are initiating coverage with a target price of $16.80 based on applying a 7.0x EV multiple to our FY'12 EBITDA estimate of $79.5M. This is supported by our five year DCF value of $16.34 based on a discount rate of 12% and a terminal growth rate of 3%.

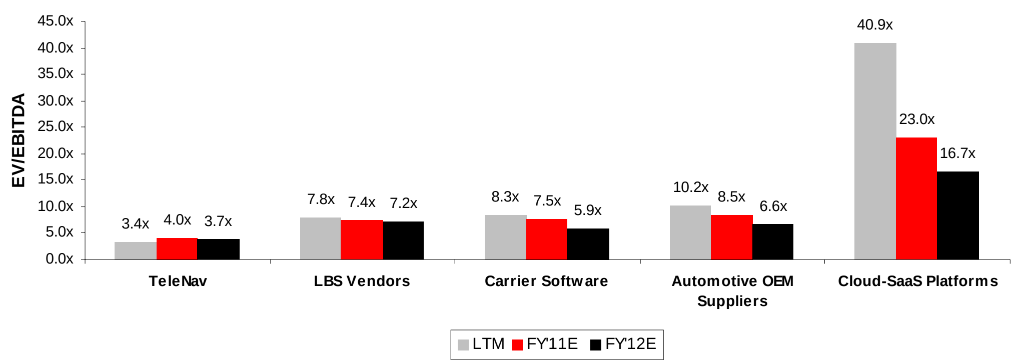
At 3.7x, TNAV trades at 48% discount to peers on a F'12 EV/EBITDA basis. We think it should be closer to the LBS median of 7.2x.

TeleNav does not have any publicly traded pure-play comps. The TeleNav is a cloud-based provider of mobile navigation software operating within multiple ecosystems including location based services, automotive OEM suppliers, and carrier software. The median FY'12 multiples within each of these industry silos range from a low of 5.9x in the case of carrier software vendors to a high of 16.7x in the case of high growth SaaS platforms.

On an enterprise value basis, TNAV is trading at 3.4x LTM EBITDA of $87.4M and 3.7x our FY'12 EBITDA estimate of $79.5M. The considerable discount may reflect investors' concerns relating to customer concentration, the competitive threat of "free" alternatives, and the risks associated with execution of the company's strategic growth initiatives. We believe that these perceived risks have been overly priced into the stock.

TeleNav is a high growth company with significant earnings leverage and we think as investors see evidence of continued execution in gaining user share and diversifying its revenue streams, the stock could eventually earn multiples in-line with those of high-growth SaaS companies. However, since 93% of the company's revenue is currently generated through its core mobile navigation product, we look to LBS vendors which trade at a median of 7.2x FY'12 EV/EBITDA as the baseline for our valuation.

Relative Valuation Multiples



Source: M Partners, Capital IQ

Relative to its publicly traded LBS peers, TeleNav trades at a FY'12 EV/EBITDA discount of 48%. Considering that TeleNav has achieved a revenue CAGR of 89% over the past three fiscal years while maintaining EBITDA margins of 40%, we believe that such a significant discount is unwarranted. Our target price of $16.80 based on 7.0x FY'12 EV/EBITDA is well supported by our DCF model which values the company at $16.34 per share.

Our discounted cash flow analysis provides support for our comparative multiple valuation.

FCF ($MM, Year Ended June 30)	H2'11E	F'12E	F'13E	F'14E	F'15E	F'16E	Terminal Year
Periods	**0.5**	**1.5**	**2.5**	**3.5**	**4.5**	**5.5**	**6.5**
Revenue	99.4	230.5	276.6	326.4	372.0	409.3	
Y/Y Growth	-41.9%	16.1%	20.0%	18.0%	14.0%	10.0%	
Gross Margin	79.5	182.2	210.9	246.4	275.3	297.3	
GM %	80.0%	79.0%	76.3%	75.5%	74.0%	72.7%	
Operating Income	26.3	66.9	71.9	84.9	96.7	106.4	
Operating Margin	26.5%	29.0%	26.0%	26.0%	26.0%	26.0%	
NOPAT	15.8	40.2	43.9	52.6	61.9	69.2	
Tax Rate	40.0%	40.0%	39.0%	38.0%	36.0%	35.0%	
D&A	3.1	7.9	9.0	10.0	11.0	12.0	
Stock based compensation	2.1	4.6	4.4	4.5	4.6	4.7	
(Inc)/Dec in NWC	38.7	(2.5)	(10.4)	(7.0)	(6.4)	(5.2)	
Net Working Capital (Excl. Def Rev)	23.8	28.3	38.7	45.7	52.1	57.3	
CAPEX	(5.0)	(11.5)	(13.8)	(16.3)	(18.6)	(20.5)	
Free cash flow	**55.0**	**39.4**	**33.1**	**43.8**	**52.5**	**60.2**	**62.0**
Y/Y Growth	58.7%	-28.2%	-16.2%	32.6%	19.8%	14.6%	3.0%
PV of FCF	52.0	33.5	25.2	29.9	32.2	33.1	359.1

DCF Sensitivity Matrix

		Discount Rate		
		11.5%	**12.0%**	**12.5%**
Terminal Growth	**2%**	$ 16.13	$ 15.49	$ 14.86
	3%	$ 17.10	**$ 16.34**	$ 15.60
	4%	$ 18.33	$ 17.40	$ 16.52

Source: M Partners

KEY RISKS

Customer Concentration: For some investors potential customer concentration risk became very real during the summer of 2010 when Sprint, which currently represents approximately 40% of TeleNav revenues, unilaterally decided to renegotiate a long-standing contract. The stock declined by 39% after this announcement. There is no certainty that AT&T will not behave similarly in the future. The positive news is that the company has been successful in reduce customer concentration, and we predict that by 2013, Sprint customer concentration could decline to 35%.

Competitive Disruption: It is hard to get more disruptive than “free”, and TeleNav has still managed to increase its user base in the face of “free” service. The next possible level of competitive disruption could be competitive vertical consolidation among data providers, LBS platforms, content providers, and even carriers themselves. Vertical consolidation among competitors could cause service disruption, reduced margins due to fewer supplier options, and even lost clients if carriers are involved. TeleNav has a very solid balance sheet that if can use to defend against competitor consolidation via acquisition or partnerships.

Intellectual Property: There have been several recently granted patents related to Location-Based Services – and specifically local advertising. Several smaller players such as Poynt and Where? have patents or patent claim continuations that could cause murkiness around intellectual property in the short to medium term. The uncertainty regarding patents could increase operating expenses due to litigation, and could result in gross margin compression if TeleNav is required to pay royalties to third-parties on certain local advertising and search methods.

Content Supply: TeleNav relies on 3rd parties to supply data. If they were to stop supplying content to TeleNav, its service offering would be impaired resulting in potential service disruption and even customer contract cancellations. The content supply chain is fairly mature and each element of content has multiple suppliers. As a cloud-based service, access to alternative suppliers could occur with relatively minor service disruption (if any). However, a new contract with alternative suppliers could be more costly, impacting future gross margins.

Carrier Dependence: TeleNav is dependent upon carrier partners to behave as anticipated in order to assure future growth in revenue and earnings. If customers stop reselling TeleNav solutions or they dramatically change pricing, then future growth could be impaired. As well, TeleNav is dependent upon access to a growing subscriber base controlled by carrier partners. If subscribers are lost, then TeleNav's future growth may be impaired.

Global Economic Conditions: Although mobile subscriptions have become a utility and are somewhat immune to worldwide economic conditions, new market segments like automotive and advertising have proven to be highly sensitive to worldwide market conditions. Short-term economic uncertainty caused by spikes in commodity prices (such as oil) could trigger unfavorable economic conditions that could impair growth and future cash flows.

APPENDIX A – COMP SET

									Valuation Multiples				
Company Name	**Market Cap (mm)**	**Ent. Value (mm)**	**LTM Revenues (mm)**	**Cash & Equiv. (mm)**	**LTM EBITDA (mm)**	**EBITDA (%)**	**ROE (%)**	**3-Year Growth Rate (%)**	**FYE TEV/ EBITDA**	**FY+1 TEV/ EBITDA**	**FWD P/E**	**TEV/ LTM EBITDA**	**TEV/ LTM Revenues**
LBS Vendors													
DigitalGlobe, Inc. (NYSE:DGI)	$1,377.0	$1,534.6	$311.5	$187.8	$166.5	53.5%	3.5%	0.0%	6.9x	5.8x	288.3x	9.2x	4.9x
Garmin Ltd. (NasdaqGS:GRMN)	$6,754.2	$5,468.8	$2,689.9	$1,285.4	$731.3	27.2%	19.9%	-5.4%	7.8x	8.7x	13.0x	6.5x	1.9x
GeoEye, Inc. (NasdaqGS:GEOY)	$940.7	$1,026.3	$321.1	$296.9	$164.3	51.2%	5.4%	21.0%	5.7x	5.3x	21.9x	6.2x	3.2x
TomTom NV (ENXTAM:TOM2)	$1,382.0	$1,663.7	$1,521.1	$311.3	$295.4	19.4%	0.0%	0.0%	6.1x	5.7x	9.0x	5.7x	1.1x
Trimble Navigation Limited (NasdaqGS:TRMB)	$5,634.4	$5,586.3	$1,293.9	$220.8	$206.2	15.9%	7.8%	1.9%	19.8x	16.8x	24.3x	25.6x	4.3x
Wireless Matrix Corp. (TSX:WRX)	$84.2	$71.9	$39.6	$12.1	$4.4	11.2%	-7.4%	8.4%	15.4x	10.1x	20.4x	16.0x	1.8x
Average						29.7%	4.9%	4.3%	10.3x	8.7x	62.8x	11.5x	2.9x
Median						23.3%	4.4%	1.0%	7.4x	7.2x	21.1x	7.8x	2.5x
Carrier Software Vendors													
Bridgewater Systems Corporation (TSX:BWC)	$225.5	$154.4	$91.9	$71.0	$18.6	20.2%	19.0%	35.5%	7.5x	7.8x	16.6x	8.3x	1.7x
Tekelec (NasdaqGS:TKLC)	$531.4	$310.5	$424.0	$220.9	$66.3	15.6%	2.5%	-0.6%	5.9x	5.2x	31.6x	4.7x	0.7x
Smith Micro Software Inc. (NasdaqGS:SMSI)	$310.9	$253.4	$130.5	$72.6	$30.3	23.2%	4.1%	20.9%	15.6x	5.9x	10.3x	8.4x	1.9x
Synchronoss Technologies, Inc. (NasdaqGS:SNCR)	$1,220.9	$1,048.0	$166.0	$182.1	$26.5	16.0%	1.8%	10.3%	16.9x	13.3x	42.3x	39.5x	6.3x
TeleCommunication Systems Inc. (NasdaqGS:TSYS)	$243.3	$322.3	$388.8	$81.5	$46.2	11.9%	7.9%	39.2%	4.8x	4.0x	15.5x	7.0x	0.8x
Average						17.4%	7.1%	21.1%	10.1x	7.3x	23.3x	13.6x	2.3x
Median						16.0%	4.1%	20.9%	7.5x	5.9x	16.6x	8.3x	1.7x
Automotive OEM Suppliers													
Harman International Industries Inc. (NYSE:HAR)	$3,310.0	$2,951.4	$3,480.8	$733.1	$289.7	8.3%	9.8%	-2.9%	8.5x	6.6x	23.3x	10.2x	0.8x
Johnson Controls Inc. (NYSE:JCI)	$27,148.1	$30,700.1	$35,434.0	$321.0	$2,495.0	7.0%	15.8%	-0.4%	9.9x	8.3x	15.6x	11.1x	0.9x
Magna International, Inc. (TSX:MG)	$12,083.9	$10,160.3	$24,102.0	$2,105.0	$1,903.7	7.9%	12.4%	-2.6%	5.2x	4.6x	18.8x	5.6x	0.4x
ArvinMeritor Inc. (NYSE:ARM)	$1,673.6	$2,463.6	$3,761.0	$276.0	$201.0	5.3%	NM	-16.9%	7.1x	5.1x	19.8x	9.7x	0.7x
BorgWarner Inc. (NYSE:BWA)	$8,420.6	$9,202.3	$5,652.8	$449.9	$780.5	13.8%	17.5%	2.0%	9.0x	7.8x	18.2x	11.1x	1.6x
Average						8.5%	13.9%	-4.2%	7.9x	6.5x	19.1x	9.5x	0.9x
Median						7.9%	14.1%	-2.6%	8.5x	6.6x	18.8x	10.2x	0.8x
Cloud-SaaS Platform Vendors													
Salesforce.com (NYSE:CRM)	$17,649.6	$17,376.8	$1,657.1	$497.0	$173.2	10.5%	7.8%	32.0%	44.6x	40.7x	93.9x	100.3x	10.5x
LogMeIn, Inc. (NasdaqGS:LOGM)	$861.6	$694.1	$101.1	$167.4	$21.9	21.7%	18.4%	55.3%	23.0x	16.7x	51.8x	31.7x	6.9x
NetSuite Inc. (NYSE:N)	$1,905.4	$1,801.1	$193.1	$104.3	-$13.2	-6.8%	-26.0%	21.2%	76.3x	56.3x	152.7x	NM	9.3x
Taleo Corp. (NasdaqGS:TLEO)	$1,271.5	$1,130.0	$237.3	$141.6	$22.6	9.5%	0.1%	22.8%	18.6x	14.6x	35.1x	50.1x	4.8x
Descartes Systems Group Inc. (TSX:DSG)	$405.5	$341.5	$91.2	$62.8	$19.7	21.6%	7.6%	17.3%	13.1x	10.6x	17.2x	17.0x	3.7x
Average						11.3%	1.6%	29.7%	35.1x	27.8x	70.1x	49.8x	7.0x
Median						10.5%	7.6%	22.8%	23.0x	16.7x	51.8x	40.9x	6.9x
Overall Average									**15.6x**	**12.4x**	**44.7x**	**19.2x**	**3.2x**
Overall Median									**9.0x**	**7.8x**	**20.4x**	**10.0x**	**1.9x**
TeleNav, Inc. (NasdaqGS:TNAV)	**$451.5**	**$295.9**	**$193.7**	**$155.7**	**$78.6**	**40.6%**	**36.7%**	**89.0%**	**4.0x**	**3.7x**	**12.5x**	**3.8x**	**1.5x**

Source: Capital IQ, M Partners

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APPENDIX B – INCOME STATEMENT

TeleNav Inc.
Year Ended June 30

Income statement ($MM, except per share amounts)	F'08A	F'09A	F'10A	Q1'11A	Q2'11A	Q3'11E	Q4'11E	F'11E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	F'12E
Revenue	48.07	110.88	171.16	51.10	48.02	48.50	50.93	198.55	53.47	56.15	58.95	61.90	230.48
Cost of Sales	11.36	20.25	29.48	8.85	8.83	9.69	10.22	37.59	10.83	11.46	12.65	13.37	48.32
Gross Margin	36.71	90.63	141.68	42.25	39.19	38.81	40.71	160.96	42.65	44.68	46.30	48.53	182.16
Operating Expenses													
Research & Development	13.69	23.50	41.56	13.03	13.47	15.52	15.79	57.81	16.04	16.84	17.69	18.57	69.14
Sales & Marketing	13.25	16.54	17.20	4.73	5.80	5.82	6.11	22.46	6.42	6.74	7.07	7.43	27.66
General and Administrative	4.99	8.30	14.52	3.75	4.72	4.85	5.09	18.41	4.28	4.49	4.72	4.95	18.44
	31.93	48.34	73.27	21.50	24.00	26.19	26.99	98.68	26.74	28.07	29.48	30.95	115.24
Operating Income	**4.78**	**42.29**	**68.41**	**20.75**	**15.19**	**12.62**	**13.71**	**62.28**	**15.91**	**16.61**	**16.82**	**17.58**	**66.92**
Adj. EBITDA	**6.73**	**45.19**	**78.53**	**23.54**	**18.54**	**15.17**	**16.44**	**73.68**	**18.76**	**19.65**	**20.05**	**21.00**	**79.45**
Other Income													
Other income (expense)	(0.58)	(1.04)	(0.52)	0.20	0.17	0.00	0.00	0.37	0.00	0.00	0.00	0.00	0.00
Interest income	0.59	0.27	0.11	0.00	0.08	0.14	0.14	0.36	0.14	0.14	0.14	0.14	0.56
	0.01	**(0.78)**	**(0.41)**	**0.20**	**0.25**	**0.14**	**0.14**	**0.73**	**0.14**	**0.14**	**0.14**	**0.14**	**0.56**
Income (loss) before tax	**4.79**	**41.52**	**68.00**	**20.95**	**15.44**	**12.76**	**13.86**	**63.00**	**16.05**	**16.75**	**16.97**	**17.72**	**67.49**
Provision for income taxes	0.18	11.90	26.59	8.59	5.40	5.10	5.54	24.64	6.42	6.70	6.79	7.09	27.00
Net income	**4.61**	**29.62**	**41.41**	**12.36**	**10.04**	**7.66**	**8.31**	**38.37**	**9.63**	**10.05**	**10.18**	**10.63**	**40.49**
Net income aplicable to common shareholders	**1.88**	**15.72**	**25.56**	**12.36**	**10.04**	**7.66**	**8.31**	**38.37**	**9.63**	**10.05**	**10.18**	**10.63**	**40.49**
Earnings per share													
Basic	$0.17	$1.39	$1.64	$0.29	$0.24	$0.18	$0.20	$0.91	$0.23	$0.24	$0.24	$0.25	$0.96
Diluted	$0.07	$0.57	$0.83	$0.27	$0.22	$0.17	$0.18	$0.84	$0.21	$0.22	$0.22	$0.23	$0.88
Weighted average shares													
Basic	11.2	11.3	15.6	42.2	42.1	42.2	42.2	42.2	42.2	42.2	42.2	42.2	42.2
Diluted	26.9	27.7	30.8	44.9	44.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9	45.9
Margins:													
Gross margin	76.4%	81.7%	82.8%	82.7%	81.6%	80.0%	79.9%	81.1%	79.8%	79.6%	78.5%	78.4%	79.0%
Adj EBITDA	14.0%	40.8%	45.9%	46.1%	38.6%	31.3%	32.3%	37.1%	35.1%	35.0%	34.0%	33.9%	34.5%
OPEX as % of Revenues	66.4%	43.6%	42.8%	42.1%	50.0%	54.0%	53.0%	49.7%	50.0%	50.0%	50.0%	50.0%	50.0%
Operating	9.9%	38.1%	40.0%	40.6%	31.6%	26.0%	26.9%	31.4%	29.8%	29.6%	28.5%	28.4%	29.0%
Net income	9.6%	26.7%	24.2%	24.2%	20.9%	15.8%	16.3%	19.3%	18.0%	17.9%	17.3%	17.2%	17.6%

APPENDIX C – BALANCE SHEET

				Q1'11A	Q2'11A	Q3'11E	Q4'11E		Q1'12E	Q2'12E	Q3'12E	Q4'12E	
Cash	16.85	33.13	112.86	50.09	42.68	105.97	97.64	97.64	89.71	122.66	112.64	137.09	137.09
Short Term Investments	0.00	0.00	0.00	81.00	113.00	113.00	113.00	113.00	113.00	113.00	113.00	113.00	113.00
Accounts receivable	14.55	23.94	37.32	57.27	18.55	31.98	33.58	33.58	35.26	37.02	38.87	40.81	40.81
Deferred income taxes	0.00	2.05	3.25	3.02	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Prepaid expenses and other	0.68	2.87	3.02	4.01	10.98	3.40	3.56	3.56	3.74	3.93	4.13	4.33	4.33
Current Assets	**32.08**	**61.99**	**156.45**	**195.39**	**188.20**	**257.35**	**250.78**	**250.78**	**244.71**	**279.61**	**271.64**	**298.23**	**298.23**
Property and equipment	2.86	6.62	9.64	10.23	10.03	10.95	11.86	11.86	12.75	13.65	14.55	15.46	15.46
Deposits and other assets	1.09	3.60	5.76	5.75	6.29	6.29	6.29	6.29	6.29	6.29	6.29	6.29	6.29
Deferred income taxes (non-current)	0.00	0.00	1.87	1.77	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets	**36.03**	**72.21**	**173.72**	**213.14**	**205.71**	**275.78**	**270.12**	**270.12**	**264.94**	**300.74**	**293.66**	**321.17**	**321.17**
Accounts payable	1.20	2.12	2.51	1.75	1.97	2.66	2.81	2.81	2.97	3.28	3.75	4.11	4.11
Accrued compensation	2.10	3.78	5.58	4.10	6.57	3.93	5.40	5.40	6.15	7.02	4.42	6.19	6.19
Accrued royalties	1.92	3.34	2.99	3.60	3.52	3.88	4.09	4.09	4.33	4.59	5.06	5.35	5.35
Other accrued expenses	1.62	1.88	2.72	2.84	3.98	3.93	4.05	4.05	4.01	4.21	4.42	4.64	4.64
Deferred revenue	2.38	3.47	6.75	27.89	11.49	74.49	57.49	57.49	40.49	63.49	46.49	59.49	59.49
Warranty liability	0.00	2.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income taxes payable	0.18	0.00	1.03	5.87	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Current liabilities	**9.40**	**17.09**	**21.57**	**46.05**	**27.65**	**89.01**	**73.96**	**73.96**	**58.08**	**82.71**	**64.27**	**79.91**	**79.91**
Long-term deferred revenue	0.00	0.00	0.00	1.65	2.87	2.87	2.87	2.87	2.87	2.87	2.87	2.87	2.87
Other liabilities	0.56	0.37	3.11	3.27	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Warranty liability (non-current)	1.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	**11.63**	**17.47**	**24.68**	**50.97**	**34.23**	**95.59**	**80.53**	**80.53**	**64.66**	**89.28**	**70.85**	**86.48**	**86.48**
Convertible preferred stock	50.16	51.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Preferred stock	0.01	0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Contributed surplus	2.92	3.49	109.69	110.58	111.26	112.31	113.39	113.39	114.46	115.58	116.76	118.00	118.00
Retained earnings / (deficit)	(28.94)	(0.53)	38.91	51.27	59.95	67.61	75.92	75.92	85.55	95.60	105.78	116.41	116.41
Accumulated other comprehensive loss	0.25	0.40	0.40	0.28	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Total Shareholders Equity	**24.40**	**54.74**	**149.04**	**162.17**	**171.49**	**180.19**	**189.59**	**189.59**	**200.28**	**211.46**	**222.82**	**234.69**	**234.69**
Total Shareholders Equity & Liabilities	**36.03**	**72.21**	**173.72**	**213.14**	**205.71**	**275.78**	**270.12**	**270.12**	**264.94**	**300.74**	**293.66**	**321.17**	**321.17**

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APPENDIX D – CASH FLOW STATEMENT

Statement of cash flows ($MM)	F'08A	F'09A	F'10A	Q1'11A	Q2'11A	Q3'11E	Q4'11E	F'11E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	F'12E
Cash flow from operations													
Net earnings for the period	4.61	29.62	41.41	12.36	10.04	7.66	8.31	38.37	9.63	10.05	10.18	10.63	40.49
Items not involving cash:													
Depreciation and amortization	1.50	2.39	5.20	1.94	2.44	1.50	1.64	7.52	1.78	1.91	2.05	2.18	7.92
Stock-based compensation costs	0.46	0.51	4.93	0.85	0.91	1.05	1.08	3.89	1.07	1.12	1.18	1.24	4.61
Loss on disposial of PP&E	0.03	0.06	0.07	0.00	0.69	0.00	0.00	0.69	0.00	0.00	0.00	0.00	0.00
Revaluation of preferred stock warrants	0.65	0.84	0.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	(0.38)	0.69	(0.91)	0.00	0.00	(0.22)	0.00	0.00	0.00	0.00	0.00
	7.24	**33.42**	**51.57**	**15.84**	**13.17**	**10.21**	**11.04**	**50.25**	**12.48**	**13.09**	**13.41**	**14.05**	**53.02**
Change in non-cash operating working capital	**(7.52)**	**(10.38)**	**(7.12)**	**4.41**	**15.33**	**55.51**	**(16.82)**	**58.43**	**(17.73)**	**22.67**	**(20.48)**	**13.49**	**(2.05)**
Cash flow from operating activities	**(0.29)**	**23.04**	**44.45**	**20.25**	**28.49**	**65.72**	**(5.79)**	**108.67**	**(5.26)**	**35.76**	**(7.07)**	**27.54**	**50.97**
Cash flow from investing													
Sale (purchase) of short-term investments	0.00	0.00	0.00	(81.13)	(32.55)	0.00	0.00	(113.68)	0.00	0.00	0.00	0.00	0.00
Additions to capitalized software	(0.44)	(1.63)	(2.44)	(1.51)	1.01	0.00	0.00	(0.50)	0.00	0.00	0.00	0.00	0.00
Purchase of property and equipment	(1.28)	(5.37)	(7.38)	(0.34)	(2.79)	(2.43)	(2.55)	(8.10)	(2.67)	(2.81)	(2.95)	(3.10)	(11.52)
Cash flow from investing activities	**(1.72)**	**(6.99)**	**(9.82)**	**(82.98)**	**(34.33)**	**(2.43)**	**(2.55)**	**(122.28)**	**(2.67)**	**(2.81)**	**(2.95)**	**(3.10)**	**(11.52)**
Cash flow from financing													
Proceeds from exercise of options	(0.13)	0.07	0.46	0.04	0.51	0.00	0.00	0.55	0.00	0.00	0.00	0.00	0.00
Proceeds from exercise of warrants	0.10	0.00	0.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Common shares repurchased	0.00	0.00	(1.23)	0.00	(2.31)	0.00	0.00	(2.31)	0.00	0.00	0.00	0.00	0.00
Proceeds from IPO	0.00	0.00	44.64	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Excess tax benefit from employee stock option plans	0.00	0.00	0.38	0.00	0.22	0.00	0.00	0.22	0.00	0.00	0.00	0.00	0.00
	(0.04)	**0.07**	**45.10**	**0.04**	**(1.59)**	**0.00**	**0.00**	**(1.54)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Effect of FX on Cash	0.16	0.16	(0.01)	(0.09)	0.01	0.00	0.00	(0.08)	0.00	0.00	0.00	0.00	0.00
Net Change in Cash	**(1.88)**	**16.28**	**79.73**	**(62.78)**	**(7.40)**	**63.29**	**(8.33)**	**(15.22)**	**(7.93)**	**32.95**	**(10.02)**	**24.44**	**39.45**
Cash, Beg. of Period	18.73	16.85	33.13	112.86	50.09	42.68	105.97	112.86	97.64	89.71	122.66	112.64	97.64
Cash, End of Period	**16.85**	**33.13**	**112.86**	**50.09**	**42.68**	**105.97**	**97.64**	**97.64**	**89.71**	**122.66**	**112.64**	**137.09**	**137.09**

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Does the analyst or any associate of the analyst responsible for the report or public comment hold shares in the company.	No
Has M Partners or a director or officer of M Partners or any analyst provided services to the company for remuneration other than normal investment advisory or trade execution services within the preceeding 12 months, (may seek compensation for investment	No
Is any director, officer, employee or research analyst an officer, director or employee of the company, or serves in an advisory capacity to the company.	No
Has the analyst has viewed the material operations of the company. We define material operations as an issuer's corporate head office and its main production facility or a satellite facility that is representitive of the company's operations.	No
Did M Partners provide investment banking services for the company during the 12 months preceding the publication of the research report?	No
Has the analyst preparing the report received compensation based upon M Partners investment banking reveneus for this issuer?	No

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Rating System

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

Summary of Recommendations		
As of December 31, 2010		
Buy	28	80%
Speculative Buy	1	3%
Sell	2	6%
Hold	3	9%
Under Review	1	3%
Total	35	100%

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Changes	Annual EPS	Annual Revenue ($M)	Target
	2011E $0.81 from $ 0.67	2011E $198.1M from $190.2M	$15.25 from $10.00
	2012E $0.84 (new)	2012E $227.3M (new)	

TeleNav

TNAV : NASDAQ : US$7.37

BUY

Target: US$15.25 ↑

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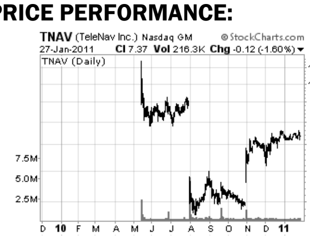
COMPANY STATISTICS:

52-week Range:	4.65 - 11.48
Avg. Daily Vol.:	786
Market Cap (M):	US$331
Shares Out basic (M):	45
LT Debt (M):	0.0
Net Cash /shr:	US$3.47
Bk Value /shr:	US$3.82
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2010A	2011E	2012E
Revenue (M):		171.2	198.1	227.3
EBITDA (M):		73.6	68.8	76.9
Net income (M):		41.4	36.5	38.4
EPS:		1.06	0.81	0.84
EPS:	Q1	0.21	0.27A	-
	Q2	0.27	0.22A	-
	Q3	0.33	0.16	-
	Q4	0.24	0.15	-
Total		1.06	0.81	0.84

SHARE PRICE PERFORMANCE:



COMPANY DESCRIPTION:
TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

FQ2/11 BEAT AND F2011 RAISE; AT&T RENEWAL REMOVES RISK OVERHANG; MAINTAIN BUY, TARGET GOES TO $15.25

Investment recommendation

We are maintaining our BUY recommendation and raising our target to $15.25 (from $10) after TNAV's strong FQ2/11 report. We continue to believe that core operating fundamentals are strong and that opportunities from mobile advertising and commerce exist going forward. All businesses are growing and the outlook is for continued growth.

Investment highlights

- Revenue/EPS of $48M/$0.22 vs. our and consensus' $46M/$0.16 estimate and guidance of $45-46M/$0.14-$0.16.
- Paying subs reached 19,600 vs. 17,700 last quarter.
- Announced two-year extension to AT&T agreement with no changes in terms, removing an overhang on the stock, in our opinion.
- FQ3/11 revenue/EPS guidance of $48M-$50M/$0.15-$0.17 vs. consensus of $46.3M/$0.13. F2011 revenue/EPS guidance of $195M-$200M/$0.79-$0.83 vs. consensus of $190M/$0.70 and previous guidance of $187-192M/$0.64-$0.72.
- Introducing F2012 estimates.

Valuation

Our $15.25 target implies 7x our new 2012 EV/EBITDA estimate, and 12.5x our new 2012 adjusted EPS estimate plus cash. Maintain BUY.

EARNINGS SUMMARY

Figure 1: Earnings summary

FYE June 30 (US$000s, except per share)	FQ2/11A	FQ2/11E	Difference	FQ1/11A	Q/Q Chg %	FQ2/10A	Y/Y Chg %
Revenue	48,022	46,115	1,907.0	51,100	-6%	40,503	19%
Gross margin	81.6%	79.5%	2.1%	82.7%	-1%	83.0%	-2%
EBITDA	17,629	14,880	2,748.8	22,687	-22%	18,183	-3%
Operating margin	31.6%	27.1%	4.5%	40.6%	-22%	42.0%	-25%
Net income	10,040	7,426	2,613.6	12,358	-19%	10,136	-1%
EPS (fd)	0.22	0.16	0.06	0.27	-19%	0.27	-16%
Paying Subs	19,600	18,900	700.0	17,700	11%	12,600	56%
ARPU	0.80	0.79	0.0	0.94	-15%	1.05	-24%
Consensus revenue	46,210						
Consensus EPS	0.16						

Source: Company reports, Thomson ONE and Canaccord Genuity

- Paying subs increased to 19,600 from 17,700 last quarter, representing 54% y/y and 11% q/q growth. Subs got a boost from T-Mobile and U.S. Cellular, as well as international carriers. TNAV saw revenue growth at all key carriers in the quarter.
- ARPU of $0.80 vs. $1.04 last year and $0.94 last quarter. The decline was expected due to the shift in end-user growth to bundled offerings and, to a greater extent, the Sprint re-negotiation (full quarter impact). Management is not seeing a noticeable impact from free navigation offerings, which originally hit the market in October 2009.
- Revenue from automotive, enterprise LBS, mobile advertising and ecommerce was 7% of total revenue in the quarter vs. 6% last quarter. TNAV expects revenue from these segments to reach 10% of consolidated revenue by the end of F2011.
- Mobile ad network showing promise with 3.6% click through rate and roughly 750K local advertisers now versus 500K last quarter.
- In January 2011, TNAV announced a two-year extension to the AT&T contract with no changes to terms. The agreement now extends to March 2013. We believe this announcement removes an overhang on the stock.
- In January 2011, TNAV signed an agreement with Delphi to supply in-dash navigation, using TNAV's embedded software, to a global vehicle manufacturer.
- Repurchased 328K shares in the quarter for $2.3M. This was part of the $20M stock repurchase plan authorized in November 2010.
- Cash and equivalents at the end of the quarter was $156M, up from $131M in FQ1/11. Net cash per share increased to $3.47 from $2.92 last quarter. CFO of $28M in the quarter vs. $20M last quarter and $7M last year.

- FQ3/11 revenue/EPS guidance of $48M-$50M/$0.15-$0.17 vs. consensus of $46.3M/$0.13.
- F2011 revenue/EPS guidance of $195M-$200M/$0.79-$0.83 vs. consensus of $190M/$0.70 and previous guidance of $187-192M/$0.64-$0.72.

ESTIMATES

Our FQ3/11 estimate ticks up on the heels of the strong FQ2/11 report. Our revenue estimate goes to $49M from $46M, sitting at the midpoint of guidance, while our EPS estimate of $0.16 (up from $0.12) is also at the mid-point of guidance.

Our F2011 estimates were increased, as well, with our new revenue/EPS estimates of $198M/$0.81 falling in the middle of the guidance range. Our EPS estimate gets a bump up from both better revenue and gross margin assumptions.

We are introducing our F2012 estimates, with revenue/EPS of $227M/$0.84 vs. consensus of $199M/$0.57. We are modeling slight margin compression from F2011E levels due to mix change in new strategic areas (auto, mobile advertising, etc.), as well as declining ARPU.

Figure 2: Estimate revisions

FYE June 30 (US$000s, except per share)	Original FQ3/11E	Revised FQ3/11E	Original F2011E	Revised F2011E	F2012E
Total revenue	46,141	49,066	190,178	198,076	227,263
y/y growth	2.3%	8.8%	11.1%	15.7%	14.7%
Gross Margin	74.8%	80.0%	78.0%	80.3%	75.8%
EBITDA	11,537	14,661	61,138	68,810	76,912
margin	25.0%	29.9%	32.1%	34.7%	33.8%
Operating Margin	19.6%	24.8%	27.1%	29.8%	28.0%
Net Income	5,395	7,421	30,659	36,524	38,407
EPS (FD)	0.12	0.16	0.67	0.81	0.84
y/y growth	-64.8%	-50.6%	-37.1%	-24.0%	4.5%
Paying Subs	19,100	20,400	19,300	20,700	24,700
ARPU	$0.75	$0.75	$0.80	$0.81	$0.70
Consensus revenue	46,250		190,010		199,100
Consensus EPS	0.13		0.70		0.57

Source: Thomson ONE and Canaccord Genuity

VALUATON AND RECOMMENDATION

Our $15.25 target implies 7x our new 2012 EV/EBITDA estimate, and 12.5x our new 2012 adjusted EPS estimate plus cash. Our expanded EV/EBITDA multiple (previously 5x) is the result of the AT&T renewal, which we believe removes a risk overhang, overall outperformance across key metrics and an outlook for continued growth in all businesses. We maintain our BUY recommendation.

Investment risks

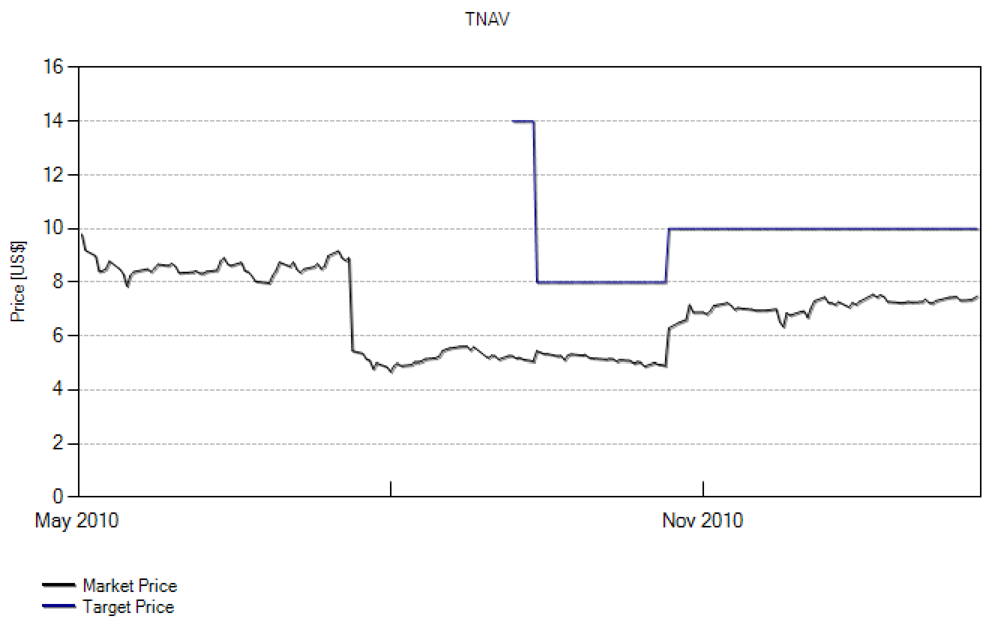
Investment risks include, but are not limited to, customer concentration, competition, scalability, intellectual property and regulation.

APPENDIX: IMPORTANT DISCLOSURES

Analyst Certification: Each authoring analyst of Canaccord Genuity whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

Site Visit: An analyst has visited the issuer's material operations in Sunnyvale, California. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	07/30/2010	Rath	Buy	14.00	3)	10/29/2010	Rath	Buy	10.00
2)	09/21/2010	Rath	Buy	8.00					

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 5 January 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	411	58.5%	37.0%
Speculative Buy	55	7.8%	69.1%
Hold	220	31.3%	21.4%
Sell	17	2.4%	5.9%
	703	100.0%	

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BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.
SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.
NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

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Risk Qualifier: **SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Research Disclosures as of 28 January 2011

Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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TeleNav, Inc.

F2Q11 Results: Beat and Raise; Raising Ests and PT

Neutral

TNAV, TNAV US

Price: $7.37

▲ **Price Target: $9.50**
Previous: $7.50

Applied Technologies

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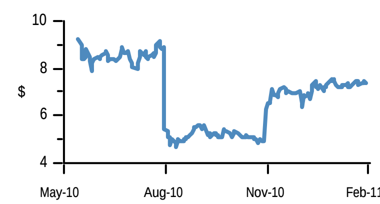
TNAV beat F2Q expectations and raised F3Q and FY11 guidance; average subscribers reached 19.6 million. The company extended the AT&T contract by two additional years to March 2013, which removes a overhang. The adverse impact on gross margins of moving to the new Sprint fixed-fee contract was lower than we previously anticipated. Sprint represented 44% of revenue in the quarter, implying $21mm fixed fee per quarter, which will enable us to isolate growth at Sprint vs. other carriers going forward and project results with higher conviction. Growth in auto, premium navigation, business solutions, and ad-based revenues exceeded our forecast. Though TNAV is going through a no-growth transition phase, we believe the transition will take 4 - 6 quarters, rather than the 6 - 8 quarters previously anticipated. Maintain Neutral. Price Target goes to $9.50 (previously $7.50).

- **TNAV beat F2Q11 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.
- **FY11 guidance was raised**. 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 (Prior JPMe $0.72/$187, Street $0.71/$190), so guidance has been increased by more than the extent of the F2Q beat.

Price Performance



	YTD	1m	3m	12m
Abs	1.2%	-2.4%	49.2%	-19.9%

SMid Cap Research
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TeleNav, Inc. (TNAV;TNAV US)

	2010A	2011E *(Old)*	2011E *(New)*	2012E *(Old)*	2012E *(New)*
EPS - Recurring ($)					
Q1 (Sep)	0.22	0.29A	0.29A	0.12	0.16
Q2 (Dec)	0.28	0.17	0.24A	0.11	0.15
Q3 (Mar)	0.34	0.15	0.18	0.10	0.15
Q4 (Jun)	0.31	0.12	0.16	0.10	0.15
FY	1.15	0.72	0.86	0.43	0.61
CY	1.18	0.49	0.64	0.41	0.58
EBITDA CY ($ mn)	86	47	61	44	58
Revenues FY ($ mn)	171	187	197	184	210

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.07; FY11: 1QA=$0.27, 2QA=$0.22, 3QE=$0.16, 4QE=$0.14; FY11E=$0.80;
FY12E=$0.53

Company Data	
Price ($)	7.37
Date Of Price	27 Jan 11
52-week Range ($)	11.48 - 4.65
Mkt Cap ($ mn)	330.87
Fiscal Year End	Jun
Shares O/S (mn)	45
Price Target ($)	9.50
Price Target End Date	31 Dec 11

See page 5 for analyst certification and important disclosures.

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- **Aside from extending the AT&T MRC contract for another two years**, TNAV outlined progress in the auto segment, subscriber growth at T-Mobile and US Cellular, and metrics in ad-based revenues. The company added 250,000 advertisers for the ad-base navigation platform in just one quarter; click-through is over 3%, and drive-to rates are still above 24%. Management expect these new growth initiatives to generate more than 10% of revenues by FY12.
- **Raising estimates.** Sprint represented 44% of revenue in the quarter, implying $21mm fixed fee per quarter, which will enable us to isolate growth at Sprint vs. other carriers going forward, and project results with higher conviction. We are re-working our model and forecasting methodology and raising estimates. Our subscription revenue forecast assumes that Sprint fixed fee remains constant at $21mm over the projection period. We then project other carrier subscription revenue based on other MRC ARPU assumptions and subscriber growth assumptions. Our forecasting methodology and estimates for Auto, MRM and ad-based revenues remain unchanged. We are now modeling: FY11 PF EPS $0.86, EBITDA $72.5mm, revenue $197.2 (previously $0.72 / $62.7mm / $187.1mm); FY12 PF EPS $0.61, EBITDA $60.2mm, revenue $209.8mm (previously $0.43/$45.9mm/$184.3mm); CY11 PF EPS $0.64, EBITDA $60.8mm, revenue $199.4mm (previously $0.49/$47.4mm/$179.5mm); CY12 PF EPS $0.58, EBITDA $58.1mm, revenue $222.1mm (previously $0.41/$44.2mm/$196.9mm).
- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth. Our December 2011 price target goes to $9.50 (previously $7.50).

Valuation and Rating Analysis

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth.

Our December 2011 price target goes to $9.50 (previously $7.50) based on an assigned multiple of 5x our upward revised CY12E PF EBITDA of $58.1mm. Our multiple is based on the comms software/services peer group current median multiple of ~7x, but with a discount that takes into consideration significant shifts in the competitive landscape (free navigation solutions, Android gaining market share in handsets, TomTom gaining share in autos).

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav's growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV's prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav's ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11A	2Q11A	3Q11E	4Q11E
Revenues	171	197	210	234	Revenues	51	48	49	49
Cost of products sold	29	39	59	76	Cost of products sold	9	9	10	11
Gross profit	142	158	151	159	Gross profit	42	39	39	38
SG&A	32	43	42	43	SG&A	8	11	12	12
R&D	42	57	67	79	R&D	13	13	15	15
Stock based comp.	5	4	5	7	Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-	Non-cash charges	-	-	-	-
Operating Income	68	59	42	36	Operating Income	21	15	12	11
EBITDA	78	73	60	57	EBITDA	24	19	16	15
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0	0	0	0
Pre-tax income	68	60	42	38	Pre-tax income	21	15	13	11
Income taxes	27	24	17	15	Income taxes	9	5	5	5
Net income - GAAP	41	36	25	22	Net income - GAAP	12	10	7	7
Net income PF	45	39	28	26	Net income PF	13	11	8	7
Diluted shares outstanding	39	45	47	48	Diluted shares outstanding	45	45	46	46
EPS - GAAP	1.07	0.80	0.53	0.46	EPS - GAAP	0.27	0.22	0.16	0.14
EPS PF	1.15	0.86	0.61	0.55	EPS PF	0.29	0.24	0.18	0.16

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	157	189	215	Sales growth	54.4%	15.2%	6.4%	11.6%
Accounts receivable	37	38	42	45	EBIT growth	72.1%	(14.1%)	(25.8%)	(8.4%)
Inventories	0	0	0	0	EPS growth	11.0%	(25.3%)	(29.5%)	(9.5%)
Other current assets	5	14	14	14					
Current assets	155	209	245	275	Gross margin	82.8%	80.3%	71.9%	67.7%
PP&E	10	9	8	9	EBIT margin	43.0%	32.1%	22.4%	18.4%
Long-term portfolio investments	-	-	-	-	EBITDA margin	45.9%	36.8%	28.7%	24.3%
Goodwill and intangibles	-	-	-	-	Tax rate	39.1%	39.5%	41.0%	41.0%
Total assets	175	226	260	291	Net margin	26.2%	19.9%	13.6%	11.2%
Accounts payable	3	3	5	5	Debt / EBITDA	0.0	0.0	0.0	0.0
Deferred revenues	7	11	11	11	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0					
Total liabilities	26	38	42	44	Return on assets (ROA)	36.4%	19.6%	11.7%	9.5%
Shareholders' equity	149	188	218	247	Return on equity (ROE)	58.9%	23.3%	14.0%	11.3%
					Return on invested capital (ROIC)	77.4%	63.8%	50.3%	44.2%
Net Income (including charges)	41	36	25	23					
D&A	5	9	13	14	Enterprise value / Sales	1.6	1.2	0.9	0.7
Change in Working Capital	(7)	5	(1)	(1)	Enterprise value / EBITDA	-	-	-	-
Other	-	-	-	-	Free cash flow yield	11.1%	11.9%	7.9%	6.4%
Cash flow from operations	44	55	43	42	P/E	6.9	9.2	13.8	15.9
Capex	(7)	(8)	(11)	(15)					
Free cash flow	37	47	32	26					
Cash flow from investing activities	(10)	(122)	(11)	(15)					
Cash flow from financing activities	45	(1)	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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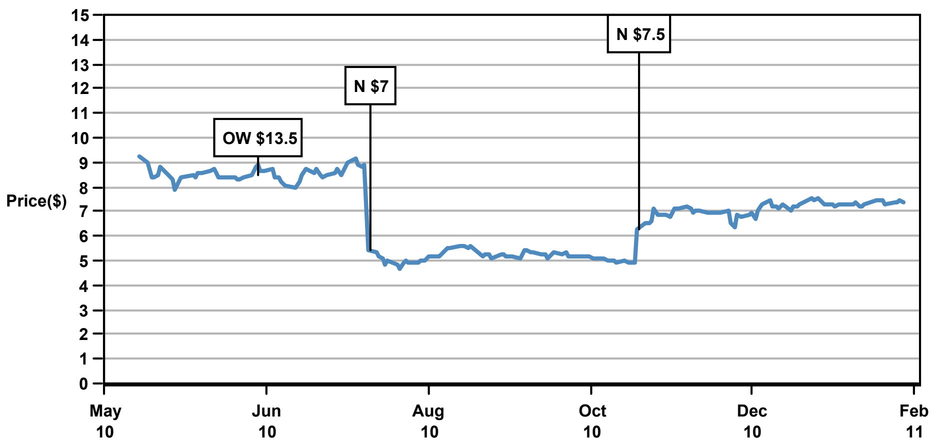
TeleNav, Inc. (TNAV) Price Chart



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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IB clients*	53%	50%	38%
JPMS Equity Research Coverage	43%	49%	8%
IB clients*	71%	63%	59%

*Percentage of investment banking clients in each rating category.
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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	$49.5A	$50.8E	$61.6E
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	$0.24A	$0.15E	$0.19E
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. (TNAV - $7.37)
Neutral

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 **r**evenues 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.

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 **r**evenues 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)				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	184	210	238	264	279
Automotive, advertising and other revenue	0	2	2	15	22	30	42	63
Total Revenue	**48**	**111**	**171**	**199**	**231**	**268**	**307**	**342**
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
Adjusted EBITDA	**5**	**43**	**73**	**63**	**60**	**70**	**80**	**90**
D&A	0	0	0	0	0	0	0	0
Operating income	**5**	**43**	**73**	**63**	**60**	**70**	**80**	**90**
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
Pretax income	**4.8**	**41.5**	**68.0**	**59.6**	**55.6**	**63.1**	**72.8**	**81.7**
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
Net income to common stockholders	**4.6**	**29.6**	**41.4**	**36.3**	**33.4**	**37.9**	**43.7**	**49.0**
Net Income to common, Adjusted	**5**	**30**	**41**	**36**	**33**	**38**	**44**	**49**
Amount allocable to common shareholders								
Diluted Shares O/S			37	45	46	47	48	49
EPS (Diluted)			$0.83	$0.80	$0.73	$0.81	$0.92	$1.01
Margins								
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%
EBITDA	**10.3%**	**38.6%**	**42.8%**	**31.5%**	**26.1%**	**26.1%**	**26.2%**	**26.2%**
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%
Annual growth								
Total Revenue		131%	54%	16%	16%	16%	15%	12%
EBITDA			71%	-15%	-4%	16%	15%	12%
Sequential growth								
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.

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TeleNav											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	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
Total Revenue	**21.5**	**25.3**	**29.8**	**34.3**	**36.0**	**40.5**	**45.1**	**49.5**	**51.1**	**48.0**	**49.2**	**50.8**
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
Adjusted EBITDA	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**21.6**	**16.1**	**12.8**	**12.1**
D&A												
Operating income	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**21.6**	**16.1**	**12.8**	**12.1**
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
Pretax income	**7.5**	**9.5**	**11.3**	**13.3**	**14.1**	**17.2**	**19.0**	**17.7**	**20.9**	**15.4**	**12.1**	**11.1**
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												
Net income to common stockholders								**8.936**	**12.4**	**10.0**	**7.3**	**6.7**
Net Income to common, Adjusted								**8.9**	**12.4**	**10.0**	**7.3**	**6.7**
Amount allocable to common shareholde												
Diluted Shares O/S								37	45	45	45	45
EPS (Diluted)								$0.24	$0.27	$0.22	$0.16	$0.15
Margins												
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%
EBITDA	**34.6%**	**37.5%**	**40.5%**	**40.3%**	**41.4%**	**43.3%**	**43.5%**	**42.9%**	**42.3%**	**33.5%**	**26.1%**	**23.9%**
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%
Annual growth												
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%
Sequential growth												
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.

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	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
Total Assets	36	72	175	220	254	292	337	387
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
Equity	(26)	3	149	185	219	257	300	349
Liabilities + Equity	36	72	175	220	254	292	337	387

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	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
Net cash from operations	**24**	**44**	**47**	**35**	**41**	**48**	**56**
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
Net cash from investing	**(8)**	**(10)**	**(122)**	**(10)**	**(12)**	**(13)**	**(14)**
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
Net cash from financing	**0**	**45**	**(2)**	**0**	**0**	**0**	**0**
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**
EBIT	**$42**	**$68**	**$59**	**$55**	**$62**	**$71**	**$79**
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		**1.48**	**0.88**	**0.87**	**0.94**	**1.04**	**1.11**

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%**	**12.9%**
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.

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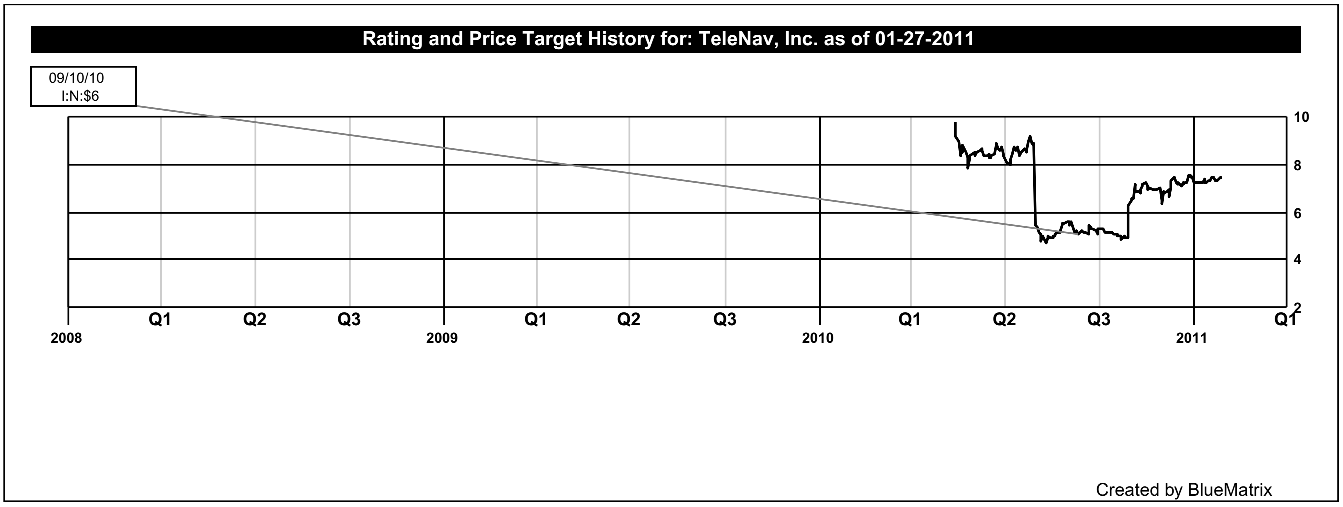

Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

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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

UR: Under Review

Distribution of Ratings/IB Services
Piper Jaffray

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	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

— Joseph A. Mastrogiovanni, Research Analyst

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TeleNav, Inc.

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

Neutral

TNAV, TNAV US
Price: $7.49

26 January 2011

Applied & Emerging Technologies

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J.P. Morgan Securities LLC

SMid Cap Research
THINK BIG, BUY SMALL

- 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.

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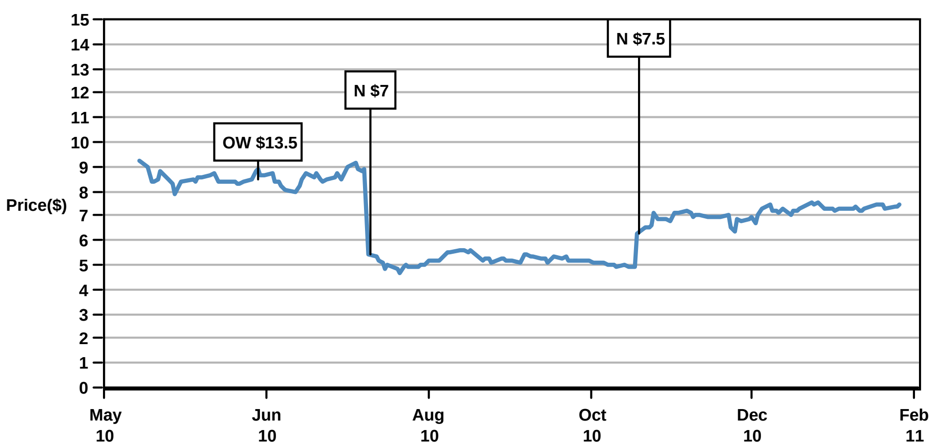
TeleNav, Inc. (TNAV) Price Chart



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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IB clients*	53%	50%	38%
JPMS Equity Research Coverage	43%	49%	8%
IB clients*	71%	63%	59%

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Deutsche Bank

27 January 2011

TeleNav

Reuters: **TNAV.OQ** Bloomberg: **TNAV US** Exchange: **NMS** Ticker: **TNAV**

FYQ2 Results

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Forecast Change

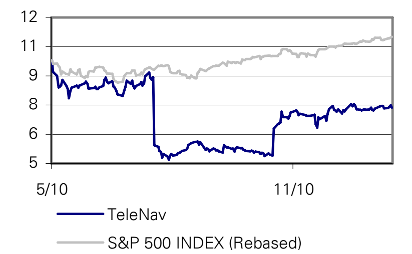
Hold

Price at 26 Jan 2011 (USD)	**7.49**
Price target	**8.00**
52-week range	**9.80 - 4.68**

Key changes

Price target	5.00 to 8.00 ↑	**60.0%**
EPS (USD)	0.75 to 0.88 ↑	**17.4%**
Revenue (USDm)	190.1 to 197.0 ↑	**3.6%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-2.4*	*49.2*	*–*
S&P 500 INDEX	*3.3*	*9.9*	*18.4*

Stock & option liquidity data

Market Cap (USDm)	312.8
Shares outstanding (m)	42.4
Free float (%)	100
Volume (26 Jan 2011)	79,833
Option volume (und. shrs., 1M avg.)	–

Strong results and good guidance
Telenav reported 2QFY10 revenue of $48.0 million ahead of our estimate of $46.9 million and consensus of $46.2 million; pro-forma EPS of $0.24 came in well ahead of the street's and our estimate of $0.17. We remain cautious on the company as it transitions to new revenue models. Hold.

Improvements in customer concentration
The company added almost 2 million new subscribers during the quarter. Customer concentration at AT&T and Sprint also fell sequentially. We are encouraged by the growth at T-Mobile US and US Cellular as well. This was the first quarter under the new Sprint contract and there were some signs that premium pricing models there can generate upside over the fixed terms.

New revenue legs progressing, albeit slowly
The company's various growth legs progressed with international now contributing 4% of revenue. Telenav's mobile ad platform is now live, and while revenue contribution is still minor, click-through and ad rates hold promise. Location-based and local advertising hold increasing promise and should the company find a good model here they have the potential to unlock substantial value.

Raising estimates and price target from $5 to $8, maintain Hold rating; risks
We have valued Telenav using a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%). Downside risks include the threat of continued competition from free navigation providers such as Google. Upside risks include the potential for increased ramp in premium services and a better than advertising results from Sprint customers in 2011.

Forecasts and ratios

Year End Jun 30	2010A	**2011E**
1Q EPS[1]	0.02	**0.29A**
2Q EPS	0.23	**0.24**
3Q EPS	0.31	**0.18**
4Q EPS	0.31	**0.17**
FY EPS (USD)	1.10	**0.88**
OLD FY EPS (USD)	1.10	**0.75**
% Change	0.0%	**17.4%**
P/E (x)	7.8	**8.4**
Revenue (USDm)	171.2	**197.0**

Source: Deutsche Bank estimates, company data

[1] Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

Model updated:29 October 2010

Running the numbers

North America

United States

Wireless Equipment

TeleNav

Reuters: TNAV.OQ Bloomberg: TNAV US

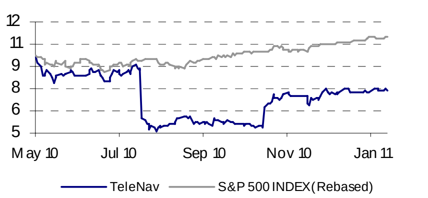
Hold

Price (26 Jan 11)	USD 7.49
Target price	USD 8.00
52-week Range	USD 4.68 - 9.80
Market Cap (m)	USDm 313 EURm 228

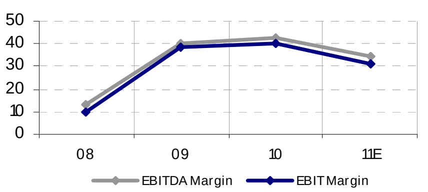
Company Profile

TeleNav is a provider of location based services, or LBS, on mobile phones. Their LBS solutions provide consumers and enterprises with location specific, real time and personalized features and functions. Through their hosted service delivery model, they provide solutions through the networks of leading wireless carriers in the United States, including Sprint Nextel Corporation, or Sprint, and AT&T Inc., or AT&T, as well as through certain carrie.

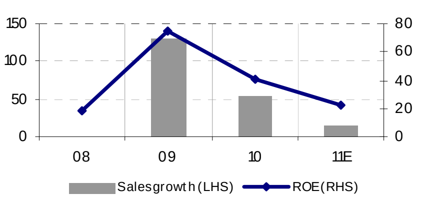
Price Performance



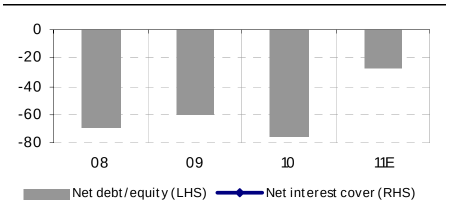
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2008	2009	2010	2011E
Financial Summary				
DB EPS (USD)	0.02	0.07	1.10	0.88
Reported EPS (USD)	0.01	0.09	1.34	0.83
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.18	0.40	9.57	4.44
Valuation Metrics				
Price/Sales (x)	nm	nm	0.8	1.6
P/E (DB) (x)	na	na	7.8	8.4
P/E (Reported) (x)	na	na	6.4	8.9
P/BV (x)	0.0	0.0	0.9	1.7
FCF yield (%)	na	na	26.0	18.0
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	0.1	0.7
EV/EBITDA	nm	nm	0.3	2.1
EV/EBIT	nm	nm	0.3	2.4
Income Statement (USDm)				
Sales	48	111	171	197
EBITDA	6	45	74	69
EBIT	5	42	68	61
Pre-tax profit	5	42	68	62
Net income	**5**	**30**	**41**	**38**
Cash Flow (USDm)				
Cash flow from operations	**0**	**24**	**44**	**62**
Net Capex	-2	-8	-10	-6
Free cash flow	**-2**	**16**	**35**	**56**
Equity raised/(bought back)	0	0	43	-2
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	0	0	2	-114
Net cash flow	**-2**	**16**	**80**	**-60**
Change in working capital	*-11*	*-9*	*-13*	*10*
Balance Sheet (USDm)				
Cash and cash equivalents	17	33	113	52
Property, plant & equipment	3	7	10	8
Goodwill	0	0	0	0
Other assets	16	32	51	165
Total assets	**36**	**72**	**174**	**225**
Debt	0	0	0	0
Other liabilities	12	17	25	36
Total liabilities	**12**	**17**	**25**	**36**
Total shareholders' equity	**24**	**55**	**149**	**189**
Net debt	*-17*	*-33*	*-113*	*-52*
Key Company Metrics				
Sales growth (%)	nm	130.7	54.4	15.1
DB EPS growth (%)	na	333.8	1,526.3	-20.4
Payout ratio (%)	0.0	0.0	0.0	0.0
EBITDA Margin (%)	13.1	40.3	43.0	34.8
EBIT Margin (%)	9.9	38.1	40.0	31.0
ROE (%)	18.9	74.8	40.6	22.2
Net debt/equity (%)	-69.1	-60.5	-75.7	-27.6
Net interest cover (x)	nm	nm	nm	nm
DuPont Analysis				
EBIT margin (%)	9.9	38.1	40.0	31.0
x Asset turnover (x)	1.3	2.0	1.4	1.0
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	1.0	0.7	0.6	0.6
= ROA (post tax) (%)	**12.8**	**54.7**	**33.7**	**18.8**
x Financial leverage (x)	1.5	1.4	1.2	1.2
= ROE (%)	**18.9**	**74.8**	**40.6**	**22.2**
annual growth (%)	*na*	*296.4*	*-45.7*	*-45.3*
x NTA/share (avg) (x)	0.1	0.1	3.3	3.7
= Reported EPS	**0.01**	**0.09**	**1.34**	**0.83**
annual growth (%)	*na*	*523.3*	*1,408.6*	*-38.3*

Source: Company data, Deutsche Bank estimates

Telenav reported 2QFY10 revenue of $48.0 million ahead of our estimate of $46.9 million and consensus of $46.2 million; pro-forma EPS of $0.24 came in well ahead of the street's and our estimate of $0.17.

Telenav's main customers, Sprint and AT&T, respectively represented 45% and 40% of the revenue. The AT&T contract was renewed with no change to the terms, which means it is still a revenue sharing agreement. T-mobile and US cellular accounted for 9% of revenues.

The company saw continued improvement in its mobile advertising platform. The click through rate was 3.6% and for those who clicked, the drive through rate was over 24%. In addition, the company continues to leverage its core customer area to grow revenue from premium navigation, automotive and enterprise LBS. This segment accounted for less than 5% of revenues in the prior year and now accounts for 7% of revenues.

The company increased its monthly paid subscribers to 19.6 million, up from 17.7 million in the prior quarter and 12.7 million in the prior year.

Guidance

The company guided earnings of $0.16 to $0.18 per share for FYQ3, ahead of the street and our expectations of $0.16. The company also revised its full year guidance upward, saying revenue would be between $195 and $200 million and non-GAAP earnings would be between $0.84 and $0.88 per share. This is above the street and our revenue estimate of $190 million. The EPS estimate is above the street estimate of $0.56 and our estimate of $0.75.

Financials

The company generated $28.5 in cash from operations and increased their cash position to 155.7 million. During the quarter the company repurchased 328,000 shares, bringing shares outstanding to between 45 and 46 million.

Conclusion

Telenav continues to generate solid quarters. The company beat our estimates across most metrics. This was the first full quarter under the new Sprint agreement. Under this, Sprint pays Telenav a fixed fee regardless of subscriber adds. This has been a meaningful overhang on the stock and a factor which puts a dent in their revenue growth for the year. However, even on this front there were signs of positive trends. The company generated some revenue from premium subscriptions with Sprint subscribers, this is still relatively small but bodes well for the company's long-term growth.

The chief concern we have with Telenav, and a key issue we hear from investors, is the high level of customer concentration. Sprint contributed 45% of revenue and AT&T 40%, and as we saw two quarters ago large carrier customers are not afraid to throw their weight around. We saw two encouraging signs on this front. The first, the company announced they have renewed their AT&T contract for two years under existing terms. We were concerned that AT&T would follow Sprint's lead and seek better terms from Telenav. That has not come to pass. Secondly, revenue concentration has come down to 85% in Q2 from 87% in Q1 and >90% a year ago. The other legs of the company's business all advanced a bit, with international revenue now up 4%. The new carrier customers, T-Mobile US and US Cellular, now contribute 9% of revenue which is a strong showing for relationships less than a year old.

Going forward we will be watching two factors. First, can the company return to positive operating leverage? In a SaaS model, contribution margins from each incremental customer should be highly positive. For Telenav, the new Sprint model and ongoing R&D costs, mean that operating leverage is not apparent, and we still do not have the company growing earnings in FY12. However, there are some signs that by FY 13 (which we are not yet modeling) should see a return to earnings growth. The Sprint contract remains a sore spot, but we are comfortable with the company's R&D investments. A second focus will be the company's ability to diversify and grow revenue. As noted above, there are early signs that this is proceeding slowly. The big question here will be can the company's ad platform gain traction. We had not expected any meaningful contribution from this until FY12, and see no change to that. However, location-based services continues to be an important area of interest in the Web community. Telenav has some very powerful data that with time they should be able to monetize. On the call, they noted that they have one of the largest databases of real-time traffic nodes in the form of almost 20 million active users pinging their network. Many companies are searching for viable business models here and the success of local advertising websites such as Groupon point to the strong interest in successful platforms. It remains unclear whether Telenav can find a successful model in this domain, but they would hold significant value if and when they can unlock that model.

We remain cautious pending further signs of resolving this issue and thus reiterate our Hold rating.

In line with the company's latest guidance, we are raising our estimates as follows:
3Q11 was $46m and $0.16, is $49m and $0.17
4Q11 was $45m and $0.13, is $49m and $0.17
FY11 was $190m and $0.75, is $196m and $0.88
FY12 was $193m and $0.65, is $207m and $0.81
CY11 was $182m and $0.51, is $196m and $0.69

Risks & Valuation

We are raising our price target from $5 to $8 in line with our revised estimates. Our valuation is based on a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15%discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%).

We see two primary sources of downside risk for Telenav. The first is their dependence on a small number of carrier customers for their revenue. Carriers are known to be very demanding customers. While we believe Telenav's relationship with its carrier partners is strong, the risk exists that these carriers source navigation elsewhere or more likely pressure Telenav to bring down its prices. A second, related risk is competition from OTT navigation providers. The most significant of these are deep-pocketed players in the mobile and Internet landscape including Google, Nokia and Microsoft. These three all offer comparable navigation services bundled with their mobile operating systems (OS) at no cost to carriers or consumers. We think Telenav's relationship with the carriers shield them to some degree from this competition, but long-term expect pricing to converge on these $0 offerings. The chief upside risk is that the renegotiation with Sprint resolves with no change in earnings and the company returns to its prior growth trajectory. The company also has the ability to win new customers or see major customers such as AT&T switch to bundled pricing plans which would drive earnings above our estimates. We would also see upside risk should the company's mobile ad platform take off sooner than expected.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TeleNav	TNAV.OQ	7.37 (USD) 27 Jan 11	2

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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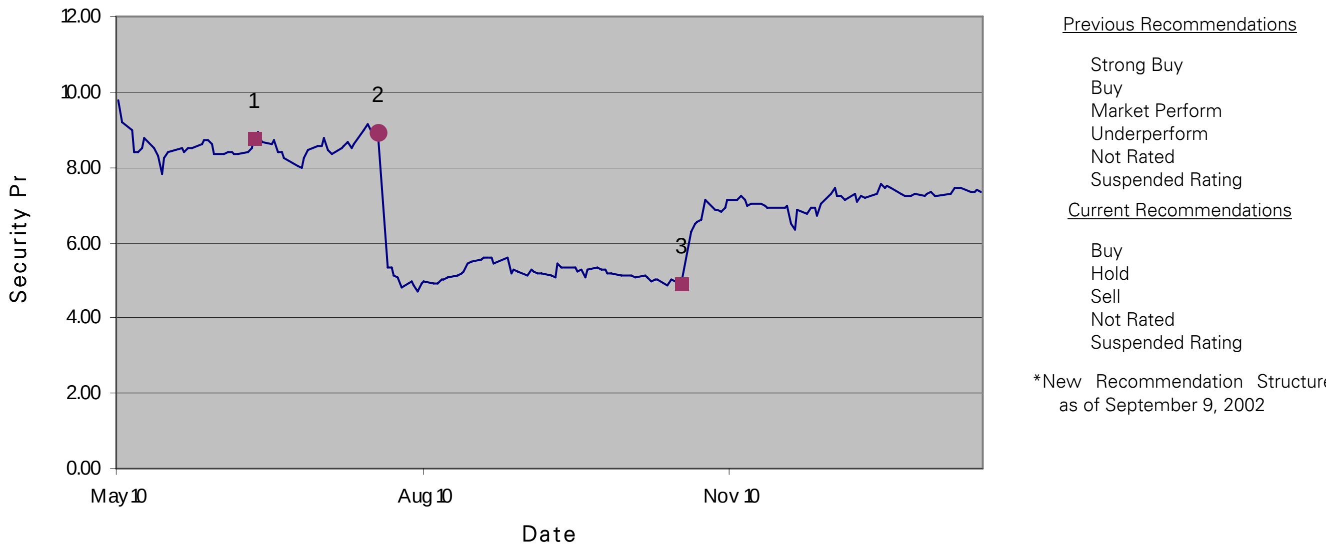
(as of 1/27/2011)



1.	6/23/2010:	Buy, Target Price Change USD12.00	3.	10/29/2010:	Hold, Target Price Change USD5.00
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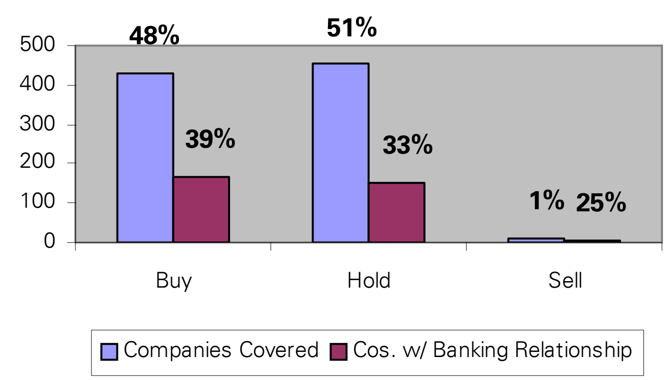

North American Universe

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J.P.Morgan

North America Equity Research
25 January 2011

TeleNav, Inc.

F2Q11 Preview: Still in Transition

Neutral

TNAV, TNAV US

Price: $7.34

Price Target: $7.50

We expect TNAV to report in-line results, providing more granularity regarding Sprint's fixed fee payments, which will make modeling easier. However, TNAV is still in transition, and we expect the difficult period with declining ARPU to continue at least through year-end. While we think TNAV is attractively valued, competitive threats (especially Android handsets) still weigh on sentiment, the business model remains uncertain, and the customer concentration risk remains a concern. We are maintaining our December 2011 price target of $7.50 and our Neutral rating.

- **TNAV reports F2Q11 results on January 27.** The conference call will begin at 5pm ET; dial-in 888-208-1361.
- **We expect TNAV to report F2Q11 PF EPS of $0.17 on $45.9mm in revenue** (Street: $0.17/$46.2mm). We expect total subscription/fixed fee revenue of $43.5mm and gross margin of 79%, down from 82.7% at F1Q11. We will be looking for metrics indicating that in-dash navigation is becoming material, and for evidence that mobile advertising volumes, click-through & drive-to rates are all improving.
- **Still in transition.** Post Sprint contract renegotiation, TNAV model has been in flux, so we will be looking for additional metrics on the call to formulate precise subscription, fixed fee, and advertising revenue forecasts. The fixed fee associated with Sprint will be possible to isolate this quarter because the new contract will apply for the entire quarter. We should therefore be in a better position to determine the ARPU trend associated with MRC, premium services and other revenues. It should also be possible to project gross margins with a bit more certainty.
- **We expect F3Q11 guidance to be aligned with our estimates, and for additional metrics to be provided.** We look for F3Q PF EPS of $0.15 on $45.2mm in revenue (Street: $0.15/$46.1mm). We expect gross margin to dip further to 76%; continued decline.

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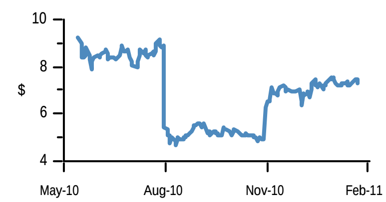
Price Performance



	YTD	1m	3m	12m
Abs	0.7%	1.2%	46.0%	-20.3%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010E	2011E	2012E
EPS - Recurring ($)			
Q1 (Sep)	0.22A	0.29A	0.12
Q2 (Dec)	0.28A	0.17	0.11
Q3 (Mar)	0.34A	0.15	0.10
Q4 (Jun)	0.31A	0.12	0.10
FY	1.15A	0.72	0.43
CY	1.12	0.49	0.41
EBITDA CY ($ mn)	83	47	44
Revenues FY ($ mn)	171A	187	184

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.06; FY11: 1QA=$0.27, 2QE=$0.16, 3QE=$0.13, 4QE=$0.10; FY11E=$0.67;
FY12: 1QE=$0.10, 2QE=$0.09, 3QE=$0.08, 4QE=$0.08; FY12E=$0.35

Company Data	
Price ($)	7.34
Date Of Price	24 Jan 11
52-week Range ($)	11.48 - 4.65
Mkt Cap ($ mn)	279.12
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	7.50
Price Target End Date	31 Dec 11

See page 5 for analyst certification and important disclosures.

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- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model, improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth. Our December 2011 price target of $7.50 reflects our view of the risks in this stock.

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Valuation and Rating Analysis

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model, improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth.

Our December 2011 price target of $7.50 is based on an assigned multiple of 5x CY12E PF EBITDA of $47.4mn. Our multiple is based on the communication software/services peer group current median multiple of ~7x, but with a discount that takes into consideration significant shifts in the competitive landscape (Android gaining market share in handsets, TomTom gaining share in autos).

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav’s growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV’s prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav’s ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

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TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11A	2Q11E	3Q11E	4Q11E
Revenues	171	187	184	213	Revenues	51	46	45	45
Cost of products sold	29	41	52	69	Cost of products sold	9	10	11	12
Gross profit	142	146	133	144	Gross profit	42	36	34	33
SG&A	32	37	37	39	SG&A	8	9	10	10
R&D	42	58	69	81	R&D	13	15	15	16
Stock based comp.	5	4	6	7	Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-	Non-cash charges	-	-	-	-
Operating Income	68	51	27	24	Operating Income	21	12	10	8
EBITDA	78	63	46	45	EBITDA	24	15	13	11
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0	0	0	0
Pre-tax income	68	52	28	26	Pre-tax income	21	12	10	8
Income taxes	27	21	11	10	Income taxes	9	5	4	3
Net income - GAAP	41	30	16	15	Net income - GAAP	12	7	6	5
Net income PF	45	33	20	19	Net income PF	13	8	7	6
Diluted shares outstanding	39	46	47	48	Diluted shares outstanding	45	46	46	46
EPS - GAAP	1.06	0.67	0.35	0.32	EPS - GAAP	0.27	0.16	0.13	0.10
EPS PF	1.15	0.72	0.43	0.41	EPS PF	0.29	0.17	0.15	0.12

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	179	203	222	Sales growth	54.4%	9.3%	(1.5%)	15.7%
Accounts receivable	37	34	36	42	EBIT growth	72.1%	(25.4%)	(40.8%)	(3.6%)
Inventories	0	0	0	0	EPS growth	11.0%	(37.2%)	(41.0%)	(4.8%)
Other current assets	5	7	7	7					
Current assets	155	223	249	273	Gross margin	82.8%	78.1%	72.0%	67.7%
PP&E	10	8	6	8	EBIT margin	43.0%	29.4%	17.7%	14.7%
Long-term portfolio investments	-	-	-	-	EBITDA margin	45.9%	33.5%	24.9%	21.3%
Goodwill and intangibles	-	-	-	-	Tax rate	39.1%	41.0%	41.0%	41.0%
Total assets	175	239	263	288	Net margin	26.2%	17.7%	10.9%	9.1%
Accounts payable	3	3	4	5	Debt / EBITDA	0.0	0.0	0.0	0.0
Deferred revenues	7	28	28	28	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0					
Total liabilities	26	55	57	61	Return on assets (ROA)	36.4%	16.0%	8.0%	7.1%
Shareholders' equity	149	183	206	228	Return on equity (ROE)	58.9%	19.9%	10.3%	9.0%
					Return on invested capital (ROIC)	77.4%	62.1%	45.3%	40.0%
Net Income (including charges)	41	30	16	14					
D&A	5	8	13	14	Enterprise value / Sales	1.3	0.8	0.7	0.5
Change in Working Capital	(7)	32	(0)	(2)	Enterprise value / EBITDA	-	-	-	-
Other	-	-	-	-	Free cash flow yield	11.1%	17.0%	6.0%	4.5%
Cash flow from operations	44	75	35	34	P/E	6.9	11.0	21.0	23.2
Capex	(7)	(8)	(11)	(15)					
Free cash flow	37	67	24	18					
Cash flow from investing activities	(10)	(89)	(11)	(15)					
Cash flow from financing activities	45	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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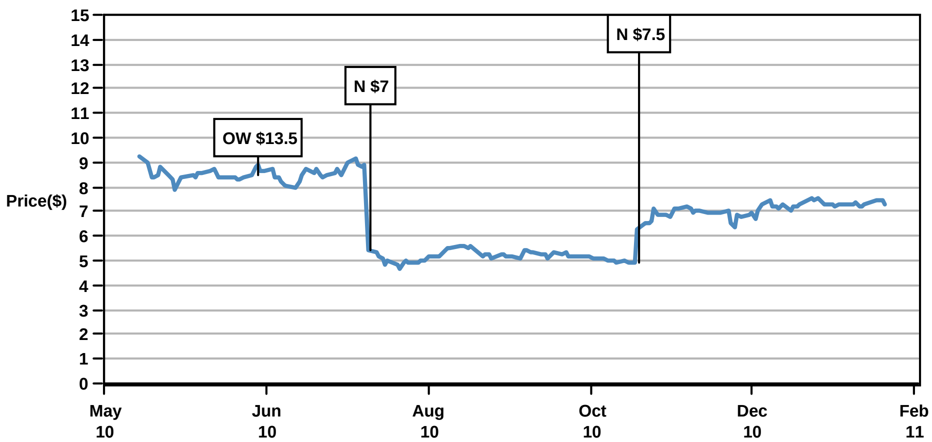
TeleNav, Inc. (TNAV) Price Chart



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	4.90	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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TeleNav, Inc.

SMid Cap Call Invite - Monday, December 6 @ 10:30am ET - ALERT

Neutral

TNAV, TNAV US

Price: $6.77

03 December 2010

Applied & Emerging Technologies

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J.P. Morgan Securities LLC

SMid Cap Research
THINK BIG, BUY SMALL

- We are hosting a conference call with TeleNav's CEO, H.P. Jin, and CFO, Doug Miller, on Monday, December 6 @ 10:30am ET / 15:30 UK.
- **DIAL-IN: 800-619-2404 (US); +1-773-756-0683 (outside US); Passcode: SMID-CAP.** Please Dial-in 10 minutes early to avoid excess holding. Replay available for 6 days after each call: 888-568-0719 (US); +1-203-369-3778 (outside US); Passcode: 5468 Replay available approximately an hour after the call ends.
- TeleNav is a software-based provider of carrier-branded, location-based applications delivered to GPS-enabled mobile devices, principally smartphones. TNAV has 17.7mm subs, making it the dominant provider of LBS navigation in N.America. TNAV consumer applications include turn-by-turn navigation, maps, local search, and social networking. Enterprise solutions include tools for monitoring the location of vehicles and other assets and for optimizing a mobile workforce.
- PODCAST available within 24 hrs: Go to the link below to find on Morgan Markets or on BLOOMBERG @ JPAV <GO>, 3) U.S. Conference Calls

https://mm.jpmorgan.com/servlet/PortalFW?pageName=research_podcast&menuId=154062

See page 2 for analyst certification and important disclosures.

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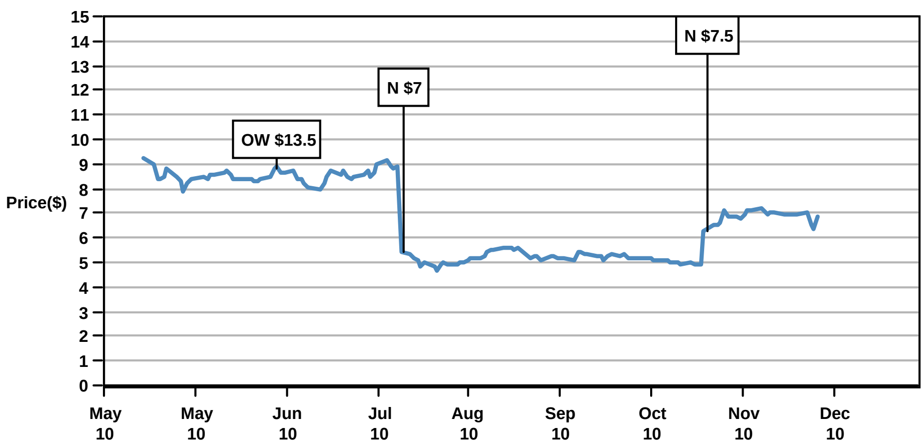
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	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.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2010

	Overweight (buy)	**Neutral** (hold)	**Underweight** (sell)
J.P. Morgan Global Equity Research Coverage	46%	43%	12%
IB clients*	49%	45%	33%
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IB clients*	69%	60%	50%

*Percentage of investment banking clients in each rating category.
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“Other Disclosures” last revised September 1, 2010.

TeleNav

TNAV : NASDAQ : US$6.77

BUY

Target: US$10.00

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COMPANY STATISTICS:

52-week Range:	4.65 - 11.48
Avg. Daily Vol.:	910
Market Cap (M):	US$220
Shares Out basic (M):	45
LT Debt (M):	0.0
Net Cash /shr:	US$2.92
Bk Value /shr:	US$3.61
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2009A	2010A	2011E
Revenue (M):		110.9	171.2	190.2
EBITDA (M):		44.7	73.6	61.1
Net income (M):		29.6	41.4	30.7
EPS:		0.57	1.06	0.67
EPS:	Q1	-	0.21A	0.27A
	Q2	-	0.27A	0.16
	Q3	-	0.33A	0.12
	Q4	-	0.24A	0.12
Total		0.57	1.06	0.67

SHARE PRICE PERFORMANCE:

COMPANY DESCRIPTION:

TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

RECENT INVESTOR MEETINGS HIGHLIGHT THE VALUATION DISCONNECT; MAINTAIN BUY AND $10 TARGET

Investment recommendation

We hosted management meetings in Boston on Friday and come away incrementally positive that core operating fundamentals are strong and that opportunities from mobile advertising and commerce exist going forward. We are maintaining our BUY recommendation and $10 target price.

Investment highlights

- Management remains upbeat and its message continues to be about growth and new opportunities.
- AT&T contract risk appears to be misunderstood and has much less risk than the Sprint contract, in our opinion.
- Usage patterns of TNAV's navigation application do not support market fears of free offering cannibalization.
- The stock's current 2.4x forward EV/EBITDA valuation implies a declining business and/or deteriorating outlook, but we see strength and growth, together with new opportunities.

Valuation

Our $10 target price implies a 5x EV multiple on our 2011 EBITDA estimate of $61M and takes into account prepayment amounts received in October. Maintain BUY.

KEY TAKEAWAYS FROM MANAGEMENT MEETINGS

We hosted management meetings in Boston on Friday and come away incrementally positive that core operating fundamentals are strong and that opportunities from mobile advertising and commerce exist going forward. Here are our key takeaways from the meetings:

1. Management remains upbeat and its message continues to be about growth and new opportunities. Recall that today, TNAV has 14 carrier relationships that include roughly one billion paying subscribers. TNAV's total number of subscribers is around 18M, signaling an underpenetrated market and the opportunity for material upside. Additionally, the ramp in the company's auto opportunity is promising. Ford is ramping now under both the SYNC and My Touch brands and there appears to be good opportunity for future deals here. Medium term, the mobile advertising revenue stream potential, while small, has very material upside, in our opinion.
2. AT&T contract risk appears to be misunderstood, in our opinion. Unlike the recently renegotiated Sprint contract, which is a free bundle offering for all data plan subscribers, AT&T (which will renew in March 2011), is a monthly recurring charge (MRC) aligned as a profit center for AT&T and, in our opinion, has much less risk. Management remains very upbeat about prospects here.
3. Despite market fears from the cannibalization from Android (free Google turn-by-turn navigation), this is not supported by usage patterns seen at TNAV with respect to subscriber growth and the overall market opportunity. In fact, when TNAV's offering is pre-loaded side-by-side with Google Navigation on the EVO 4G phone, TNAV's take rates are unaffected relative to offerings where Google's free application is not offered.
4. Valuation is not consistent with the above outlook and opportunities, in our opinion. The stock currently trades at 2.4x forward EV/EBITDA, which implies a declining business and/or deteriorating outlook. However, we see strength and growth, together with new opportunities.

VALUATON AND RECOMMENDATION

Our $10 target price implies a 5x EV multiple on our 2011 EBITDA estimate of $61M and takes into account prepayment amounts received in October. We believe that core operating fundamentals are strong and continue to believe that opportunities from mobile advertising and commerce exist going forward. We maintain our BUY recommendation.

Investment risks

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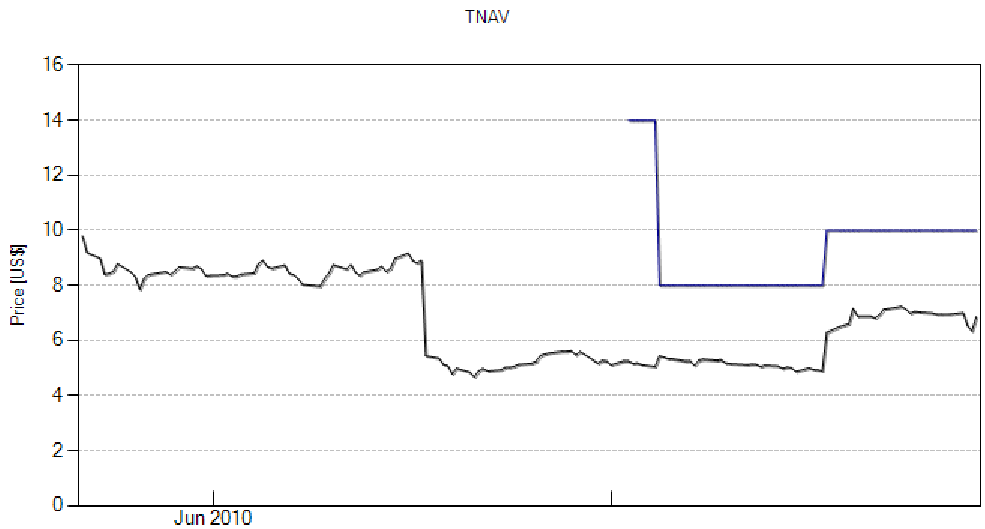

Market Price
Target Price

	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	07/30/2010	Rath	Buy	14.00	3)	10/29/2010	Rath	Buy	10.00
2)	09/21/2010	Rath	Buy	8.00					

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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Global Stock Ratings
(as of 1 December 2010)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	428	58.9%	35.3%
Speculative Buy	75	10.3%	56.0%
Hold	204	28.1%	20.6%
Sell	20	2.8%	5.0%
	727	100.0%	

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Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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TeleNav, Inc.

SMid Cap Conference Call Takeaways - ALERT

Neutral

TNAV, TNAV US

Price: $7.00 (intraday)

06 December 2010

Applied & Emerging Technologies

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J.P. Morgan Securities LLC

SMid Cap Research
THINK BIG, BUY SMALL

- We hosted a conference call with TeleNav's CEO, H.P. Jin and CFO, Doug Miller, today at 10.30 am ET. A replay is available on 888-568-0719 (US); +1-203-369-3778 (outside US); Passcode: 5468. **Management team expressed a high level of confidence in the firm's long-term growth prospects.**
- **Management is confident that AT&T contract, due for renewal in March 2011, will roll over without major amendments.** There will be a 60 day period prior to renewal date when amendments are possible, if AT&T or TNAV request it. Management views this as unlikely, due to the fact that MRC (monthly recurring charge) model at AT&T aligns with carrier and TNAV interests already. Under MRC model, user pays ~$10 monthly service charge, which is split between the carrier and TNAV.
- **In-dash navigation opportunity is global.** The company has achieved penetration into multiple Ford models globally; focus seems to be shifting to opportunity with other auto OEMs. TNAV has hired professionals with experience at major auto OEMs (e.g. Toyota, Mercedes, Delphi) to go after these opportunities.
- **MRM segment customer lineup seems impressive**, and includes Xerox and Comcast.
- **Overall takeaway**: mild positive.

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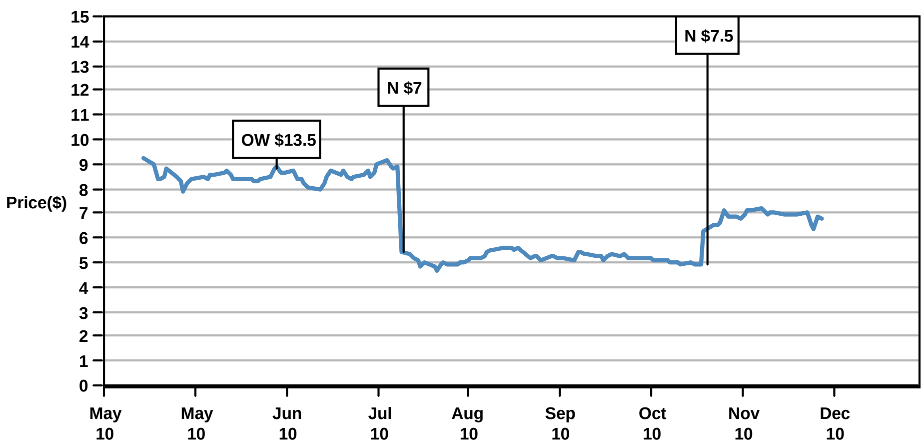
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	13.50
30-Jul-10	N	5.44	7.00
29-Oct-10	N	4.90	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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	Overweight (buy)	**Neutral** (hold)	**Underweight** (sell)
J.P. Morgan Global Equity Research Coverage	46%	43%	12%
IB clients*	49%	45%	33%
JPMS Equity Research Coverage	43%	48%	8%
IB clients*	69%	60%	50%

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TeleNav, Inc.

SMid Cap Call Invite - Monday, December 6 @ 10:30am ET - ALERT

Neutral

TNAV, TNAV US

Price: $6.34

01 December 2010

Applied & Emerging Technologies

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J.P. Morgan Securities LLC

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THINK BIG, BUY SMALL

- We are hosting a conference call with TeleNav's CFO, Doug Miller, on Monday, December 6 @ 10:30am ET / 15:30 UK.
- **DIAL-IN: 800-619-2404 (US); +1-773-756-0683 (outside US); Passcode: SMID-CAP.** Please dial in 10 minutes early to avoid excess holding. Replay available for 6 days after the call: 888-568-0719 (US); +1-203-369-3778 (outside US); Passcode: 5468 Replay available approximately an hour after the call ends.
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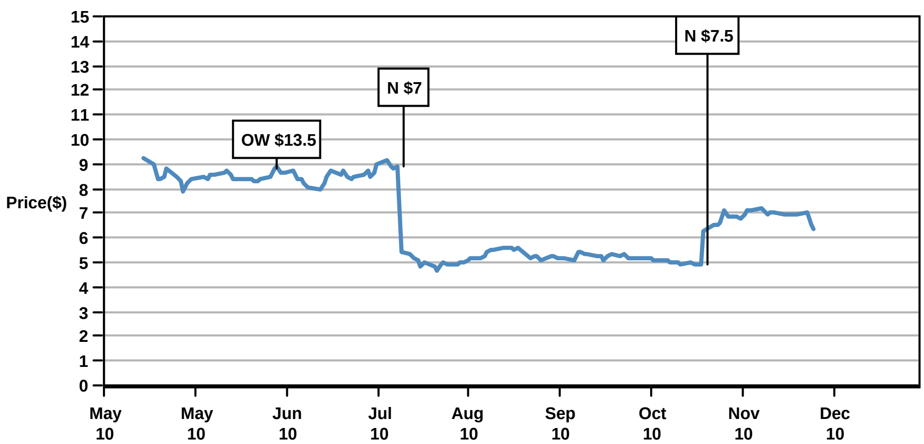
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
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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.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2010

	Overweight (buy)	Neutral (hold)	Underweight (sell)
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IB clients*	49%	45%	33%
JPMS Equity Research Coverage	43%	48%	8%
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*Percentage of investment banking clients in each rating category.
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Deutsche Bank

29 October 2010

TeleNav

Reuters: **TNAV.OQ** Bloomberg: **TNAV US** Exchange: **NMS** Ticker: **TNAV**

FYQ1 Results

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Forecast Change

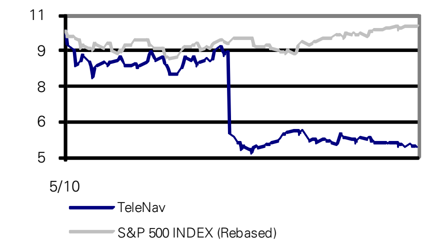
Hold

Price at 28 Oct 2010 (USD)	**4.90**
Price target	**5.00**
52-week range	**9.80 - 4.68**

Key changes

Price target	9.00 to 5.00 ↓	**-44.4%**
EPS (USD)	0.76 to 0.75 ↓	**-1.6%**
Revenue (USDm)	184.9 to 190.1 ↑	**2.8%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-6.8*	*-44.4*	–
S&P 500 INDEX	*3.1*	*7.0*	*13.5*

Stock & option liquidity data

Market Cap (USDm)	209.7
Shares outstanding (m)	42.8
Free float (%)	100
Volume (28 Oct 2010)	97,607
Option volume (und. shrs., 1M avg.)	–

Strong results but a cloud remains over Sprint contract

Telenav reported 1QFY10 revenue of $51 million ahead of our estimate of $50 million and consensus of $49 million; pro-forma EPS of $0.29 came in well ahead of our estimate of $0.20 and consensus of $0.22. The company guided earnings $0.15 to $0.17 for FYQ2, ahead of the street expectations of $0.13, and bracketing our expectations of $0.17. We remain cautious on the company as it transitions to new revenue models.

Good quarter fueled by growth in key areas

The company added 1.6 million subscribers to its customer base and now boasts a total customer count of 17.7 million. Additionally, the company maintained margins despite experiencing a dip in ARPU. This demonstrates the SaaS-like operating leverage their model is capable of, given sufficient revenue streams.

Some progress in new model

In September the company updated its navigation-based mobile advertising platform and is starting to see revenue growth in advertising. In addition, the company continues to leverage its core customer area to grow revenue from premium navigation, automotive and enterprise LBS. However, these services still represent just over 5% of total revenues.

Lowering price target from $9 to $5 and maintaining Hold

We have valued Telenav using a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%). Downside risks include the threat of continued competition from free navigation providers such as Google. Upside risks include the potential for increased ramp in premium services and a better than advertising results from Sprint customers in 2011.

Forecasts and ratios

Year End Jun 30	2010A	**2011E**
1Q EPS[1]	0.02	**0.29A**
2Q EPS	0.23	**0.17**
3Q EPS	0.31	**0.16**
4Q EPS	0.31	**0.13**
FY EPS (USD)	1.10	**0.75**
OLD FY EPS (USD)	0.28	**0.76**
% Change	292.6%	**-1.6%**
P/E (x)	7.8	**6.5**
Revenue (USDm)	171.2	**190.1**

Source: Deutsche Bank estimates, company data

[1] Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

Model updated:29 October 2010

Running the numbers

North America

United States

Wireless Equipment

TeleNav

Reuters: TNAV.OQ Bloomberg: TNAV US

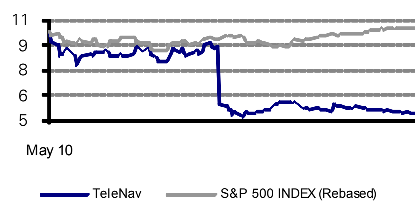
Hold

Price (28 Oct 10)	USD 4.90
Target price	USD 5.00
52-week Range	USD 4.68 - 9.80
Market Cap (m)	USDm 210 EURm 151

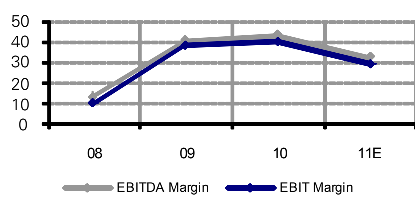
Company Profile

TeleNav is a provider of location based services, or LBS, on mobile phones. Their LBS solutions provide consumers and enterprises with location specific, real time and personalized features and functions. Through their hosted service delivery model, they provide solutions through the networks of leading wireless carriers in the United States, including Sprint Nextel Corporation, or Sprint, and AT&T Inc., or AT&T, as well as through certain carrie.

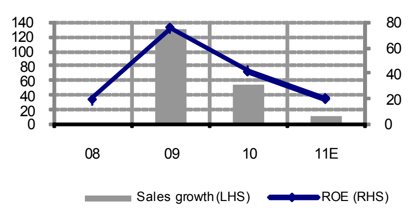
Price Performance



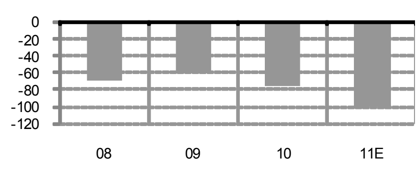
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2008	2009	2010	2011E
Financial Summary				
DB EPS (USD)	0.02	0.07	1.10	0.75
Reported EPS (USD)	0.01	0.09	1.34	0.71
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.18	0.40	9.57	4.32
Valuation Metrics				
Price/Sales (x)	nm	nm	0.8	1.1
P/E (DB) (x)	na	na	7.8	6.5
P/E (Reported) (x)	na	na	6.4	6.9
P/BV (x)	0.0	0.0	0.9	1.1
FCF yield (%)	na	na	26.0	36.2
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	0.1	0.1
EV/EBITDA	nm	nm	0.3	0.3
EV/EBIT	nm	nm	0.3	0.4
Income Statement (USDm)				
Sales	48	111	171	190
EBITDA	6	45	74	62
EBIT	5	42	68	55
Pre-tax profit	5	42	68	56
Net income	**5**	**30**	**41**	**32**
Cash Flow (USDm)				
Cash flow from operations	**0**	**24**	**44**	**82**
Net Capex	-2	-8	-10	-6
Free cash flow	**-2**	**16**	**35**	**76**
Equity raised/(bought back)	0	0	43	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	0	0	2	-83
Net cash flow	**-2**	**16**	**80**	**-7**
Change in working capital	*-11*	*-9*	*-13*	*11*
Balance Sheet (USDm)				
Cash and cash equivalents	17	33	113	186
Property, plant & equipment	3	7	10	8
Goodwill	0	0	0	0
Other assets	16	32	51	45
Total assets	**36**	**72**	**174**	**238**
Debt	0	0	0	0
Other liabilities	12	17	25	54
Total liabilities	**12**	**17**	**25**	**54**
Total shareholders' equity	**24**	**55**	**149**	**185**
Net debt	*-17*	*-33*	*-113*	*-186*
Key Company Metrics				
Sales growth (%)	nm	130.7	54.4	11.0
DB EPS growth (%)	na	333.8	1,526.3	-32.2
Payout ratio (%)	0.0	0.0	0.0	0.0
EBITDA Margin (%)	13.1	40.3	43.0	32.5
EBIT Margin (%)	9.9	38.1	40.0	29.1
ROE (%)	18.9	74.8	40.6	19.3
Net debt/equity (%)	-69.1	-60.5	-75.7	-100.8
Net interest cover (x)	nm	nm	nm	nm
DuPont Analysis				
EBIT margin (%)	9.9	38.1	40.0	29.1
x Asset turnover (x)	1.3	2.0	1.4	0.9
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	1.0	0.7	0.6	0.6
= ROA (post tax) (%)	**12.8**	**54.7**	**33.7**	**15.6**
x Financial leverage (x)	1.5	1.4	1.2	1.2
= ROE (%)	**18.9**	**74.8**	**40.6**	**19.3**
annual growth (%)	*na*	*296.4*	*-45.7*	*-52.6*
x NTA/share (avg) (x)	0.1	0.1	3.3	3.7
= Reported EPS	**0.01**	**0.09**	**1.34**	**0.71**
annual growth (%)	*na*	*523.3*	*1,408.6*	*-47.5*

Source: Company data, Deutsche Bank estimates

Telenav reported 1QFY10 revenue of $51.1 million ahead of our estimate of $50.0 million and consensus of $48.6 million; pro-forma EPS of $0.29 came in well ahead of our estimate of $0.20 and consensus of $0.22.

Telenav's main customers, Sprint and AT&T, respectively represented 51% and 35% of the revenue. The new Sprint contract took affect this quarter and will represent an amount less than the previous contract. Under this, Sprint pays Telenav a fixed sum regardless of subscriber count but the contract gives both parties incentives to add premium services. The AT&T contract is a revenue sharing agreement and will be up for renegotiation in March 2011. The company said, at this time, they meet with AT&T regularly and do not expect the terms will change.

In September the company updated its navigation-based mobile advertising platform and are starting to see some revenue growth in this area. In addition, the company continues to leverage its core customer area to grow revenue from premium navigation, automotive and enterprise LBS. However, these services still represent just over 5% of total revenues.

Guidance

The company guided earnings of $0.15 to $0.17 per share for FYQ2, ahead of the street expectations of $0.13 and brackets our expectation of $0.17. The company also revised it's full year guidance, saying revenue would be between $187 and $192 million and non-GAAP earnings would be between $0.70 and $0.78 per share. This is above the street's revenue estimate of $183 million and our estimate of $185 million. The EPS estimate is above the street estimate of $0.62 and brackets our estimate of $0.76 per share.

Financials

The company experienced a drop of 14% in average revenue per customer (ARPU) to $0.94. However, they added 1.6 million subscribers and the total customer base now comes to 17.7 million. Cash and cash equivalents increased by $18.2 million, giving the company a total of $131.1 million.

Conclusion

This is the kind of quarter the Telenav's business model should be able to deliver consistently. Unfortunately, the changing nature of their relationship makes such expectations unreliable. While the company did a job of beating expectations, we have little confidence that they can keep up this pace indefinitely. Under their new contract, Sprint will pay Telenav a fixed fee rather than on a per subscriber basis. Next quarter, with a full quarter of contribution, we should have a clearer picture of just how much Sprint is paying them. Regardless, we think some factors are already clear. The average revenue Telenav generates is set to decline at a faster pace than we would have expected six months ago. ARPU is, of course, only part of the story, and total revenue looks set to continue growing for the next several quarters.

Beyond that, however, we enter somewhat uncharted territory. By the middle of FY12 (2HCY11) the contribution from Sprint will likely be a smaller share of Telenav's revenue. The difficulty will be determining what can take its place. While we are encouraged by the company's progress in rolling out its mobile ad platform, our sense is that this will still take many years before it can accelerate revenue growth. In their latest quarter, we saw encouraging signs in Telenav's numbers and in management's commentary. Their mobile ad platform is growing. Hyper-local ads, location-based services, and mobile couponing are all very hot subjects in the Valley and venture capital communities. We are comfortable with the idea that there is a large opportunity here and that Telenav has the potential to claim some of it. Unfortunately, the timing is opaque. We think it is likely that before this new leg of revenue growth can scale the traditional carrier businesses will have slowed under new pricing regimes. This will make for several quarters of rocky transition.

So while we are encouraged by long-term trends, we remain cautious on our outlook for the next several quarters. We reiterate our Hold rating.

We are lowering our estimates as below and are lowering our price target to reflect the latest guidance and increased risk profile of the company.

2Q11 was $45m and $0.17, is $47m and $0.17
3Q11 was $48m and $0.19, is $47m and $0.16
FY11 was $185m and $0.76, is $190m and $0.75
FY12 was $207m and $0.89, is $193m and $0.65
CY10 was $182m and $0.99, is $193m and $1.07
CY11 was $196m and $0.79, is $183 and $0.51

Risks & Valuation

We are lowering our price from $9 to $5. Our valuation is based on a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 15%discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 7%).

We see two primary sources of downside risk for Telenav. The first is their dependence on a small number of carrier customers for their revenue. Carriers are known to be very demanding customers. While we believe Telenav's relationship with its carrier partners is strong, the risk exists that these carriers source navigation elsewhere or more likely pressure Telenav to bring down its prices. A second, related risk is competition from OTT navigation providers. The most significant of these are deep-pocketed players in the mobile and Internet landscape including Google, Nokia and Microsoft. These three all offer comparable navigation services bundled with their mobile operating systems (OS) at no cost to carriers or consumers. We think Telenav's relationship with the carriers shield them to some degree from this competition, but long-term expect pricing to converge on these $0 offerings. The chief upside risk is that the renegotiation with Sprint resolves with no change in earnings and the company returns to its prior growth trajectory. The company also has the ability to win new customers or see major customers such as AT&T switch to bundled pricing plans which would drive earnings above our estimates.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TeleNav	TNAV.OQ	4.90 (USD) 28 Oct 10	1,2

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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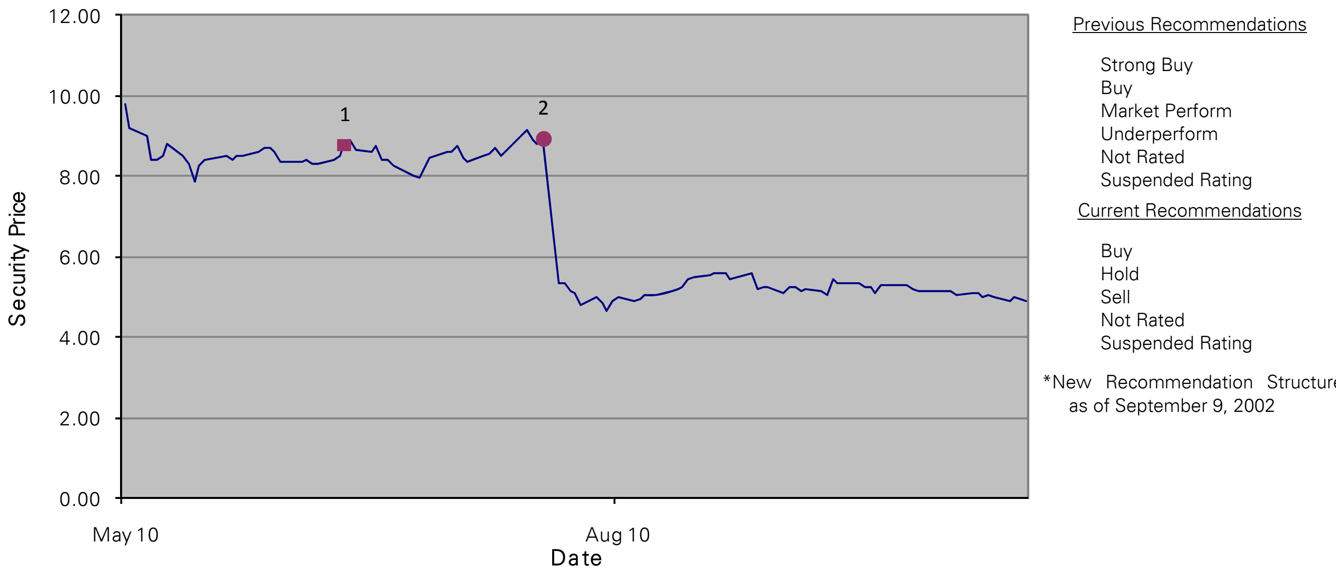
(as of 10/28/2010)



1.	6/23/2010:	Buy, Target Price Change USD12.00	2.	7/30/2010:	Downgrade to Hold, Target Price Change USD9.00

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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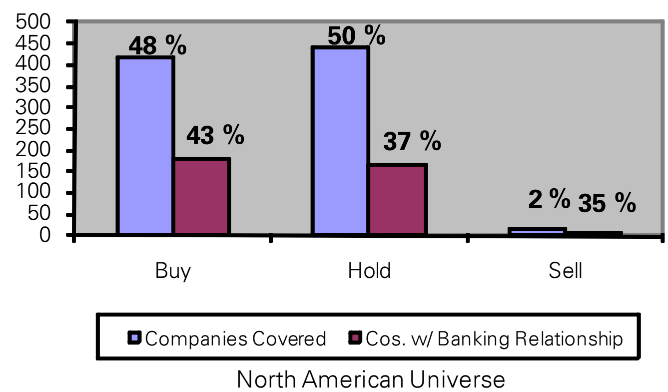
Equity rating dispersion and banking relationships



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J.P.Morgan

North America Equity Research
29 October 2010

TeleNav, Inc.

F1Q Review: Reassuring Start to FY11; Adj Ests.

Neutral

TNAV, TNAV US

Price: $4.90

▲ **Price Target: $7.50**
Previous: $7.00

Applied & Emerging Technologies

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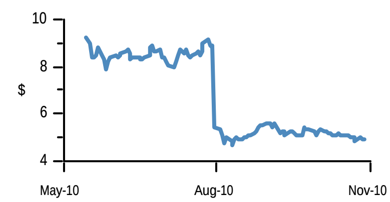
J.P. Morgan Securities LLC

TNAV easily beat F1Q expectations owing to tighter expense control than we anticipated. FY11 guidance was raised slightly. We are nudging up estimates to reflect the guidance and stronger-than-expected cash flow, however forecasting remains difficult owing to the pending transition to a fixed fee contract with Sprint (51% of F1Q sales), and the firm's expectations that over 10% of revenue will originate in premium services, auto licensing, and ad-based revenues, from a low base today. The AT&T contract (36% of sales) comes up for renewal in March 2011 and presents an event risk. We are in a transition period for TNAV, during which we will experience strong subscriber growth that will be offset by declining ARPUs, lower gross margins, and rising R&D investment. We look for visibility into reaccelerating revenue and earnings growth before becoming more constructive on the stock, notwithstanding the attractive valuation.

- **TNAV beat F1Q11 expectations**, reporting PF EPS of $0.29 on revenue of $51.1mm (JPM prior est $0.23/$49.8mm). Gross margin at 82.7% came in ahead of our forecast and operating expenses were lower than expected, so the firm is exercising expense discipline notwithstanding on-going investment in premium service offerings. This was a reassuring start to FY11.
- **FY11 Guidance was raised**. TNAV is looking to generate FY11 PF EPS of $70-$0.80 on revenue of $187-$192mm (JPM prior est $0.56/$181mm). We are encouraged by the firm's improved grasp of how the business will evolve with the change to the Sprint contract, however, we note that guidance points to a significant decline in ARPUs and gross margins as the Sprint revenues flip to fixed fee (revenue declines q/q then stabilizes at about $40-$45mm p.q.). In addition, the guidance calls for over 10% of revenue by F4Q11 to originate in auto royalties, new-to-the world premium services (voice recognition, real-time traffic, weather alerts) and ad-based revenues; implying very strong growth from a low base, which is risky. We are adjusting estimates to align with guidance, whilst acknowledging the risks here.

Price Performance



	YTD	1m	3m	12m
Abs	-46.7%	-6.8%	-44.4%	-46.7%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010E	2011E *(Old)*	2011E *(New)*	2012E *(Old)*	2012E *(New)*
EPS - Recurring ($)					
Q1 (Sep)	0.22A	0.23	0.29A	0.06	0.12
Q2 (Dec)	0.28A	0.11	0.17	0.08	0.11
Q3 (Mar)	0.34A	0.10	0.15	0.08	0.10
Q4 (Jun)	0.31A	0.13	0.12	0.12	0.10
FY	1.15A	0.56	0.72	0.34	0.43
CY	1.12	0.36	0.49	0.44	0.41
EBITDA CY ($ mn)	83	36	47	46	44
Revenues FY ($ mn)	171A	181	187	179	184

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.06; FY11: 1QA=$0.27, 2QE=$0.16, 3QE=$0.13, 4QE=$0.10; FY11E=$0.67;
FY12: 1QE=$0.10, 2QE=$0.09, 3QE=$0.08, 4QE=$0.08; FY12E=$0.35

Company Data	
Price ($)	4.90
Date Of Price	28 Oct 10
52-week Range ($)	11.48 - 4.65
Mkt Cap ($ mn)	186.34
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	7.50
Price Target End Date	31 Dec 11

See page 6 for analyst certification and important disclosures.

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- **We still need more information.** The fixed fee associated with Sprint (51% of F1Q revenue) will be more easily isolated in F2Q because the new contract will apply for the entire quarter. We should therefore be in a better position to determine the ARPU trend associated with MRC (AT&T was 36% of F1Q revenue), premium services and other revenues. It should also be possible to project gross margins with a bit more certainty. In short, it will take another quarter or two before sell-side models stabilize, in our view.
- **Overall tone remains constructive.** Management believes that wireless operators are committed to the TNAV white label service and exploring new revenue-sharing ideas. We note that operators can still place an own-brand navigation and search app on the majority of smart phones and nearly all feature phones, so the threat from Google, Nokia, TomTom and others is still muted in that respect, though 'free navigation' imposes price pressure on TNAV. The average subscriber count increased to 17.7 million in F1Q11, so TNAV remains the dominant provider of LBS navigation in N.America.
- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model, improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth. Our December 2011 price target of $7.50 reflects our view of the risks in this stock.

Valuation and Rating Analysis

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model, improved metrics relating to the growth of premium and ad-based navigation services, and better visibility into re-accelerating revenue and earnings growth.

Our December 2011 price target of $7.50 (previously $7.00) is based on an unchanged assigned multiple of 5x CY12E PF EBITDA of $47.4 (previously 46.3mm). The change in the price target largely reflects the very significant increase in the firm’s cash position, which went from $113mm in F4Q10 to $131mm in F1Q11. Our multiple assumption is based on the comms software/services peer group current median multiple of ~7x, but with a discount that takes into consideration significant shifts in the competitive landscape (Android gaining market share in handsets, TomTom gaining share in autos).

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav’s growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV’s prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav’s ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.

- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

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TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11A	2Q11E	3Q11E	4Q11E
Revenues	171	187	184	213	Revenues	51	46	45	45
Cost of products sold	29	41	52	69	Cost of products sold	9	10	11	12
Gross profit	142	146	133	144	Gross profit	42	36	34	33
SG&A	32	37	37	39	SG&A	8	9	10	10
R&D	42	58	69	81	R&D	13	15	15	16
Stock based comp.	5	4	6	7	Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-	Non-cash charges	-	-	-	-
Operating Income	68	51	27	24	Operating Income	21	12	10	8
EBITDA	78	63	46	45	EBITDA	24	15	13	11
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0	0	0	0
Pre-tax income	68	52	28	26	Pre-tax income	21	12	10	8
Income taxes	27	21	11	10	Income taxes	9	5	4	3
Net income - GAAP	41	30	16	15	Net income - GAAP	12	7	6	5
Net income PF	45	33	20	19	Net income PF	13	8	7	6
Diluted shares outstanding	39	46	47	48	Diluted shares outstanding	45	46	46	46
EPS - GAAP	1.06	0.67	0.35	0.32	EPS - GAAP	0.27	0.16	0.13	0.10
EPS PF	1.15	0.72	0.43	0.41	EPS PF	0.29	0.17	0.15	0.12

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	179	203	222	Sales growth	54.4%	9.3%	(1.5%)	15.7%
Accounts receivable	37	34	36	42	EBIT growth	72.1%	(25.4%)	(40.8%)	(3.6%)
Inventories	0	0	0	0	EPS growth	11.0%	(37.2%)	(41.0%)	(4.8%)
Other current assets	5	7	7	7					
Current assets	155	223	249	273	Gross margin	82.8%	78.1%	72.0%	67.7%
PP&E	10	8	6	8	EBIT margin	43.0%	29.4%	17.7%	14.7%
Long-term portfolio investments	-	-	-	-	EBITDA margin	45.9%	33.5%	24.9%	21.3%
Goodwill and intangibles	-	-	-	-	Tax rate	39.1%	41.0%	41.0%	41.0%
Total assets	175	239	263	288	Net margin	26.2%	17.7%	10.9%	9.1%
Accounts payable	3	3	4	5	Debt / EBITDA	0.0	0.0	0.0	0.0
Deferred revenues	7	28	28	28	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0					
Total liabilities	26	55	57	61	Return on assets (ROA)	36.4%	16.0%	8.0%	7.1%
Shareholders' equity	149	183	206	228	Return on equity (ROE)	58.9%	19.9%	10.3%	9.0%
					Return on invested capital (ROIC)	77.4%	62.1%	45.3%	40.0%
Net Income (including charges)	41	30	16	14					
D&A	5	8	13	14	Enterprise value / Sales	1.3	0.8	0.7	0.5
Change in Working Capital	(7)	32	(0)	(2)	Enterprise value / EBITDA	-	-	-	-
Other	-	-	-	-	Free cash flow yield	11.1%	17.0%	6.0%	4.5%
Cash flow from operations	44	75	35	34	P/E	4.6	7.4	14.0	15.5
Capex	(7)	(8)	(11)	(15)					
Free cash flow	37	67	24	18					
Cash flow from investing activities	(10)	(89)	(11)	(15)					
Cash flow from financing activities	45	0	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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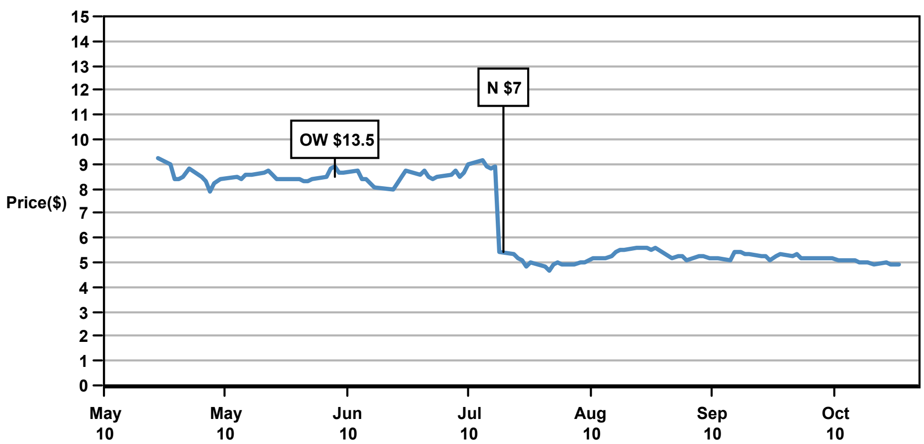
TeleNav, Inc. (TNAV) Price Chart



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

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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IB clients*	49%	45%	33%
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IB clients*	69%	60%	50%

*Percentage of investment banking clients in each rating category.
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“Other Disclosures” last revised September 1, 2010.

TeleNav

TNAV : NASDAQ : US$4.90

BUY

Target: US$10.00 ↑

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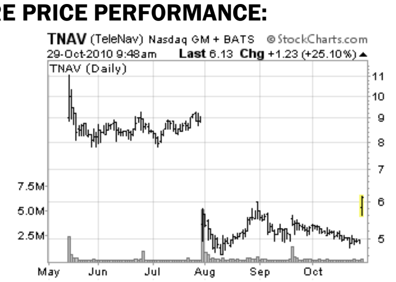
COMPANY STATISTICS:

52-week Range:	7.80 - 9.25
Avg. Daily Vol.:	1,228
Market Cap (M):	US$220
Shares Out basic (M):	45
LT Debt (M):	0.0
Net Cash /shr:	2.92
Bk Value/Sh:	US$3.61
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2009A	2010A	2011E
Revenue (M):		110.9	171.2	190.2
EBITDA (M):		44.7	73.6	61.1
Net income (M):		29.6	41.4	30.7
EPS:		0.57	1.06	0.67
EPS:	Q1	-	0.21	0.27A
	Q2	-	0.27	0.16
	Q3	-	0.33	0.12
	Q4	-	0.24	0.12
Total		0.57	1.06	0.67

SHARE PRICE PERFORMANCE:



COMPANY DESCRIPTION:

TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

EXCLUDING THE SPRINT CONTRACT DOWNTICK, GROWTH AND BUILDING CASH BALANCES KEEP US BUYERS; TARGET GOES TO $10

Investment recommendation

We are maintaining our BUY recommendation and raising our target price to $10 after TNAV's FQ1/11 report. We continue to believe that core operating fundamentals are strong and that opportunities from mobile advertising and commerce exist going forward.

Investment highlights

- Revenue/EPS of $51M/$0.27 was better than late-September preannounced results of $50M/$0.22.
- Strong paying sub growth (+64% y/y) in a difficult environment that includes free turn-by-turn alternatives.
- Revenue growth at all key carriers and growing cash balances.
- FQ2/11 revenue/EPS guidance of $45M-$47M/$0.14-$0.16 vs. consensus of $43M/$0.13.
- F2011 revenue/EPS guidance of $187M-$192M/$0.64-$0.72 vs. consensus of $183M/$0.62.

Valuation

Our $10 target price implies a 5x multiple on our 2011 EV/EBITDA estimate of $61M and takes into account prepayment amounts received in October. Maintain BUY.

EARNINGS SUMMARY

Figure 1: Earnings summary

FYE June 30 (US$000s, except per share)	FQ1/11A	FQ1/11E	Difference	FQ4/10A	Q/Q Chg %	FQ1/10A	Y/Y Chg %
Revenue	51,100	50,385	715.0	49,510	3%	36,048	42%
Gross margin	82.7%	80.1%	2.6%	83.1%	-1%	80.4%	3%
EBITDA	22,687	18,992	3,694.9	19,465	17%	15,634	45%
Operating margin	40.6%	33.3%	7.3%	35.9%	13%	40.5%	0%
Net income	12,358	9,934	2,423.5	10,612	16%	8,121	52%
EPS (fd)	0.27	0.22	0.06	0.24	15%	0.21	29%
Paying Subs	17,700	16,800	900.0	16,100	10%	10,800	64%
ARPU	0.94	0.97	(0.0)	1.03	-9%	1.10	-15%
Consensus revenue	48,660						
Consensus EPS	0.22						

Source: Company reports, Thomson ONE and Canaccord Genuity

- Paying subs increased to 17,700 from 16,100 last quarter, representing 64% y/y and 10% q/q growth. This shows solid growth amid an environment of free turn-by-turn competitor offerings.
- ARPU of $0.94 vs. $1.10 last year and $1.03 last quarter. The decline was expected due to the shift in end-user growth to bundled offerings and, to a lesser extent, the Sprint re-negotiation (the resolution came with roughly 9 days left in the September quarter).
- As a reminder, the term of the Sprint agreement was extended for one year with TNAV's preferred provider status now expiring two years later than originally scheduled. TeleNav will receive a guaranteed annual fixed fee from Sprint for navigation applications provided to subscribers in bundles which will change from year to year over the contract period. TeleNav will recognize revenue from the fees monthly on a straight-line basis over the term of the agreement.
- The AT&T contract, which is a three-year agreement that automatically renews on an annual basis, comes up for renewal in March 2011. Unlike the Sprint contract, this one is a revenue share agreement (MRC). Management commentary is that it fully expects the contract to renew.
- TNAV saw revenue growth at all key carriers in the quarter.
- Cash and equivalents at the end of the quarter was $131M, up from $113M in FQ4/10. Net cash per share increased to $2.92 from $2.69 last quarter.
- FQ2/11 revenue/EPS guidance of $45M-$47M/$0.14-$0.16 vs. consensus of $43M/$0.13.
- F2011 revenue/EPS guidance of $187M-$192M/$0.64-$0.72 vs. consensus of $183M/$0.62.

ESTIMATES

Our FQ2/11 estimate ticks up nicely on the heels of the strong FQ1/11 report. Our revenue estimate goes to $46M from $44M, sitting at the midpoint of guidance, while our EPS estimate of $0.16 (up from $0.11) is at the high-end of the guidance range.

Our F2011 estimates were increased, as well, with our new revenue/EPS estimates of $190M/$0.67 falling in the middle of the guidance range.

Figure 2: Estimate revisions

FYE June 30 (US$000s, except per share)	Original FQ2/11E	Revised FQ2/11E	Original F2011E	Revised F2011E
Total revenue	43,982	46,115	182,008	190,178
y/y growth	8.6%	13.9%	6.3%	11.1%
Gross Margin	75.0%	79.5%	76.3%	78.0%
EBITDA	11,179	14,880	52,611	61,138
margin	25.4%	32.3%	28.9%	32.1%
Operating Margin	20.0%	27.1%	23.4%	27.1%
Net Income	5,243	7,426	25,384	30,659
EPS (FD)	0.11	0.16	0.55	0.67
y/y growth	-57.5%	-38.8%	-48.4%	-37.1%
Paying Subs	18,000	18,900	18,000	19,300
ARPU	$0.79	$0.79	$0.81	$0.80
Consensus revenue	42,740		182,660	
Consensus EPS	0.13		0.62	

Source: Thomson ONE and Canaccord Genuity

VALUATON AND RECOMMENDATION

Our $10 target price implies a 5x multiple on our 2011 EV/EBITDA estimate of $61M and takes into account prepayment amounts received in October. We believe that core operating fundamentals are strong and continue to believe that opportunities from mobile advertising and commerce exist going forward. We maintain our BUY recommendation.

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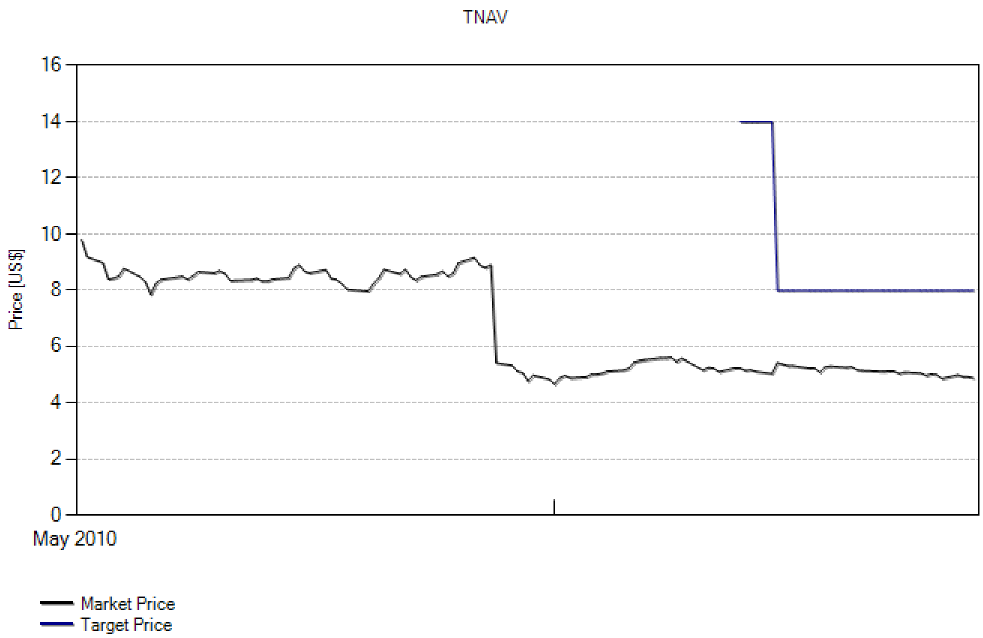

	Date	Analyst	Rating	Target Price		Date	Analyst	Rating	Target Price
1)	07/30/2010	Rath	Buy	14.00	2)	09/21/2010	Rath	Buy	8.00

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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(as of 5 October 2010)

	Coverage Universe		IB Clients
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Speculative Buy	73	10.3%	76.7%
Hold	197	27.7%	19.8%
Sell	15	2.1%	0.0%
	711	100.0%	

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Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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Reason for Report:
Earnings Announcement

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	--	$6.00
FY11E Rev (mil)	$181.6	$191.5
FY12E Rev (mil)	$197.1	$208.3
FY11E EPS	$0.53	$0.69
FY12E EPS	$0.46	$0.62

Price:	$4.90
52 Week High:	$11.48
52 Week Low:	$4.65
12-Month Price Target:	$6.00
DCF with assumptions of 16% NT WACC, 3% LT growth rate.	
Shares Out (mil):	44.9
Market Cap. (mil):	$220.0
Avg Daily Vol (000):	240
Book Value/Share:	$3.61
Debt to Total Capital:	0%
Est LT EPS Growth:	(3%)
P/E to LT EPS Growth (FY11):	-2.4x
Fiscal Year End:	Jun

Rev (mil)	2010A	2011E	2012E
Sep	$36.0A	$51.1A	$49.4E
Dec	$40.5A	$46.1E	$51.5E
Mar	$45.1A	$46.8E	$53.0E
Jun	$49.5A	$47.5E	$54.5E
FY	$171.2A	$191.5E	$208.3E
CY	$191.8E	$195.2E	$219.0E
FY RM	1.3x	1.1x	1.1x
CY RM	1.1x	1.1x	1.0x

EPS	2010A	2011E	2012E
Sep	$0.83A	$0.27A	$0.15E
Dec	$0.83A	$0.16E	$0.15E
Mar	$0.83A	$0.13E	$0.16E
Jun	$0.24A	$0.13E	$0.16E
FY	$0.83A	$0.69E	$0.62E
CY	$1.50E	$0.56E	$0.64E
FY P/E	5.9x	7.1x	7.9x
CY P/E	3.3x	8.8x	7.7x

TeleNav, Inc. (TNAV - $4.90)
Neutral

TeleNav Reports Solid FY1Q11 Results And Issues Better Guidance

CONCLUSION:
TeleNav reported fiscal 1Q11 results and hosted a conference call after the close on October 28. Financial results were in line to better than expected, although subscriber additions were less than our forecast. Management raised fiscal 2011 guidance.

- **Financial Results:** First quarter **r**evenues were 1.2% ahead of our forecast, while adjusted EBITDA was 19.3% ahead. GAAP EPS of $0.27 was 5c ahead of our estimate and street consensus of $0.22.

- **Positive Notables:** TeleNav expects the AT&T agreement to auto-renew in March 2011; financial results were ahead of expectations, management raised 2011 guidance; growth in "other" revenues is expected to double in 2011; the company is earning premium service revenues from Sprint customers.

- **Negative Notables:** An auto-renew of the AT&T contract would only last for one year; TeleNav did not announce any new carrier or automotive partnerships; subscriber adds were less than expected.

- **Net net,** TeleNav's results were better than expected and the updated 2011 guidance should result in numbers moving up across the street. However, the longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain. We maintain our $6 target and Neutral rating.

- **Changes to our model.** We are raising our fiscal 2011 revenue estimate by just over 5%, in line with management's updated guidance. We are also raising GAAP EPS to $0.69 from $0.53.

INVESTMENT RECOMMENDATION:
We rate TeleNav Neutral with a $6 target price. Our target price is based 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.

TeleNav Reports Solid FY1Q11 Results And Issues Better Guidance

TeleNav reported fiscal 1Q11 results and hosted a conference call after the close on October 28. Financial results were in line to better than expected, although subscriber additions were less than our forecast. First quarter revenues were 1.2% of our forecast, while adjusted EBITDA was 19.3% ahead. GAAP EPS of $0.27 was 5c ahead of our estimate and street consensus of $0.22. Management raised fiscal 2011 guidance.

Exhibit 1: TNAV 1Q11 Results At A Glance
in millions, unless otherwise stated

	1Q10 Act.	4Q10 Act.	1Q11 Est.	1Q11 Act.	
Total Net Revenues	$ 36.0	$ 49.5	$ 50.5	$ 51.1	
Adjusted EBITDA	$ 14.9	$ 21.2	$ 18.1	$ 21.6	
Net Income	$ 8.1	$ 10.6	$ 10.1	$ 12.4	*
Total Subscribers	10.8	16.1	18.1	17.7	
Total Net Adds	1.3	1.6	2.0	1.6	
ARPU (calculated, includes pass thru)	$ 1.10	$ 1.01	$ 0.91	$ 0.94	*
EPS - Piper Jaffray / Actual	$ -	$ 0.24	$ 0.22	$ 0.27	*
EPS - Consensus Est.			$ 0.22		

**Reported*
Source: Company data, Piper Jaffray estimates

Highlights From the Conference Call

Positive Notables

- TeleNav expects the AT&T agreement to auto-renew in March 2011. Management declined to elaborate on what gives them confidence that it will be auto-renewed, but when pressed on the conference call, management noted that they are in constant dialog with all of their carrier partners. We believe TeleNav has probably been given a wink and a nod by AT&T that they don't plan on canceling or renegotiating the contract at this time.
- Financial results were ahead of expectations. TeleNav beat our estimates and guidance for all key financial metrics.
- Management raised its outlook for fiscal 2011. The midpoint of 2011 revenue guidance was raised by 3.8% while the midpoint of net income guidance was raised over 29%. The company also raised gross margin guidance by 200 basis points. See Exhibits 2 and 3, below, for a comparison of TeleNav's guidance to our estimates.
- Management guided to meaningful growth in "other" revenues segment. In the current quarter, "other" revenues represented over 5% of total revenues, but is expected to represent 10% exiting the fiscal year. Other revenues are driven by automotive, premium navigation services, and mobile advertising.
- On the call, management noted that the company is earning premium service revenues from Sprint customers for services such as premium navigation (with voice input) and weather/traffic alerts.

Exhibit 2: TeleNav 2Q11 Guidance

in millions, unless otherwise stated

	Guidance	PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Total Revenue	$45 - $47 million	43.0	46.1
Gross Margin	79 - 80%	78%	79%
Non-GAAP Operating Expenses	$21 - $23 million, excluding $900k in stock-	22.8	22.4
GAAP Net Income	$6.5 - $7.5 million	4.9	7.2
GAAP EPS	$0.14 - $0.16	$0.11	$0.16
Non-GAAP Net Income	$7 - $8 million	5.8	7.7
Non-GAAP EPS	$0.15 - $0.17	$0.13	$0.17
Effective Tax Rate	41%	41%	41%
Wtd-Avg Diluted Shares	45 - 46 million	46.2	45.3

Source: Company data, Piper Jaffray estimates

Exhibit 3: TeleNav Fiscal 2011 Guidance

in millions, unless otherwise stated

	Updated Guidance	PJC Prior Estimates (millions, except EPS)	PJC New Estimates (millions, except EPS)
Total Revenue	$187 - $192 million	181.6	191.5
Gross Margin	78 - 80%	78%	79%
Non-GAAP Operating Expenses	$90 - $94 million, excluding $4M in stock-based	92.6	92.5
GAAP Net Income	$29 - $33 million	24.5	31.6
GAAP EPS	$0.64 - $0.72	$0.53	$0.69
Non-GAAP Net Income	$32 - $36 million	24.5	33.9
Non-GAAP EPS	$0.70 - $0.78	$0.53	$0.75
Effective Tax Rate	41%	41%	41%
Wtd-Avg Diluted Shares	45 - 46 million	46.3	45.4

Source: Company data, Piper Jaffray estimates

Negative Notables

- While an auto-renew of the AT&T contract would be a positive for the company, the terms of the contract call for the renewal period to only last for one year (at which point it would be up for renewal again). This essentially means that there are no renegotiation overhangs in 2011, but in 2012 we could see an AT&T renegotiation followed by a Sprint renegotiation later in the year.
- TeleNav did not announce any new carrier or automotive partnerships.
- Subscriber additions were less than forecast. TeleNav added 1.6 million new subscription customers, versus our estimate of 2.0 million. Customer adds were flat quarter-over-quarter.

Net Net

TeleNav's results were better than expected and the updated 2011 guidance should result in numbers moving up across the street. However, the longer-term risks of future carrier renegotiations and competition from other (free) navigation services remain. We maintain our $6 target and Neutral rating.

Changes to Our Model

We are raising our fiscal 2011 revenue estimate by just over 5%, in line with management's updated guidance. We are also raising GAAP EPS to $0.69 from $0.53.

TeleNav

(Figures in millions, except per share)

Income statement	**FY 2008**	**FY 2009**	**FY 2010**	**Est FY 2011**	**Est FY 2012**	**Est FY 2013**	**Est FY 2014**	**Est FY 2015**
Subscription revenue	48	109	169	177	188	199	205	209
Automotive and other revenue	0	2	2	15	20	26	34	44
Total Revenue	**48**	**111**	**171**	**192**	**208**	**225**	**239**	**253**
Cost of revenue	11	20	29	40	43	46	50	53
R&D	14	23	39	53	60	65	69	73
S&M	13	16	17	20	24	26	27	29
G&A	5	8	13	19	26	27	28	29
Adjusted EBITDA	**5**	**43**	**73**	**59**	**56**	**61**	**64**	**68**
D&A	0	0	0	0	0	0	0	0
Operating income	**5**	**43**	**73**	**59**	**56**	**61**	**64**	**68**
Non-cash compensation	(0)	(1)	(5)	(4)	(5)	(7)	(7)	(8)
Interest, net	0	0	0	0	0	0	0	0
Other income (expense)	0	(1)	(0)	(2)	(2)	(2)	(2)	(2)
Pretax income	**4.8**	**41.5**	**68.0**	**53.5**	**48.8**	**51.7**	**55.1**	**58.6**
Income taxes (benefit)	0	12	27	22	20	21	23	24
	0	0	0	0	0	0	0	0
Net income	5	30	41	32	29	31	32	35
Preferred div and accretion	0	0	0	0	0	0	0	0
Net income to common stockholders	**4.6**	**29.6**	**41.4**	**31.6**	**28.8**	**30.5**	**32.5**	**34.6**
Net Income to common, Adjusted	**5**	**30**	**41**	**32**	**29**	**31**	**32**	**35**
Amount allocable to common shareholders								
Diluted Shares O/S			37	45	47	47	48	49
EPS (Diluted)			$0.83	$0.69	$0.62	$0.64	$0.67	$0.70
Margins								
Cost of service	23.6%	18.3%	17.2%	20.7%	20.5%	20.6%	20.8%	21.0%
G&A	10.3%	7.4%	7.4%	10.0%	12.3%	12.1%	11.8%	11.6%
S&M	27.3%	14.8%	9.7%	10.6%	11.4%	11.4%	11.4%	11.4%
R&D	28.4%	21.0%	22.8%	27.7%	29.0%	29.0%	29.0%	29.0%
EBITDA	**10.3%**	**38.6%**	**42.8%**	**31.0%**	**26.9%**	**26.9%**	**27.0%**	**27.0%**
Operating Income	10.3%	39.4%	43.5%	33.5%	29.7%	30.4%	31.4%	32.7%
Tax rate	4%	29%	39%	41%	41%	41%	41%	41%
Gross Margin		82%	83%	79%	80%	79%	79%	79%
Annual growth								
Total Revenue		131%	54%	12%	9%	8%	6%	6%
EBITDA			71%	-19%	-6%	8%	6%	6%
Sequential growth								
Total Revenue		126%	55%	5%	6%	6%	3%	2%
EBITDA		764%	71%	-19%	-6%	8%	6%	6%

10/28/2010

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
(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	48.5	42.8	42.8	42.8
Automotive and other revenue	0.5	0.3	0.8	0.6	0.4	0.9	0.6	0.6	2.6	3.3	4.0	4.8
Total Revenue	**21.5**	**25.3**	**29.8**	**34.3**	**36.0**	**40.5**	**45.1**	**49.5**	**51.1**	**46.1**	**46.8**	**47.5**
Cost of revenue	4.0	4.5	5.3	6.5	7.1	6.9	7.2	8.3	8.8	9.7	10.5	10.7
R&D	4.6	5.5	6.1	7.1	7.8	9.1	10.5	11.6	12.5	13.4	13.3	13.8
S&M	3.8	4.0	4.1	4.5	3.8	4.0	4.4	4.5	4.6	5.1	5.2	5.4
G&A	1.6	1.9	2.3	2.4	2.5	3.0	3.5	3.8	3.6	3.9	5.8	5.9
Adjusted EBITDA	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**21.6**	**14.1**	**11.9**	**11.7**
D&A												
Operating income	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**21.6**	**14.1**	**11.9**	**11.7**
Non-cash compensation	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(3.5)	(0.9)	(0.9)	(1.1)	(1.1)
Interest, net								0.0	0.1	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	(1.0)	(0.5)	(0.5)
Pretax income	**7.5**	**9.5**	**11.3**	**13.3**	**14.1**	**17.2**	**19.0**	**17.7**	**20.9**	**12.2**	**10.3**	**10.1**
Income taxes (benefit)	2.5	2.6	3.8	3.0	6.0	7.1	6.5	7.1	8.6	5.0	4.2	4.1
Net income	4.975	6.862	7.448	10.333	8.121	10.136	12.541	10.612	12.4	7.2	6.1	6.0
Preferred div and accretion												
Net income to common stockholders								**8.936**	**12.4**	**7.2**	**6.1**	**6.0**
Net Income to common, Adjusted								**8.9**	**12.4**	**7.2**	**6.1**	**6.0**
Amount allocable to common shareholde												
Diluted Shares O/S								37	45	45	46	46
EPS (Diluted)								$0.24	$0.27	$0.16	$0.13	$0.13
Margins												
Cost of service	18.7%	17.6%	17.7%	18.9%	19.6%	17.0%	15.9%	16.9%	17.3%	21.0%	22.5%	22.5%
G&A	7.4%	7.4%	7.8%	7.0%	6.9%	7.4%	7.7%	7.7%	7.0%	8.5%	12.4%	12.4%
S&M	17.9%	15.9%	13.6%	13.0%	10.6%	9.8%	9.7%	9.1%	9.0%	11.0%	11.2%	11.4%
R&D	21.4%	21.6%	20.3%	20.8%	21.5%	22.5%	23.2%	23.4%	24.5%	29.0%	28.5%	29.0%
EBITDA	**34.6%**	**37.5%**	**40.5%**	**40.3%**	**41.4%**	**43.3%**	**43.5%**	**42.9%**	**42.3%**	**30.5%**	**25.4%**	**24.7%**
Operating Income	35.4%	37.9%	41.6%	41.1%	41.8%	44.3%	44.1%	43.4%	44.5%	32.8%	27.7%	27.4%
Tax rate	33%	28%	34%	22%	42%	41%	34%	40%	41%	41%	41%	41%
Gross Margin	81%	82%	82%	81%	80%	83%	84%	83%	83%	79%	78%	78%
Annual growth												
Total Revenue	162%	155%	138%	97%	67%	60%	51%	45%	42%	14%	4%	-4%
EBITDA	#N/A	9269%	757%	233%	100%	85%	63%	54%	45%	-20%	-39%	-45%
Sequential growth												
Total Revenue	23%	17%	18%	15%	5%	12%	11%	10%	3%	-10%	2%	2%
EBITDA	80%	27%	28%	14%	8%	18%	12%	8%	2%	-35%	-15%	-1%

10/28/2010
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	83	103	129	157	188
A/R	15	24	37	43	49	52	55	57
Deferred Tax Asset, ST	0	2	2	4	4	4	4	4
Prepaid Expenses and Other C/A	1	3	3	84	84	84	84	84
PPE, Net	3	7	10	12	14	16	18	20
Deferred Tax Asset, LT	0	0	0	0	0	0	0	0
Dposits and Other Assets	1	3	10	8	8	8	8	8
Total Assets	36	72	175	233	262	292	325	361
A/P	1	2	3	2	2	2	3	4
Accrued Compensation	2	4	6	4	4	4	4	4
Accrued Royalties	2	3	3	4	4	4	4	4
Other Accrued Expenses	2	2	3	3	3	3	3	3
Deferred Revenue	2	3	7	28	28	28	28	28
Warrant Liability, current	0	0	0	0	0	0	0	0
Income Taxes Payable	0	3	2	6	6	6	6	6
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	181	210	241	273	308
Liabilities + Equity	36	72	175	233	262	292	325	361

Source: Company data, Piper Jaffray estimates.

TeleNav

(Figures in millions, except per share)

Statement of Cash Flows	**FY 2009**	**FY 2010**	**Est FY 2011**	**Est FY 2012**	**Est FY 2013**	**Est FY 2014**	**Est FY 2015**
Net income	30	41	32	29	31	32	35
D&A	2	5	7	7	8	8	9
Change in working capital	(8)	(13)	(6)	(6)	(2)	(2)	(2)
Accrued interest	0	0	0	0	0	0	0
Other operating	0	11	27	0	0	0	0
Net cash from operations	**24**	**44**	**59**	**30**	**36**	**38**	**41**
License cost	0	0	0	0	0	0	0
Cap-x	(8)	(7)	(8)	(9)	(10)	(10)	(10)
Other investing	0	(2)	(81)	0	0	0	0
Net cash from investing	**(8)**	**(10)**	**(89)**	**(9)**	**(10)**	**(10)**	**(10)**
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	(30.1)	20.3	26.2	28.1	30.9
Cash at beginning	16.9	33.2	112.9	82.8	103.0	129.3	157.3
Cash at end	33.2	112.9	82.8	103.0	129.3	157.3	188.2

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**	**$55**	**$51**	**$54**	**$57**	**$61**
Less: Tax Rate*EBIT	(15)	(24)	(19)	(18)	(19)	(20)	(21)
Plus: Depreciation	2	5	7	7	8	8	9
Less: Change in Working Capital	$8	$13	$6	$6	$2	$2	$2
Less: Capital Expenditures	($8)	($7)	($8)	($9)	($10)	($10)	($10)
Free Cash Flow to the Firm	$31	$55	$41	$37	$35	$38	$39
After tax Interest Expense	$0	$0	$0	$0	$0	$0	$0
Equity Free Cash Flow	$31	$55	$41	$37	$35	$38	$39
Equity FCF per share		**1.48**	**0.90**	**0.81**	**0.74**	**0.78**	**0.80**

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		**$412**

Valuation ***(end of FY 2011)***	
PV FCF 2012 through 2015	$104
PV Terminal Value	$227
PV of Firm	**$332**
Less: 2011 Net Debt	$0
Majority Equity Value	$332
Less Minority Discount	15%
Minority Equity Value	$282
DCF Valuation Per Share	**$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]	296	49.20	67	22.64
HOLD [N]	260	43.20	24	9.23
SELL [UW]	46	7.60	1	2.17

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Important Research Disclosures

Analyst Certification — Christopher M. Larsen, Sr. Research Analyst
— Bradley W. Korch, Research Analyst
— Joseph A. Mastrogiovanni, Research Analyst

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Research Disclosures

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Piper Jaffray has received compensation for investment banking services from or has had a client relationship with TeleNav, Inc. within the past 12 months.

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TeleNav, Inc.

F1Q11 Preview: Trimming Estimates and Looking for Clarity in the Business Model

We maintain our Neutral rating for TNAV ahead of F1Q11 results. While we think TNAV is attractively valued, competitive threats (especially Android handsets) still weigh on sentiment, the business model remains uncertain, and customer concentration risk remains a concern. Given the recent resolution of the Sprint contract renegotiation, which altered the business model for over 50% of TNAV's revenue, we hope the earnings call will provide more precise metrics around subscription, fixed fee, and advertising revenue forecasts. We are trimming calendar 2011-2012 estimates with this note, cutting automotive-related revenue, and increasing R&D; we believe our prior forecast was too aggressive. We are also adjusting our 2011 price target multiple assumption, lowering the EV/EBITDA multiple two turns to reflect what we view as the growing threat from Android. We are maintaining our December 2011 price target of $7 (see page 3 for further explanation).

- **TNAV reports F1Q11 results on October 28.** The conference call will begin at 5pm ET; dial-in 888-724-9493.
- **We expect TNAV to report F1Q11 PF EPS of $0.23 on $49.8mm in revenue** (Street: $0.22/$50.4mm). We expect total subscription/fixed fee revenue of $48.3mm and gross margin of 80%, down from 83.1% at F4Q10. Post Sprint contract renegotiation, TNAV's model has been in flux, so we will be looking for additional metrics on the call to formulate precise subscription, fixed fee, and advertising revenue forecasts. We know that the contract is effective from September 1, 2010, meaning that F1Q11 entails only one month of revised terms, and that substantial sequential impact will be felt in the December quarter.
- **We expect F2Q11 guidance to be aligned with our estimates, and for additional metrics to be provided.** We look for F2Q PF EPS of $0.11 on $41.3mm in revenue (Street: $0.12/$44.7mm). We expect gross margin of 77.8%, continued decline.

Neutral

TNAV, TNAV US
Price: $5.02

Price Target: $7.00

Applied Technologies

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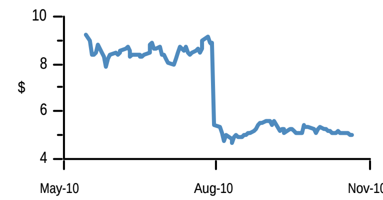
Price Performance



	YTD	1m	3m	12m
Abs	-45.2%	-0.4%	-42.0%	-45.2%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010E	2011E *(Old)*	2011E *(New)*	2012E *(Old)*	2012E *(New)*
EPS - Recurring ($)					
Q1 (Sep)	0.22A	0.23	0.23	0.08	0.06
Q2 (Dec)	0.28A	0.11	0.11	0.11	0.08
Q3 (Mar)	0.34A	0.10	0.10	0.13	0.08
Q4 (Jun)	0.31A	0.14	0.13	0.17	0.12
FY	1.15A	0.57	0.56	0.49	0.34
CY	0.99	0.42	0.36	0.64	0.44
EBITDA CY ($ mn)	72	41	36	62	46
Revenues FY ($ mn)	171A	182	181	188	179

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; FY10A=$1.06; FY11: 1QE=$0.21, 2QE=$0.09, 3QE=$0.08, 4QE=$0.11; FY11E=$0.49;
FY12: 1QE=$0.04, 2QE=$0.06, 3QE=$0.06, 4QE=$0.10; FY12E=$0.26

Company Data	
Price ($)	5.02
Date Of Price	21 Oct 10
52-week Range ($)	11.48 - 4.65
Mkt Cap ($ mn)	190.90
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	7.00
Price Target End Date	31 Dec 11

See page 6 for analyst certification and important disclosures.

- **We are lowering estimates with this note.** Specifically, we are cutting back the auto-related royalties (e.g., Ford) by nearly 50% in calendar 2011; we think the revenue ramp was too aggressive. We have also cut back the ad-based revenue ramp; this is an early-stage opportunity and we believe the bar should be set low. We have also increased R&D slightly to reflect our view that the firm must invest heavily to capture new market opportunities. CY11 EBITDA goes to $36 million from $41 million, and CY12 EBITDA goes to $46 from $62 million.
- **Key questions for the call.** What percent of revenue will the Sprint flat fee represent next quarter and beyond? Should the Sprint contract be considered as an industry trend and will it affect TNAV's contracts with other carriers? What impact is TeleNav seeing from 'free' navigation solutions from Google and Nokia? How are the Auto and TeleNav Track growth initiatives proceeding, and what are the latest expectations? When can we expect to see meaningful growth from international markets, particularly at China Mobile?
- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model and its drivers (particularly at Sprint). We are incorporating a two-turn reduction in the EV/EBITDA multiple assumption for our December 2011 price target, reflecting our view of increased competition from Android handsets and lower CY12 estimates.

Valuation and Rating Analysis

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. The stock is still undervalued, in our view, but we believe TNAV will not outperform until we get better clarity on the business model and its drivers (particularly at Sprint).

Our December 2011 price target of $7.00 is based on an assigned multiple of 5x CY12E PF EBITDA of $46.3mm, lowered from 7x. Our multiple assumption is based on the comms software/services peer group current median multiple of ~7x, but with a discount that takes into consideration recent significant shifts in the competitive landscape (Android gaining market share in handsets, TomTom gaining share in autos).

Although our estimates are lowered, our December 2011 price target remains unchanged at $7.00. This is because we have corrected an error in our price target calculation in which we failed to add back TNAV's net cash position of $113mm into our market cap calculation. With this adjustment and the decrease in our CY12 EBITDA estimate, our 2011 price target remains at $7. Based on the correct market cap ($546mm), our price target in our September 21st TeleNav note would have been $12.00, based on a 7x multiple assumption on CY12E PF EBITDA of $61.9mm.

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav's growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV's prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or renegotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.

- TeleNav's ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not materialize.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E	Income Statement - Quarterly	1Q11E	2Q11E	3Q11E	4Q11E
Revenues	171	181	179	212	Revenues	50	41	43	47
Cost of products sold	29	43	52	64	Cost of products sold	10	9	11	13
Gross profit	142	138	127	148	Gross profit	40	32	32	35
SG&A	32	42	42	39	SG&A	10	10	11	11
R&D	42	59	67	74	R&D	14	15	15	16
Stock based comp.	5	4	6	8	Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-	Non-cash charges	-	-	-	-
Operating Income	68	37	18	36	Operating Income	16	7	6	8
EBITDA	78	48	38	57	EBITDA	18	9	9	11
Other income / (expense)	(0)	0	0	0	Other income / (expense)	0	0	0	0
Pre-tax income	68	38	20	38	Pre-tax income	16	7	6	8
Income taxes	27	16	8	15	Income taxes	7	3	3	3
Net income - GAAP	41	23	12	23	Net income - GAAP	10	4	4	5
Net income PF	45	26	16	27	Net income PF	10	5	4	6
Diluted shares outstanding	39	46	47	48	Diluted shares outstanding	46	46	46	46
EPS - GAAP	1.06	0.49	0.26	0.48	EPS - GAAP	0.21	0.09	0.08	0.11
EPS PF	1.15	0.56	0.34	0.57	EPS PF	0.23	0.11	0.10	0.13

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E	Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	147	167	192	Sales growth	54.4%	5.9%	(1.2%)	18.3%
Accounts receivable	37	36	38	44	EBIT growth	72.1%	(44.1%)	(40.1%)	76.8%
Inventories	0	0	0	0	EPS growth	11.0%	(51.6%)	(39.4%)	69.0%
Other current assets	5	5	5	5					
Current assets	155	188	210	241	Gross margin	82.8%	76.1%	71.2%	70.0%
PP&E	10	10	8	9	EBIT margin	43.0%	22.7%	13.8%	20.5%
Long-term portfolio investments	-	-	-	-	EBITDA margin	45.9%	26.3%	21.2%	27.1%
Goodwill and intangibles	-	-	-	-	Tax rate	39.1%	41.0%	40.0%	40.0%
Total assets	175	208	228	260	Net margin	26.2%	14.1%	8.8%	12.9%
Accounts payable	3	6	7	8	Debt / EBITDA	0.0	0.0	0.0	0.0
Deferred revenues	7	7	7	7	Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Total debt	0	0	0	0					
Total liabilities	26	32	34	36	Return on assets (ROA)	36.4%	13.4%	7.3%	11.2%
Shareholders' equity	149	176	194	225	Return on equity (ROE)	58.9%	15.8%	8.6%	13.0%
					Return on invested capital (ROIC)	77.4%	46.2%	37.4%	50.6%
Net Income (including charges)	41	23	12	27					
D&A	5	7	13	14	Enterprise value / Sales	1.3	1.0	0.9	0.6
Change in Working Capital	(7)	7	0	(4)	Enterprise value / EBITDA	-	-	-	-
Other	-	-	-	-	Free cash flow yield	11.1%	8.1%	5.0%	6.1%
Cash flow from operations	44	40	32	40	P/E	4.7	10.2	19.4	10.5
Capex	(7)	(8)	(11)	(15)					
Free cash flow	37	32	20	25					
Cash flow from investing activities	(10)	(8)	(11)	(15)					
Cash flow from financing activities	45	2	0	0					
Dividends	-	-	-	-					
Dividend yield	-	-	-	-					

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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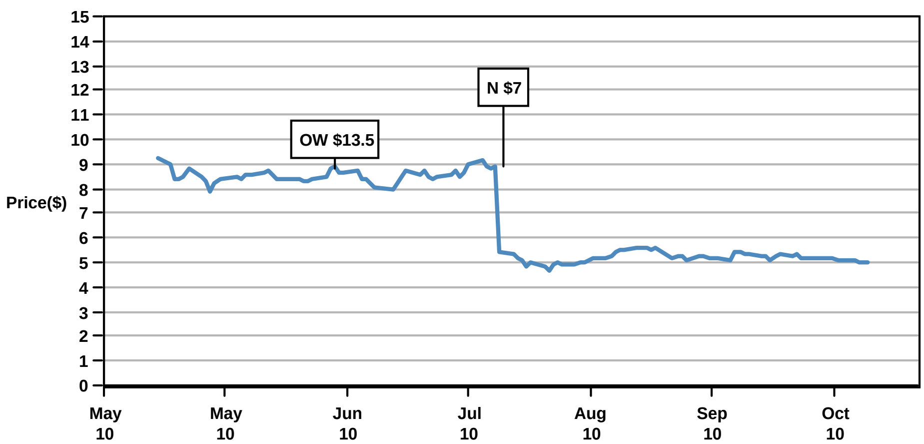
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	13.50
30-Jul-10	N	8.91	7.00

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.
J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	46%	43%	12%
IB clients*	49%	45%	33%
JPMS Equity Research Coverage	43%	48%	8%
IB clients*	69%	60%	50%

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TeleNav, Inc.

Sprint Deal Amended; Adjusting Estimates

Neutral

TNAV, TNAV US

Price: $5.06

Price Target: $7.00

TeleNav announced that contract with Sprint has been re-negotiated. Contract rollover was successful, extending through December 31, 2012 (previously December 31, 2010). As expected, the new contract leads to an aggregate reduction in revenue from Sprint, who represents 55% of total revenue – FY11 guidance was revised down accordingly, but 1FQ11 guidance was left unchanged. We view the announcement as an overall positive, as the elimination of uncertainty offsets slightly disappointing FY11 guidance. December 2011 Price Target is $7.00; Maintain Neutral.

- **Sprint deal amended.** TNAV will remain Sprint's preferred navigation supplier through December 31, 2012 (previously December 31, 2010) and Sprint's right to terminate the agreement will begin on June 30, 2012 (previously December 31, 2010). TNAV will receive a guaranteed annual fixed fee from Sprint for bundled navigation application, to be recognized monthly over the term of the agreement (28 months, starting September 1, 2010). As expected, the new contract leads to an aggregate reduction in revenue from that key customer, who represents 55% of total revenue. On the other hand, TNAV's portion of revenue sharing for MRC (monthly recurring charge) navigation subs, enterprise LBS subs, mobile advertising/commerce and any other premium services, was increased. We expect that these contract terms will provide an incentive for Sprint to pre-provision TNAV application to a larger number of subscribers, and therefore an opportunity for TNAV to provide additional services on top of navigation to a larger subscriber base.
- **Sprint navigator to be TNAV-branded.** Sprint-branded bundled navigation services will transition to TNAV brand over time, meaning that new subs and new devices will have a TNAV-branded navigation app instead of the Sprint-branded one. While this may indicate that Sprint's commitment to TNAV solution is moderating, it also yields TNAV the opportunity to establish its own brand in the marketplace and reach end-users directly.
- **Contract with Tele Atlas was revised as well.** TNAV will pay fees related to Sprint's bundled navigation as a percentage of fees collected from Sprint for basic navigation services and from mobile advertising revenue, rather than the previous arrangement based on monthly fees per user or per transaction fees.

Applied Technologies

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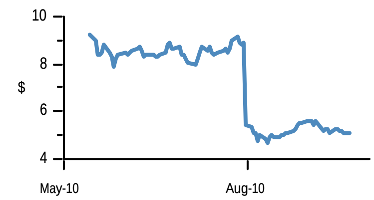
Price Performance



	YTD	1m	3m	12m
Abs	-45.0%	-1.6%	-40.1%	-45.0%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010E *(Old)*	2010E *(New)*	2011E *(Old)*	2011E *(New)*	2012E *(Old)*	2012E *(New)*
EPS - Recurring ($)						
Q1 (Sep)	0.22A	0.22A	0.23	0.23	0.10	0.08
Q2 (Dec)	0.28A	0.28A	0.21	0.11	0.13	0.11
Q3 (Mar)	0.34A	0.34A	0.13	0.10	0.15	0.13
Q4 (Jun)	0.31A	0.31A	0.08	0.14	0.18	0.17
FY	1.15A	1.15A	0.65	0.57	0.57	0.49
CY	1.09	0.99	0.45	0.42	0.76	0.64
EBITDA CY ($ mn)	79	72	43	41	71	62

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; CY09A=$1.10
FY10: 1QA=$0.22, 2QA=$0.27, 3QA=$0.33, 4QE=$0.24; FY10A=$1.06; CY10E=$0.89
FY11: 1QE=$0.21, 2QE=$0.09, 3QE=$0.08, 4QE=$0.12; FY11E=$0.50; CY11E=$0.35
FY12: 1QE=$0.06, 2QE=$0.09, 3QE=$0.11, 4QE=$0.15; FY12E=$0.41; CY12E=$0.56

Company Data	
Price ($)	5.06
Date Of Price	20 Sep 10
52-week Range ($)	11.48 - 4.65
Mkt Cap ($ mn)	192.42
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	7.00
Price Target End Date	31 Dec 11

See page 5 for analyst certification and important disclosures.

- **F1Q11 guidance was maintained; FY11 guidance was revised, coming in slightly below expectations**. The company looks for F1Q11 PF EPS of $0.23 on revenue of $50mm (JPM prior est $0.23/$51.4mm, Street $0.23/$50.3mm). FY11 PF EPS is expected to be in the range $0.55-$0.60 on revenue of $180-$185mm (JPM prior est $0.65/$188.8mm, Street $0.85/$206.0mm).
- **Adjusting estimates.** TNAV model is now in a flux and we feel that we require additional information to build precise subscription (now subscription and fixed fee) and advertising revenue forecasts. For the time being, we have assumed conservative FY11 and FY12 growth rates (6% and 3% respectively) on the overall revenue, and aligned our PF EPS estimates with management guidance. When we obtain additional data indicative of the performance of Automotive, MRM and Mobile Advertising segments, we will provide a more detailed and precise revenue model. We are now modeling FY11 PF EPS of $0.57 on revenue of $182.2mm, PF EBITDA $48.4mm, FY12 PF EPS of $0.49 on revenue of $188.3mm, PF EBITDA $49.6mm.
- **Maintain Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. Long-term growth prospects associated with navigation and LBS solutions are offset by the risks of pricing pressure at key customers. December 2011 Price Target is $7.00.

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Valuation and Rating Analysis

Maintain Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. Long-term growth prospects associated with navigation and LBS solutions are now offset by the risks of pricing pressure at key customers, spurred by the availability of 'free' solutions from Nokia and Google.

December 31, 2011 price target is $7.00. The Price Target is based on an assigned multiple of 7 (previously 6 times) revised CY12E PF EBITDA of $61.9 million; the multiple is based on the comms software/services peer group multiple. We have increased the multiple by one turn to reflect the reduced risk profile for the stock. The market cap takes into consideration $112mm in cash, and zero debt. We use 45.5 million shares to calculate our per-share price target.

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- Negotiations with Sprint conclude with more favorable pricing terms than we have assumed.
- TeleNav experiences faster subscriber growth than we anticipate
- Telenav wins new customer contracts that spur subscriber growth
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav's growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV's prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or negotiates terms that reduce revenues to TNAV, relative to our expectations
- AT&T, T-Mobile or other TNAV customers do not roll-over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav's ARPUs and gross margins fall faster than we have anticipated
- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.

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- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

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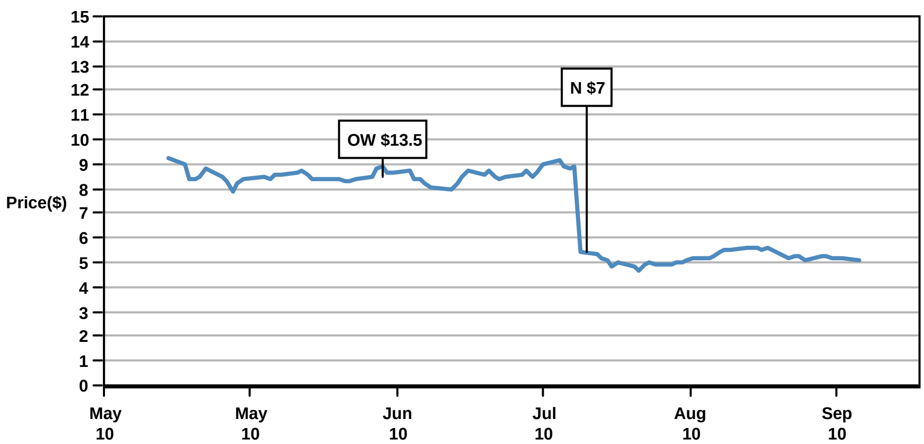
TeleNav, Inc. (TNAV) Price Chart



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

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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IB clients*	49%	46%	31%
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TeleNav

TNAV : NASDAQ : US$5.06

BUY

Target: US$8.00 ↓

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COMPANY STATISTICS:

52-week Range:	4.65 – 11.48
Avg. Daily Vol (000s).:	213
Market Cap (M):	212
Shares Out basic (M):	42
LT Debt (M):	0.0
Net Cash /shr:	2.69
Bk Value/Sh:	US$3.98
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2009A	2010A	2011E
Revenue (M):		110.9	171.2	182.0
EBITDA (M):		44.7	73.6	52.6
Net income (M):		29.6	41.4	25.4
EPS:		0.57	1.06	0.55
EPS:	Q1	--	0.21	0.22
	Q2	--	0.27	0.11
	Q3	--	0.33	0.11
	Q4	--	0.24	0.11
Total		0.57	1.06	0.55

SHARE PRICE PERFORMANCE:

COMPANY DESCRIPTION:
TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

SPRINT CONTRACT AMENDED, UPSIDE OPPORTUNITIES EXIST; MAINTAIN BUY, TARGET GOES TO $8

Investment recommendation

We are lowering our target price to $8 from $14 after TeleNav revealed the results of its renegotiation with Sprint. Though price concessions were inevitable, we believe that removing the uncertainty around the magnitude has created a floor for the stock and we see upside opportunities from mobile advertising and commerce going forward.

Investment highlights

- The term of the agreement was extended for one year with TNAV's preferred provider status now expiring two years later than originally scheduled.
- TNAV's revenue-sharing portion for certain subscribers was increased. Upside opportunities within the installed base exist and now include prepaid subscribers.
- The AT&T contract, up for renewal in 2011, is primarily a MRC model rather than a bundle, so the Sprint renegotiation does not necessarily set a precedent going forward.
- Management reiterated FQ1/11 guidance and provided full fiscal year 2011 guidance.

Valuation

Our new $8 target price implies a 5x EV/EBITDA multiple on our 2011 EBITDA estimate of $53M. Maintain BUY.

SPRINT, TELEATLAS CONTRACTS AMENDED

TeleNav finalized renegotiations with Sprint last night, and while price concessions were inevitable, the new contract terms provide upside opportunities from mobile advertising and commerce going forward, in our opinion. Additionally, we believe settlement of the renegotiation removes uncertainty around the name and puts a floor under the stock. Inevitably, the next question becomes "What about the upcoming contract expiration with AT&T?" but that contract employs a monthly recurring charge (MRC) model rather than the bundle model utilized by Sprint, so the Sprint renegotiation does not necessarily set a precedent for that contract going forward. Key points under the new contract are as follows:

- Term of the agreement extended to December 31, 2012 from December 31, 2011. Sprint's right to terminate without caused changed to June 30, 2012 from December 31, 2010.
- TeleNav will be Sprint's preferred supplier of navigation through December 31, 2012 (previously December 31, 2010) and TeleNav branded navigation services will replace the Sprint brand as part of the bundled offering.
- Bundle opportunities will be expanded to include Sprint's prepaid subscriber base (Boost and Virgin; approximately 10M subs).
- TeleNav will receive a guaranteed annual fixed fee from Sprint for navigation applications provided to subscribers in bundles which will change from year to year over the contract period. TeleNav will recognize revenue from the fees monthly on a straight-line basis over the term of the agreement.
- TeleNav's portion of the revenue sharing arrangement for monthly recurring charge navigation subscribers, enterprise LBS subscribers and revenue from mobile commerce services was increased.
- TeleNav will pay TeleAtlas fees related to navigation services for Sprint's bundles as a percentage of fees collected from Sprint for basic navigation services and from mobile advertising and mobile commerce revenue generated going forward versus the previous monthly fee per user or per transaction.
- The term of the agreement remains unchanged and expires in July 2014. Financial terms with respect to Sprint bundled offers will expire in concert with the expiration of TeleNav's agreement with Sprint for these services.
- Amendments to the Sprint and TeleAtlas agreements are retroactively effective as of September 1, 2010 and August 1, 2010, respectively.

ESTIMATES

Management reiterated its previous FQ1/11 guidance and provided guidance for F2011. Management expects F2011 revenue/EPS of $180-$185M/$0.50-$0.55. Our new estimates are $182M/$0.55.

Figure 2: Estimate revisions

FYE June 30 (US$000s, except per share)	Original F2011E	Revised F2011E
Total revenue	215,488	182,008
y/y growth	25.9%	6.3%
Gross Margin	77.6%	76.3%
EBITDA	76,887	52,611
margin	35.7%	28.9%
Operating Margin	31.1%	23.4%
Net Income	39,900	25,384
EPS (FD)	0.86	0.55
y/y growth	-18.9%	-48.4%
Paying Subs	18,000	18,000
ARPU	$0.97	$0.81
Consensus revenue	206,100	
Consensus EPS	0.84	

Source: Thomson ONE and Canaccord Genuity

VALUATON AND RECOMMENDATION

Our new $8 target price implies a 5x EV/EBITDA multiple on our 2011 EBITDA estimate of $53M.We believe that removing the uncertainty around the magnitude has created a floor for the stock and we see upside opportunities from mobile advertising and commerce going forward. We maintain our BUY recommendation.

INVESTMENT RISKS

Investment risks include, but are not limited to, customer concentration, competition, scalability, intellectual property and regulation.

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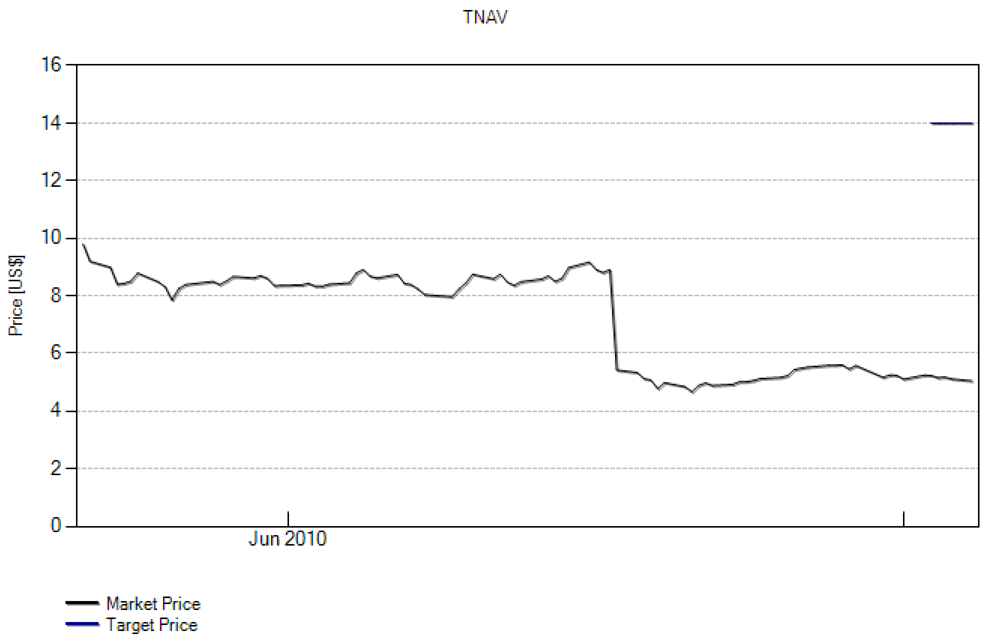
Price Chart:*



	Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price
1)	07/30/2010	Rath	Buy	14.00				

*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 1 September 2010)

	Coverage Universe		IB Clients
Rating	#	%	%
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Speculative Buy	78	11.4%	61.5%
Hold	182	26.5%	20.9%
Sell	10	1.5%	0.0%
	687	100.0%	

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Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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Reason for Report:
Change in Earnings Forecast

Changes	Previous	Current
Rating	--	Neutral
Price Tgt	--	$6.00
FY11E Rev (mil)	$204.1	$181.6
FY12E Rev (mil)	$209.9	$197.1
FY11E EPS	$0.88	$0.53
FY12E EPS	$0.83	$0.46

Price:	$5.06
52 Week High:	$11.48
52 Week Low:	$4.65
12-Month Price Target:	$6.00
DCF with assumptions of 16% NT WACC, 3% LT growth rate.	
Shares Out (mil):	37.5
Market Cap. (mil):	$189.8
Avg Daily Vol (000):	210
Book Value/Share:	$3.98
Debt to Total Capital:	0%
Est LT EPS Growth:	(6%)
P/E to LT EPS Growth (FY11):	-1.6x
Fiscal Year End:	Jun

Rev (mil)	2010A	2011E	2012E
Sep	$36.0A	$50.5E	$47.0E
Dec	$40.5A	$43.0E	$49.4E
Mar	$45.1A	$43.0E	$49.8E
Jun	$49.5A	$45.1E	$50.9E
FY	$171.2A	$181.6E	$197.1E
CY	$188.1E	$184.5E	$207.7E
FY RM	1.1x	1.0x	1.0x
CY RM	1.0x	1.0x	0.9x

EPS	2010A	2011E	2012E
Sep	$0.83A	$0.22E	$0.11E
Dec	$0.83A	$0.11E	$0.11E
Mar	$0.83A	$0.10E	$0.11E
Jun	$0.24A	$0.10E	$0.12E
FY	$0.83A	$0.53E	$0.46E
CY	$1.40E	$0.42E	$0.48E
FY P/E	6.1x	9.5x	11.0x
CY P/E	3.6x	12.0x	10.5x

TeleNav, Inc. (TNAV - $5.06)
Neutral

Sprint Contract Extended But Questions Remain

CONCLUSION:
TeleNav completed its renegotiations with Sprint resolving a major near-term overhang. However, the new contract should result in lower initial revenues and expires at the end of 2012, meaning the companies will have to renegotiate again in 12 -18 months.

- **Deal with Sprint resolves near-term overhang.** TeleNav agreed to a new a contract with Sprint that will provide a fixed guaranteed fee to TeleNav for bundled subscribers and potential upside from unbundled subs and additional services. The negotiations have been a major overhang for the stock with the share price nearly cut in half the day they were announced. Recall, Sprint accounts for roughly 55% of TeleNav's revenues. While the deal calls for a larger reduction to revenue than we expected, the company also renegotiated with Tele Atlas (a map data provider) to reduce its expenses.

- **Longer-term concerns remain.** The new agreement extends the contract from the end of 2011 to the end 2012, meaning the same issues could arise again in 12 - 18 months. Furthermore, TeleNav's contract with AT&T, which generates 35% of the company's revenues, expires in March 2011.

- **Main points of the agreement.** The contract is extended to YE2012 from YE2011. TeleNav's preferred supplier status was broadened and extended through 2012. TeleNav receives a fixed fee for bundled subs and can generate additional revenue (rev share) from unbundled subs, enterprise LBS customers, and by offering other services, such as mobile advertising, to a larger base of customers. The company also renegotiated its fees paid to Tele Atlas for map data, which should reduce costs. Additional details are available on the following page.

- **Sept. guidance unchanged; fiscal 2011 guidance provided.** Despite a negative revenue impact in Sept., the company reiterated its fiscal 1Q2011 outlook. The company also provided full-year fiscal 2011 (ending June 2011)guidance. The company's outlook can be found on the following page.

- **Changes to our model.** We are lowering our fiscal 2011 revenue estimate by just over 10%, in-line with management's guidance. We are also lowering GAAP EPS to $0.53 from $0.88. Our target price remains $6.

INVESTMENT RECOMMENDATION:
We rate TeleNav Neutral with a $6 target price. Our target price is based on our DCF valuation using a cost of capital of 16.0% and a 3.0% terminal growth rate. We had previously based our target price using a scenario analysis of different Sprint renegotiation outcomes.

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.

TeleNav Renegotiates Sprint Agreement

TeleNav agreed to a new a contract with Sprint that will provide a fixed guaranteed fee to TeleNav for bundled subscribers and potential upside from unbundled subs and additional services. While the deal removes a major near-term overhang, the one-year extension means similar issues could arise in 12 - 18 months. Additionally, the company's contract with AT&T, which accounts for 35% of TeleNav's revenues today expires in March 2011.

Terms of the Agreement

The contract is extended to YE2012 from YE2011, while Sprint's right to terminate the agreement is extended from YE2010 to June 2012. TeleNav's preferred supplier status for navigation apps was broadened and extended through 2012 from YE2010. For TeleNav, the new contract terms allow the company's navigation services to be extended to a larger subscriber base, with the thought that the larger sub base can equate to higher value and additional LBS opportunities in the future. Sprint may now bundle TeleNav's navigation services with prepaid plans, and because Sprint pays a guaranteed fixed fee for navigation applications provided to bundled subscribers, it is likely to make the service available to as many subscribers as the contractual limits provide. In addition, TeleNav can generate additional revenue (rev share) from unbundled subs, enterprise LBS customers, and by offering other services, such as mobile advertising, to a larger base of customers. The amendments are retroactive to September 1, 2010.

Additionally, the company renegotiated its agreement with Tele Atlas, which provides map and Point Of Information (POI) services to TeleNav. The adjustments should reduce costs for TeleNav. According to the new terms, TeleNav will pay fees related to navigation services to Sprint's bundled customers as a percentage of fees collected from Sprint. Previously, fees to Tele Atlas were based on monthly fees per user or fees per transaction. The contract expires in July 2014, but terms related to Sprint's bundled offerings expire with the expiration of TeleNav's deal with Sprint. The amendments are retroactive to August 1, 2010.

Guidance

Management left fiscal 1Q11 guidance unchanged, despite the fact that the new Sprint agreement will go into effect retroactively to September 1. We think better than expected uptake of the service (especially at Sprint) in the first two months of the quarter, coupled with the cost declines associated with the Tele Atlas renegotiation, makes it possible for management to maintain 1Q guidance (see Exhibit 1 for details).

However, management provided fiscal year 2011 guidance (see Exhibit 2) that was below our estimates (revenue guidance was about 10% below our prior forecast). We had previously modeled a 20% decline in Sprint ARPU as a result of the renegotiation, but we had this decline occurring in fiscal 3Q11. While the pricing terms of the renegotiated deal were not made available, we believe the new contract works out to a price cut of just over 30% based on the our assumed, current Sprint subscriber count.

Exhibit 1: TeleNav 1Q11 Guidance
in millions, unless otherwise stated

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: Company data, Piper Jaffray estimates

Exhibit 2: TeleNav Fiscal 2011 Guidance

in millions, unless otherwise stated

Total Revenue	$180 - $185 million
Gross Margin	76% - 78%
Non-GAAP Operating Expenses	$94 - $97 million, excluding $4 - $5 million in stock based
GAAP Net Income	$23 - $25 million
GAAP EPS	$0.50 - $0.55
Non-GAAP Net Income	$25 - $27 million
Non-GAAP EPS	$0.55 - $0.60
Effective Tax Rate	41%
Wtd-Avg Diluted Shares	45 - 46 million

Source: Company data, Piper Jaffray estimates

Our Take On The News

The new agreement with Sprint removes the single biggest investor concern; however, in doing so it raises some new questions. First, the agreement was only extended 1 year while Sprint's right to terminate was extended 18 months. This means that in 12-18 months, revenues from Sprint could be in question again. Second, while TeleNav will straight-line the revenues earned from Sprint over the contract period, we do not know for sure if the cash revenues are increasing or decreasing over time and at what rate. Because of this, it is difficult to know how Sprint will value the agreement at the end of the contract. Finally, despite Sprint remaining a preferred provider, the competitive risks remain as larger players with deep pockets continue to express interest in mobile LBS services. We do think that management is making the right moves to remain a big player in mobile LBS, however. Building a large subscriber base and making its brand name known can go a long way to helping it secure mobile advertising contracts and making its portal a go-to place for mobile search.

Updates To Our Model

We are lowering our estimates in conjunction with the newly provided fiscal 2011 guidance. We are reducing our fiscal 2011 revenue estimate by just over 10%, and lowering GAAP EPS to $0.53 from $0.88. Our target price remains $6, but is no longer based on a probability weighted set of scenarios for the Sprint renegotiation outcome. Instead, it is based on a discounted cash flow analysis through 2015 - consistent with the way we analyze other companies in our coverage universe (see page 8 for details). Our assumptions include a cost of capital of 16.0% and a 3.0% terminal growth rate. Note that our prior DCF analysis of our base case (see our initiation report dated September 10 for details) yielded a per share value of $7 prior to adjusting for various Sprint scenarios. We continue to rate TeleNav Neutral.

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	175	177	194	212	228
Automotive and other revenue	0	2	2	7	20	26	33	43
Total Revenue	**48**	**111**	**171**	**182**	**197**	**219**	**245**	**271**
Cost of revenue	11	20	29	40	44	50	56	62
R&D	14	23	39	50	57	64	71	79
S&M	13	16	17	22	25	28	32	35
G&A	5	8	13	21	24	26	29	31
Adjusted EBITDA	**5**	**43**	**73**	**49**	**46**	**51**	**57**	**64**
D&A	0	0	0	0	0	0	0	0
Operating income	**5**	**43**	**73**	**49**	**46**	**51**	**57**	**64**
Non-cash compensation	(0)	(1)	(5)	(5)	(6)	(7)	(7)	(8)
Interest, net	0	0	0	0	0	0	0	0
Other income (expense)	0	(1)	(0)	(3)	(4)	(4)	(4)	(4)
Pretax income	**4.8**	**41.5**	**68.0**	**41.5**	**36.6**	**41.2**	**46.5**	**52.0**
Income taxes (benefit)	0	12	27	17	15	17	19	21
	0	0	0	0	0	0	0	0
Net income	5	30	41	25	22	24	27	31
Preferred div and accretion	0	0	0	0	0	0	0	0
Net income to common stockholders	**4.6**	**29.6**	**41.4**	**24.5**	**21.6**	**24.3**	**27.4**	**30.7**
Net Income to common, Adjusted	**5**	**30**	**41**	**25**	**22**	**24**	**27**	**31**
Amount allocable to common shareholders								
Diluted Shares O/S			37	46	47	48	49	50
EPS (Diluted)			$0.83	$0.53	$0.46	$0.50	$0.56	$0.61
Margins								
Cost of service	23.6%	18.3%	17.2%	21.8%	22.5%	22.6%	22.8%	23.0%
G&A	10.3%	7.4%	7.4%	11.4%	12.3%	12.0%	11.8%	11.6%
S&M	27.3%	14.8%	9.7%	12.2%	12.9%	12.9%	12.9%	12.9%
R&D	28.4%	21.0%	22.8%	27.4%	29.0%	29.0%	29.0%	29.0%
EBITDA	**10.3%**	**38.6%**	**42.8%**	**27.2%**	**23.4%**	**23.4%**	**23.5%**	**23.5%**
Operating Income	10.3%	39.4%	43.5%	28.3%	25.9%	26.5%	27.2%	28.0%
Tax rate	4%	29%	39%	41%	41%	41%	41%	41%
Gross Margin		82%	83%	78%	78%	77%	77%	77%
Annual growth								
Total Revenue		131%	54%	6%	9%	11%	12%	11%
EBITDA			71%	-33%	-7%	12%	12%	11%
Sequential growth								
Total Revenue		126%	55%	3%	2%	9%	9%	8%
EBITDA		764%	71%	-33%	-7%	12%	12%	11%

9/20/2010
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	49.5	42.0	41.0	42.1
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**	**50.5**	**43.0**	**43.0**	**45.1**
Cost of revenue	4.0	4.5	5.3	6.5	7.1	6.9	7.2	8.3	10.1	9.7	9.7	10.2
R&D	4.6	5.5	6.1	7.1	7.8	9.1	10.5	11.6	12.4	12.0	12.2	13.1
S&M	3.8	4.0	4.1	4.5	3.8	4.0	4.4	4.5	5.6	5.4	5.5	5.8
G&A	1.6	1.9	2.3	2.4	2.5	3.0	3.5	3.8	4.4	5.3	5.3	5.6
Adjusted EBITDA	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**18.1**	**10.6**	**10.3**	**10.5**
D&A												
Operating income	**7.4**	**9.5**	**12.1**	**13.8**	**14.9**	**17.5**	**19.6**	**21.2**	**18.1**	**10.6**	**10.3**	**10.5**
Non-cash compensation	(0.1)	(0.1)	(0.1)	(0.2)	(0.3)	(0.5)	(0.6)	(3.5)	(0.9)	(1.3)	(1.3)	(1.4)
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)	(1.0)	(1.0)	(1.0)
Pretax income	**7.5**	**9.5**	**11.3**	**13.3**	**14.1**	**17.2**	**19.0**	**17.7**	**17.1**	**8.3**	**8.0**	**8.1**
Income taxes (benefit)	2.5	2.6	3.8	3.0	6.0	7.1	6.5	7.1	7.0	3.4	3.3	3.3
Net income	4.975	6.862	7.448	10.333	8.121	10.136	12.541	10.612	10.1	4.9	4.7	4.8
Preferred div and accretion												
Net income to common stockholders								**8.936**	**10.1**	**4.9**	**4.7**	**4.8**
Net Income to common, Adjusted								**8.9**	**10.1**	**4.9**	**4.7**	**4.8**
Amount allocable to common shareholde												
Diluted Shares O/S								37	46	46	46	47
EPS (Diluted)								$0.24	$0.22	$0.11	$0.10	$0.10
Margins												
Cost of service	18.7%	17.6%	17.7%	18.9%	19.6%	17.0%	15.9%	16.9%	20.0%	22.5%	22.5%	22.5%
G&A	7.4%	7.4%	7.8%	7.0%	6.9%	7.4%	7.7%	7.7%	8.7%	12.4%	12.4%	12.4%
S&M	17.9%	15.9%	13.6%	13.0%	10.6%	9.8%	9.7%	9.1%	11.0%	12.5%	12.7%	12.9%
R&D	21.4%	21.6%	20.3%	20.8%	21.5%	22.5%	23.2%	23.4%	24.5%	28.0%	28.5%	29.0%
EBITDA	**35.4%**	**37.9%**	**41.6%**	**41.1%**	**41.8%**	**44.3%**	**44.1%**	**43.4%**	**36.6%**	**25.2%**	**25.1%**	**24.9%**
Operating Income	35.4%	37.9%	41.6%	41.1%	41.8%	44.3%	44.1%	43.4%	36.6%	25.2%	25.1%	24.9%
Tax rate	33%	28%	34%	22%	42%	41%	34%	40%	41%	41%	41%	41%
Gross Margin												
Annual growth												
Total Revenue	162%	155%	138%	97%	67%	60%	51%	45%	40%	6%	-5%	-9%
EBITDA	#N/A	9269%	757%	233%	100%	85%	63%	54%	21%	-40%	-48%	-51%
Sequential growth												
Total Revenue	23%	17%	18%	15%	5%	12%	11%	10%	2%	-15%	0%	5%
EBITDA	80%	27%	28%	14%	8%	18%	12%	8%	-15%	-42%	-3%	2%

9/20/2010
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	141	158	177	199	226
A/R	15	24	37	32	37	41	45	49
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	13	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	200	222	246	275	306
A/P	1	2	3	3	3	4	5	6
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	174	195	219	247	278
Liabilities + Equity	36	72	175	200	222	246	275	306

Source: Company data, Piper Jaffray estimates.

TeleNav

(Figures in millions, except per share)

Statement of Cash Flows	FY 2009	FY 2010	Est FY 2011	Est FY 2012	Est FY 2013	Est FY 2014	Est FY 2015
Net income	30	41	25	22	24	27	31
D&A	2	5	7	8	8	9	10
Change in working capital	(8)	(13)	6	(4)	(4)	(4)	(3)
Accrued interest	0	0	0	0	0	0	0
Other operating	0	11	0	0	0	0	0
Net cash from operations	**24**	**44**	**37**	**26**	**29**	**33**	**38**
License cost	0	0	0	0	0	0	0
Cap-x	(8)	(7)	(9)	(9)	(10)	(11)	(11)
Other investing	0	(2)	0	0	0	0	0
Net cash from investing	**(8)**	**(10)**	**(9)**	**(9)**	**(10)**	**(11)**	**(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	28.1	16.6	19.2	22.4	26.7
Cash at beginning	16.9	33.2	112.9	141.0	157.6	176.8	199.2
Cash at end	33.2	112.9	141.0	157.6	176.8	199.2	225.9

Source: Company data, Piper Jaffray estimates.

TeleNav

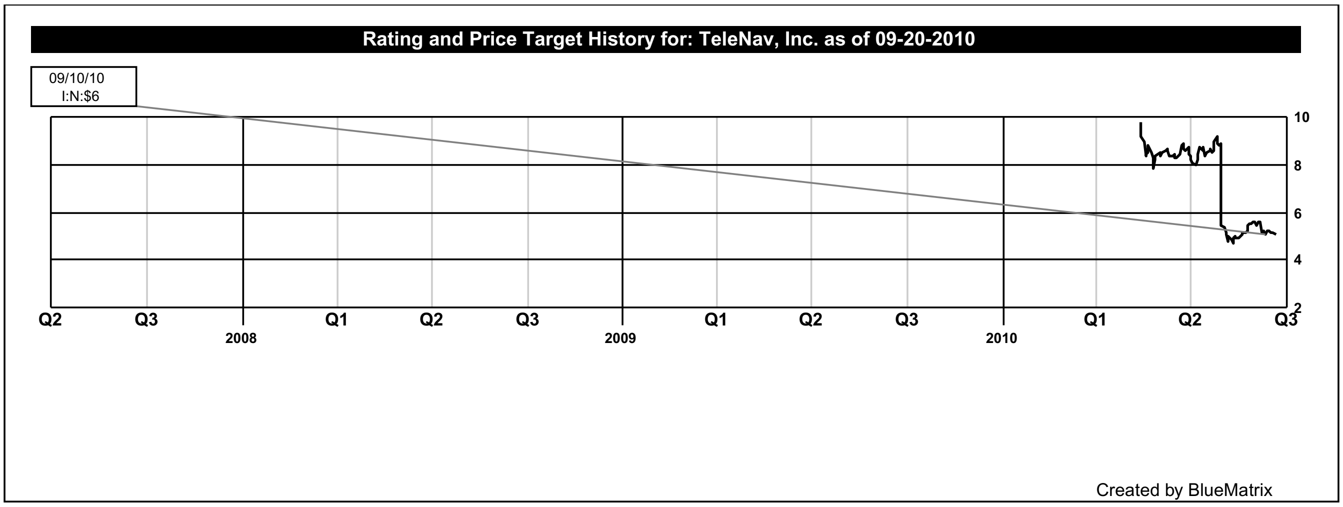
Valuation analysis			**Est**	**Est**	**Est**	**Est**	**Est**
($ millions, except per share data)	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
EBIT	**$42**	**$68**	**$45**	**$40**	**$45**	**$50**	**$56**
Less: Tax Rate*EBIT	(15)	(24)	(16)	(14)	(16)	(18)	(19)
Plus: Depreciation	2	5	7	8	8	9	10
Less: Change in Working Capital	$8	$13	($6)	$4	$4	$4	$3
Less: Capital Expenditures	($8)	($7)	($9)	($9)	($10)	($11)	($11)
Free Cash Flow to the Firm	$31	$55	$22	$29	$32	$35	$38
After tax Interest Expense	$0	$0	$0	$0	$0	$0	$0
Equity Free Cash Flow	$31	$55	$22	$29	$32	$35	$38
Equity FCF per share		**1.48**	**0.47**	**0.61**	**0.66**	**0.71**	**0.75**

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		**$393**
Valuation *(end of FY 2011)*		
PV FCF 2012 through 2015	$92	
PV Terminal Value	$217	
PV of Firm	**$309**	
Less: 2010 Net Debt	$0	
Majority Equity Value	$309	
Less Minority Discount	15%	
Minority Equity Value	$262	
DCF Valuation Per Share	**$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	49.60	80	23.32
HOLD [N]	289	41.80	25	8.65
SELL [UW]	60	8.70	3	5.00

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— Bradley W. Korch, Research Analyst
— Joseph A. Mastrogiovanni, Research Analyst

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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.

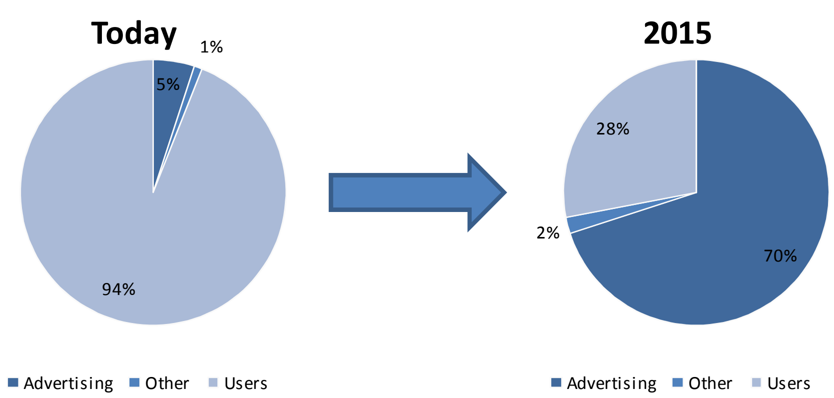
Sizing The Market Opportunity

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.

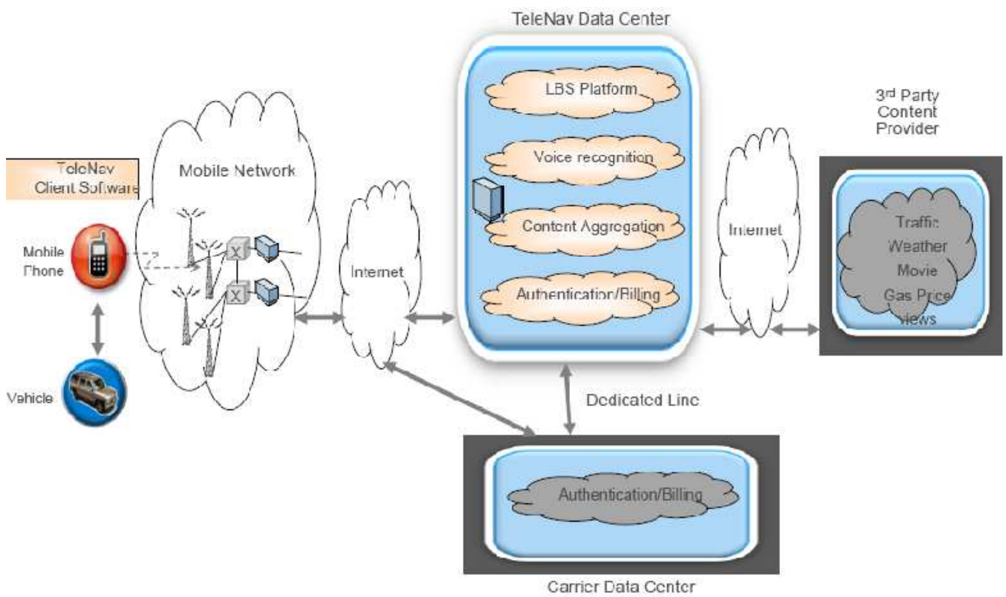
Product Offerings

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

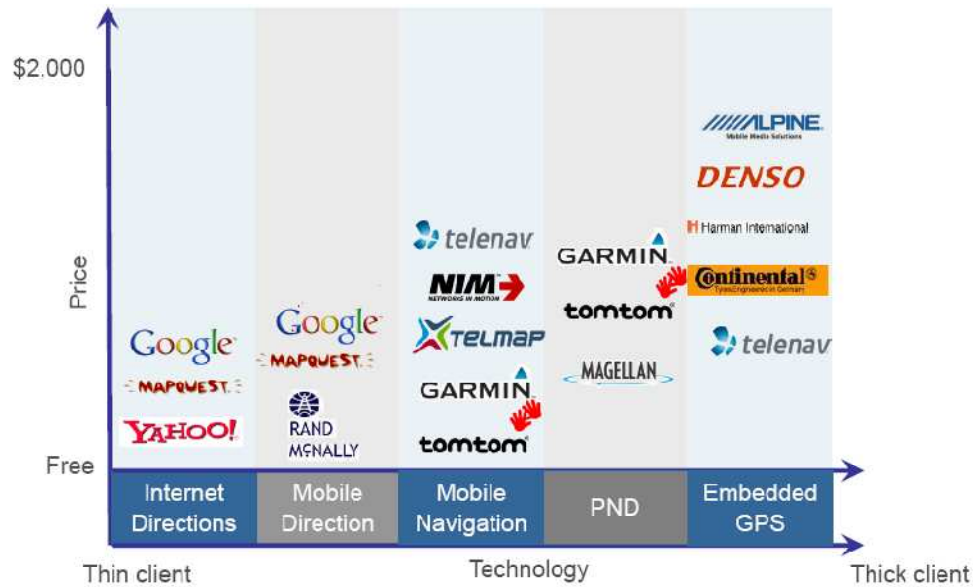
Up until a year ago, when the Motorola Droid was released, TeleNav faced very real, but manageable competition. TeleNav's GPS Navigator was a lower cost option than traditional in-vehicle navigation and could be used across multiple vehicles. Compared to portable navigation devices (PNDs), TeleNav may 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.

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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) Balance Sheet	FY 2008	FY 2009	Est FY 2010	Est FY 2011	Est FY 2012	Est FY 2013	Est FY 2014	Est 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) **Statement of Cash Flows**	**FY 2009**	**FY 2010**	**Est FY 2011**	**Est FY 2012**	**Est FY 2013**	**Est FY 2014**	**Est 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**

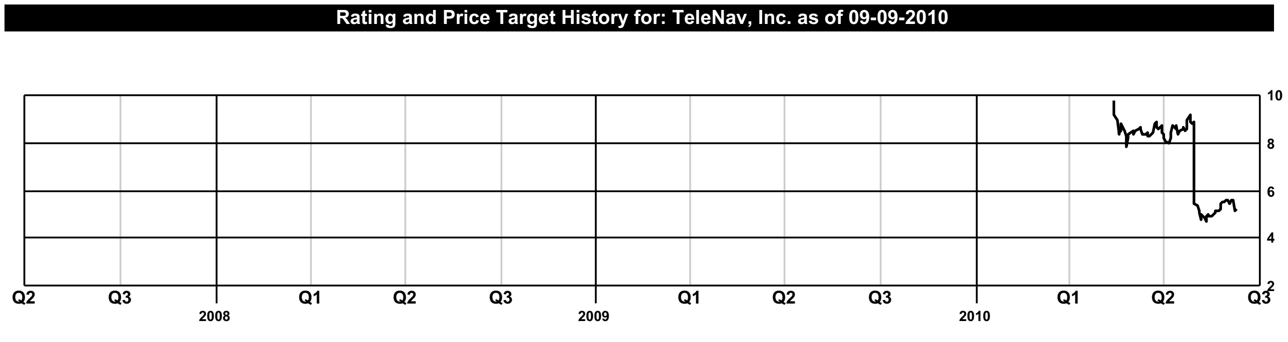
	Projected	Terminal
Current Price		
Cost of capital	**Projected**	**Terminal**
Risk free rate (10-yr UST)	4.0%	5.0%
Risk premium	6.0%	5.0%
Beta	2.0	1.75
Cost of equity (CAPM)	16.0%	13.8%
Weighted ave. cost of debt	8.0%	8.0%
Debt to capital	0%	10%
WACC (k)	**16.0%**	**12.8%**
Terminal FCF growth rate (g)		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.

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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)

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UR: Under Review

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			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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Important Research Disclosures

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— Bradley W. Korch, Research Analyst

— Joseph A. Mastrogiovanni, Research Analyst

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TeleNav, Inc.

F4Q Results: Sprint Bombshell; Cutting Estimates and Downgrading to Neutral

TeleNav reported strong F4Q results, beating EPS and revenue expectations and closed the fiscal year with 16.1 million subscribers. F1Q11 guidance also came in ahead of expectations. Unfortunately, none of this matters because management also revealed that contract roll-over negotiations with Sprint have started early and will probably lead to an aggregate reduction in revenue from that key customer, which represents 55% of total revenue. Growth prospects through 2012 are suddenly highly compromised. We are slashing estimates, establishing a December 2011 price target of $7.00, and downgrading TNAV to Neutral.

- **TNAV beat F4Q expectations, reporting PF EPS of $0.31 on revenue of $49.5mm** (JPM prior est. $0.28/$46.9mm, Street $0.29/$46.9mm). The company exited FY10 with 16.1 million TBT navigation subscribers (JPMe 15.9mm), up 69%. ARPUs at $1.02 and gross margins at 83.1% both exceeded expectations; ordinarily, we would rejoice.
- **F1Q11 guidance was also slightly ahead of expectations.** The company looks for F1Q PF EPS of $0.23 on revenue of $50mm (JPM prior est $0.21/$49.4mm, Street $0.22/$49.8mm). So far, so good.
- **The Sprint bombshell.** Management revealed on the conference call that contract negotiations with Sprint have intensified ahead of the December 31 exclusivity deadline. TNAV believes the contract rollover, if successful, will lead to an aggregate ***reduction*** in revenue with that key customer, which accounts for 55% of total revenue. This puts TNAV's medium-term growth prospects seriously at risk and could lead other customers to pressure pricing.
- **Sprint's BATNA:** Free Navigation. On discussing the issue with TNAV management, we believe Sprint is seeking an aggressive reduction in pricing, possibly citing ad-based 'free' navigation as the best alternative to a negotiated agreement (BATNA). We believe TNAV is countering with proposals for price reductions and new applications; however we sense that Sprint has the upper hand. Critically, this is not a replay of the last contract rollover, where bundled pricing sparked a net revenue gain for TNAV owing to price-elastic demand; this time Sprint seeks a net reduction in cost of supply, we believe.

Neutral
Previous: Overweight

TNAV, TNAV US

Price: $8.91

Price Target: $7.00
Previous: $13.50

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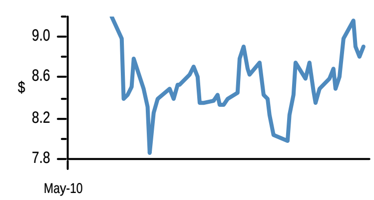
Price Performance



	YTD	1m	3m	12m
Abs	-3.2%	5.7%	-3.2%	-3.2%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2010E *(Old)*	2010E *(New)*	2011E *(Old)*	2011E *(New)*	2012E *(Old)*	2012E *(New)*
EPS - Recurring ($)						
Q1 (Sep)	0.22A	0.22A	0.21	0.23	0.24	0.10
Q2 (Dec)	0.28A	0.28A	0.20	0.21	0.26	0.13
Q3 (Mar)	0.34A	0.34A	0.21	0.13	0.27	0.15
Q4 (Jun)	0.28A	0.31A	0.23	0.08	0.28	0.18
FY	1.12A	1.15A	0.86	0.65	1.04	0.57
CY	1.03	1.09	0.94	0.45	1.13	0.76
EBITDA CY ($ mn)	78	79	85	43	105	71

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; CY09A=$1.10
FY10: 1QA=$0.22, 2QA=$0.27, 3QA=$0.33, 4QE=$0.24; FY10A=$1.06; CY10E=$0.99
FY11: 1QE=$0.22, 2QE=$0.19, 3QE=$0.12, 4QE=$0.07; FY11E=$0.59; CY11E=$0.39
FY12: 1QE=$0.09, 2QE=$0.12, 3QE=$0.14, 4QE=$0.16; FY12E=$0.51; CY12E=$0.69

Company Data	
Price ($)	8.91
Date Of Price	29 Jul 10
52-week Range ($)	11.48 - 7.80
Mkt Cap ($ mn)	338.83
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	7.00
Price Target End Date	31 Dec 11

See page 6 for analyst certification and important disclosures.

- **We are cutting estimates.** We are introducing a 37% reduction in ARPU to $0.64 by mid CY11, which assumes price declines of near 50% at Sprint, flat at AT&T, T-Mobile, and other carriers. We also assume subscriber growth is 10% lower than our prior forecast on the assumption that Sprint pushes a higher proportion of customers into ad-based services. We are reducing gross margins by ~190bp in FY11 and by 280bp in FY12. We assume that company reins in operating expenses relative to prior expectations but continues to ramp R&D investment. Where previously we forecast a 22% CY10-12 revenue CAGR, we now forecast 5%. CY11E EBITDA goes to $43.2mm (previously $78.8mm), and CY12 goes to $71.2mm (previously $97.4mm). Until we know the outcome of the Sprint negotiations, we sense there is downside risk to these estimates.
- **We believe contract negotiations with Sprint will conclude by December 31, 2010.**
- **We are downgrading TNAV to Neutral,** meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. Long-term growth prospects associated with navigation and LBS solutions are now offset by the risks of pricing pressure at key customers. We are establishing a December 2011 price target of $7.00.

Valuation and Rating Analysis

We are downgrading TNAV to Neutral, meaning that we expect the stock to perform in line with the mean of our coverage universe in the next 6-12 months. Long-term growth prospects associated with navigation and LBS solutions are now offset by the risks of pricing pressure at key customers, spurred by the availability of 'free' solutions from Nokia and Google.

We are establishing a December 2011 price target of $7.00 with this note (prior price target $13.50, December 2010). The price target is based on an assigned multiple of 6 times revised CY11E PF EBITDA of $71.2 million; the multiple is based on the comms software/services peer group multiple. The market cap takes into consideration $112mm and zero debt. We use 45.5 million shares to calculate our per share price target.

Risks to Our Rating and Price Target

We could become more constructive on TNAV's prospects for any of the following reasons:

- Negotiations with Sprint conclude with more favorable pricing terms than we have assumed.
- TeleNav experiences faster subscriber growth than we anticipate.
- Telenav wins new customer contracts that spur subscriber growth.
- New applications and features allow TNAV to stabilize or increase ARPUs and gross margins.
- Telenav’s growth initiatives, including MRM, Ad-based navigation/mcommerce, Auto OEM solutions, accelerate ahead of expectations.
- "Free" navigation solutions providers, such as Nokia or Google, exit the market or reduce their commitment.
- TNAV reduces expenses relative to our expectations without compromising growth prospects, leading to higher margins than we anticipate.

We could become less constructive on TNAV’s prospects for any of the following reasons:

- Sprint terminates the relationship with TNAV or negotiates terms that reduce revenues to TNAV, relative to our expectations.
- AT&T, T-Mobile, or other TNAV customers do not roll over contracts with TNAV, or reduce pricing.
- Free navigation from Google, Nokia, and Mircosoft captures market share owing to the handsets on which these solutions are pre-provisioned.
- TeleNav’s ARPUs and gross margins fall faster than we have anticipated.

- Subscriber growth falls short of our expectations.
- International growth, especially at China Mobile, does not happen.
- The company allows expenses to run up faster than we have forecast, leading to lower operating and EBITDA margins than we estimate.

TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY10A	FY11E	FY12E	FY13E
Revenues	171	189	193	247
Cost of products sold	29	45	55	73
Gross profit	142	143	138	174
SG&A	32	43	42	45
R&D	42	56	59	63
Stock based comp.	5	4	5	6
Non-cash charges	-	-	-	-
Operating Income	68	44	38	66
EBITDA	78	54	56	86
Other income / (expense)	(0)	0	0	0
Pre-tax income	68	46	40	68
Income taxes	27	18	16	27
Net income - GAAP	41	27	24	41
Net income PF	45	30	27	45
Diluted shares outstanding	39	46	47	48
EPS - GAAP	1.06	0.59	0.51	0.85
EPS PF	1.15	0.65	0.57	0.93

Income Statement - Quarterly	1Q11E	2Q11E	3Q11E	4Q11E
Revenues	51	51	45	41
Cost of products sold	11	12	12	11
Gross profit	41	39	34	30
SG&A	10	11	11	11
R&D	14	14	14	14
Stock based comp.	1	1	1	1
Non-cash charges	-	-	-	-
Operating Income	16	14	8	5
EBITDA	19	17	11	8
Other income / (expense)	0	0	0	0
Pre-tax income	17	15	9	5
Income taxes	7	6	4	2
Net income - GAAP	10	9	5	3
Net income PF	11	9	6	4
Diluted shares outstanding	46	46	46	46
EPS - GAAP	0.22	0.19	0.12	0.07
EPS PF	0.23	0.21	0.13	0.08

Balance Sheet and Cash Flow Data	FY10A	FY11E	FY12E	FY13E
Cash and cash equivalents	113	152	177	217
Accounts receivable	37	32	40	50
Inventories	0	0	0	0
Other current assets	5	5	5	5
Current assets	155	191	224	273
PP&E	10	10	8	9
Long-term portfolio investments	-	-	-	-
Goodwill and intangibles	-	-	-	-
Total assets	175	210	242	292
Accounts payable	3	5	7	9
Deferred revenues	7	7	7	7
Total debt	0	0	0	0
Total liabilities	26	30	33	36
Shareholders' equity	149	180	209	256
Net Income (including charges)	41	27	24	53
D&A	5	7	13	14
Change in Working Capital	(7)	10	(6)	(6)
Other	-	-	-	-
Cash flow from operations	44	48	36	55
Capex	(7)	(8)	(11)	(15)
Free cash flow	37	40	25	39
Cash flow from investing activities	(10)	(8)	(11)	(15)
Cash flow from financing activities	45	0	0	0
Dividends	-	-	-	-
Dividend yield	-	-	-	-

Ratio Analysis	FY10A	FY11E	FY12E	FY13E
Sales growth	54.4%	10.3%	2.5%	27.5%
EBIT growth	72.1%	(35.0%)	(10.7%)	68.9%
EPS growth	11.0%	(43.3%)	(13.2%)	63.5%
Gross margin	82.8%	75.9%	71.5%	70.5%
EBIT margin	43.0%	25.4%	22.1%	29.3%
EBITDA margin	45.9%	28.8%	29.0%	34.9%
Tax rate	39.1%	40.0%	40.0%	40.0%
Net margin	26.2%	16.0%	13.8%	18.1%
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Return on assets (ROA)	36.4%	15.7%	11.8%	16.7%
Return on equity (ROE)	58.9%	18.3%	13.7%	19.2%
Return on invested capital (ROIC)	77.4%	56.5%	52.5%	68.4%
Enterprise value / Sales	1.3	0.9	0.8	0.5
Enterprise value / EBITDA	-	-	-	-
Free cash flow yield	11.1%	10.0%	6.2%	9.5%
P/E	8.4	15.0	17.6	10.4

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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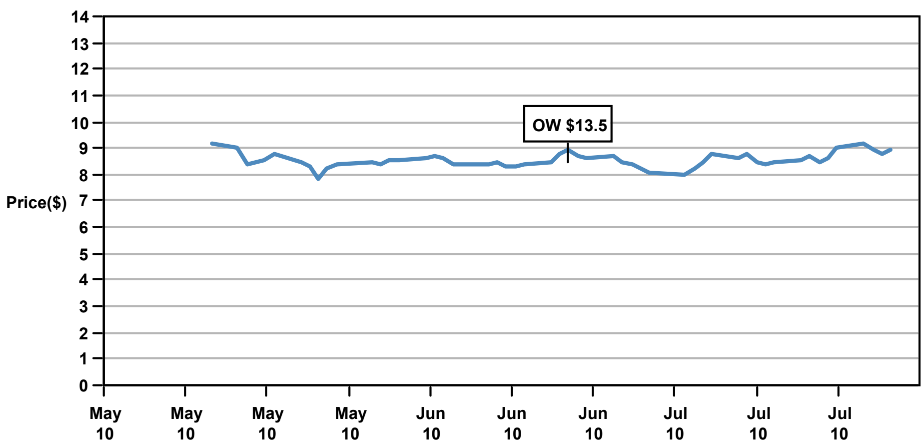
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.45	13.50

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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IB clients*	49%	46%	31%
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"Other Disclosures" last revised March 1, 2010.

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Deutsche Bank

30 July 2010

TeleNav

Reuters: **TNAV.OQ** Bloomberg: **TNAV US** Exchange: **NMS** Ticker: **TNAV**

Q4 Results - Downgrade to Hold

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Recommendation Change

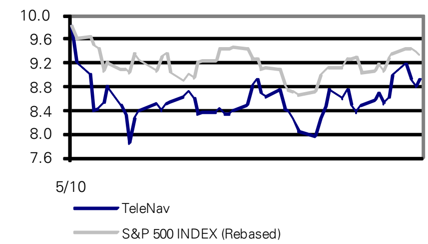
Hold

Price at 29 Jul 2010 (USD)	**8.91**
Price target	**9.00**
52-week range	**9.80 - 7.85**

Key changes

Rating	Buy to Hold ↓	
Price target	12.00 to 9.00 ↓	**-25.0%**
EPS (USD)	0.26 to 0.28 ↑	**7.6%**
Revenue (USDm)	168.4 to 171.2 ↑	**1.6%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*5.7*	–	–
S&P 500 INDEX	*5.8*	*-8.7*	*13.0*

Stock & option liquidity data

Market Cap (USDm)	481.9
Shares outstanding (m)	54.1
Free float (%)	100
Volume (29 Jul 2010)	62,926
Option volume (und. shrs., 1M avg.)	–

Good quarter and guide, but Sprint renegotiation arises
Telenav reported 4QFY10 revenue of $49.5 million ahead of our estimate of $46.7 million and consensus of $47.0 million; pro-forma EPS of $0.31 came in well ahead of our estimate of $0.24 and consensus of $0.25. The company guided ahead of expectations but cautioned that terms with their largest customer Sprint are being negotiated. We are lowering our rating from Buy to Hold.

Sprint negotiation becomes an overhang
In their press release the company warned that their 55% customer Sprint could potentially looking for very different terms from the next iteration of their agreement. The company warned this could result in not only lower ARPU but also lower total revenue. While the ultimate impact of this may not be as serious as it at first sounds, until the company can provide clearer guidance on this we believe the matter will remain an overhang on the stock.

Core business still doing well
Setting aside long-term concerns, the company's core business did well in the quarter. They saw growth across customers and segments. Sprint's growth remains a very positive contributor in the quarter, but business grew elsewhere including AT&T, newly-won US Cellular, AT&T, China Mobile and their non carrier businesses as well. In MRM, they won a major contract to provide asset tracking for a large manufacturer (which we believe is Xerox).

Lowering price target from $12 to $9 and rating to Hold
We have valued Telenav using a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 13% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 5%). Downside risks the threat of continued competition from free navigation providers such as Google. Upside risks include the potential for a better-than expected resolution of their Sprint contract negotiation.

Forecasts and ratios

Year End Jun 30	2009A	**2010E**	2011E
1Q EPS[1]	0.02	**0.02A**	0.23
2Q EPS	0.02	**0.16A**	0.22
3Q EPS	0.02	**0.31A**	0.24
4Q EPS	0.02	**0.31A**	0.26
FY EPS (USD)	0.07	**0.28**	0.96
OLD FY EPS (USD)	0.07	**0.26**	0.91
% Change	0.0%	**7.6%**	5.1%
P/E (x)	–	**31.7**	9.3
DPS (USD)	0.00	**0.00**	0.00
Dividend yield (%)	–	**0.0**	0.0
Revenue (USDm)	110.9	**171.2**	216.8

Source: Deutsche Bank estimates, company data

[1] Includes the impact of FAS123R requiring the expensing of stock options.

Model updated:30 July 2010

Running the numbers

North America

United States

Wireless Equipment

TeleNav

Reuters: TNAV.OQ Bloomberg: TNAV US

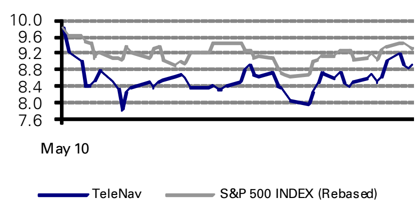
Hold

Price (29 Jul 10)	USD 8.91
Target price	USD 9.00
52-week Range	USD 7.85 - 9.80
Market Cap (m)	USDm 482 EURm 368

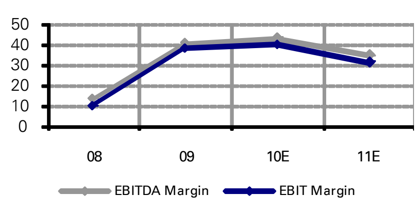
Company Profile

TeleNav is a provider of location based services, or LBS, on mobile phones. Their LBS solutions provide consumers and enterprises with location specific, real time and personalized features and functions. Through their hosted service delivery model, they provide solutions through the networks of leading wireless carriers in the United States, including Sprint Nextel Corporation, or Sprint, and AT&T Inc., or AT&T, as well as through certain carrie.

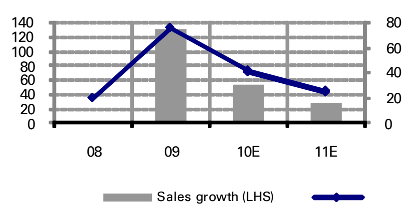
Price Performance



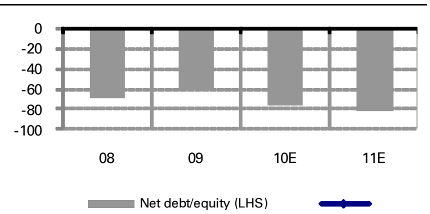
Margin Trends



Growth & Profitability



Solvency



Jonathan Goldberg, CFA

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Fiscal year end 30-Jun	2008	2009	2010E	2011E
Financial Summary				
DB EPS (USD)	0.02	0.07	0.28	0.96
Reported EPS (USD)	0.01	0.09	0.37	1.09
DPS (USD)	0.00	0.00	0.00	0.00
BVPS (USD)	0.18	0.40	2.76	6.88
Valuation Metrics				
Price/Sales (x)	nm	nm	2.8	1.2
P/E (DB) (x)	na	na	31.7	9.3
P/E (Reported) (x)	na	na	24.2	8.2
P/BV (x)	0.0	0.0	3.2	1.3
FCF yield (%)	na	na	5.4	20.3
Dividend yield (%)	na	na	0.0	0.0
EV/Sales	nm	nm	2.2	0.4
EV/EBITDA	nm	nm	5.0	1.2
EV/EBIT	nm	nm	5.4	1.3
Income Statement (USDm)				
Sales	48	111	171	217
EBITDA	6	45	73	74
EBIT	5	42	68	68
Pre-tax profit	5	42	68	68
Net income	**5**	**30**	**41**	**42**
Cash Flow (USDm)				
Cash flow from operations	**0**	**24**	**37**	**60**
Net Capex	-2	-8	-11	-8
Free cash flow	**-2**	**16**	**26**	**51**
Equity raised/(bought back)	0	0	29	0
Dividends paid	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0
Other investing/financing cash flows	0	0	23	-3
Net cash flow	**-2**	**16**	**78**	**49**
Change in working capital	*-11*	*-9*	*-14*	*5*
Balance Sheet (USDm)				
Cash and cash equivalents	17	33	113	162
Property, plant & equipment	3	7	10	9
Goodwill	0	0	0	0
Other assets	16	32	52	54
Total assets	**36**	**72**	**175**	**224**
Debt	0	0	0	0
Other liabilities	12	17	26	29
Total liabilities	**12**	**17**	**26**	**29**
Total shareholders' equity	**24**	**55**	**149**	**195**
Net debt	*-17*	*-33*	*-113*	*-162*
Key Company Metrics				
Sales growth (%)	nm	130.7	54.4	26.7
DB EPS growth (%)	na	333.8	314.2	241.1
Payout ratio (%)	0.0	0.0	0.0	0.0
EBITDA Margin (%)	13.1	40.3	42.9	34.2
EBIT Margin (%)	9.9	38.1	40.0	31.4
ROE (%)	18.9	74.8	40.6	24.3
Net debt/equity (%)	-69.1	-60.5	-75.7	-82.9
Net interest cover (x)	nm	nm	nm	nm
DuPont Analysis				
EBIT margin (%)	9.9	38.1	40.0	31.4
x Asset turnover (x)	1.3	2.0	1.4	1.1
x Financial cost ratio (x)	1.0	1.0	1.0	1.0
x Tax and other effects (x)	1.0	0.7	0.6	0.6
= ROA (post tax) (%)	**12.8**	**54.7**	**33.6**	**21.0**
x Financial leverage (x)	1.5	1.4	1.2	1.2
= ROE (%)	**18.9**	**74.8**	**40.6**	**24.3**
annual growth (%)	*na*	*296.4*	*-45.7*	*-40.2*
x NTA/share (avg) (x)	0.1	0.1	0.9	4.5
= Reported EPS	**0.01**	**0.09**	**0.37**	**1.09**
annual growth (%)	*na*	*523.3*	*313.8*	*195.4*

Source: Company data, Deutsche Bank estimates

Telenav reported 4QFY10 revenue of $49.5 million ahead of our estimate of $46.7 million and consensus of $47.0 million; pro-forma EPS of $0.31 came in well ahead of our estimate of $0.24 and consensus of $0.25. The company guided ahead of expectations but cautioned that terms with their largest customer Sprint are being negotiated.

Despite otherwise good results and what is likely a conservative Q1 guidance we think the renegotiation with Sprint could become a serious issue for Telenav. The chief risks associated with the company have always been the high degree of customer concentration and the emerging threat of free navigation providers such as Google.

It now appears that Sprint's success at building subscribers with its bundled pricing plans has done well enough that they are looking to reduce costs associated with that success. We believe the success of the EVO Android phone from HTC as well as the progress of Android phones with other carriers may have prompted Sprint to consider working more closely with Google. We do not believe that Telenav will be displaced at Sprint, but we do think they will come under pressure to offer more flexible pricing terms. This may mean a further shift to advertising revenue for Telenav or some other monetization method. The point being that no one can say what the new Sprint model for Telenav will look like. On the call the company was unable to answer many questions about the subject given the ongoing nature of the negotiations.

We also think the surprise here is not that Sprint is looking to bring prices down, but that they are looking to do so this early. The company has long cautioned that over time they expect prices to go to zero for navigation. We think the company received a discounted multiple relative to SaaS peers, in part because of the shift in business model from subscription revenue to a more ad-driven model. We originally expected that to occur over a number of years, but there is now the risk that the transition may happen much sooner.

We do not mean to portray the situation as overly dire. We see the most likely outcome of the Sprint renegotiating ending with lower prices for Telenav, or possibly a split between smart phones for Google and feature phones for Telenav. But by no means do we think that Telenav will lose Sprint. There is still significant value in the company's operations. The main factor for the stock, however, will be the high degree of uncertainty. Until there is more clarity over Sprint, these concerns will prove an overhang on the stock. These concerns will likely overshadow any potential near-term positive catalysts such as the announcement of a new carrier customer or a shift from a MRR plan to a bundle by AT&T.

As a result we are lowering our rating from Buy to Hold.

We are also reducing our forward estimates to reflect the potential for faster price erosion, as below.

1Q11 was $49m and $0.21, is $50m and $0.23
2Q11 was $52m and $0.23, is $53m and $0.20
FY11 was $214m and $0.91, is $217m and $0.92
FY12 was $265m and $1.06, is $242m and $1.07
CY10 was $193m and $0.99, is $198m and $1.05
CY11 was $237m and $1.06, is $228 and $1.00

Risks & Valuation

We are lowering our price target from $12 to $9. Our valuation is based on a discounted cash flow analysis using a 2% perpetual growth rate in line with long-term industry growth and a 13%discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 5%).

We see two primary sources of downside risk for Telenav. The first is their dependence on a small number of carrier customers for their revenue. Carriers are known to be very demanding customers. While we believe Telenav's relationship with its carrier partners is strong, the risk exists that these carriers source navigation elsewhere or more likely pressure Telenav to bring down its prices. A second, related risk is competition from OTT navigation providers. The most significant of these are deep-pocketed players in the mobile and Internet landscape including Google, Nokia and Microsoft. These three all offer comparable navigation services bundled with their mobile operating systems (OS) at no cost to carriers or consumers. We think Telenav's relationship with the carriers shield them to some degree from this competition, but long-term expect pricing to converge on these $0 offerings. The chief upside risk is that the renegotiation with Sprint resolves with no change in earnings and the company returns to its prior growth trajectory. The company also has the ability to win new customers or see major customers such as AT&T switch to bundled pricing plans which would drive earnings above our estimates.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TeleNav	TNAV.OQ	8.91 (USD) 29 Jul 10	1,2,7

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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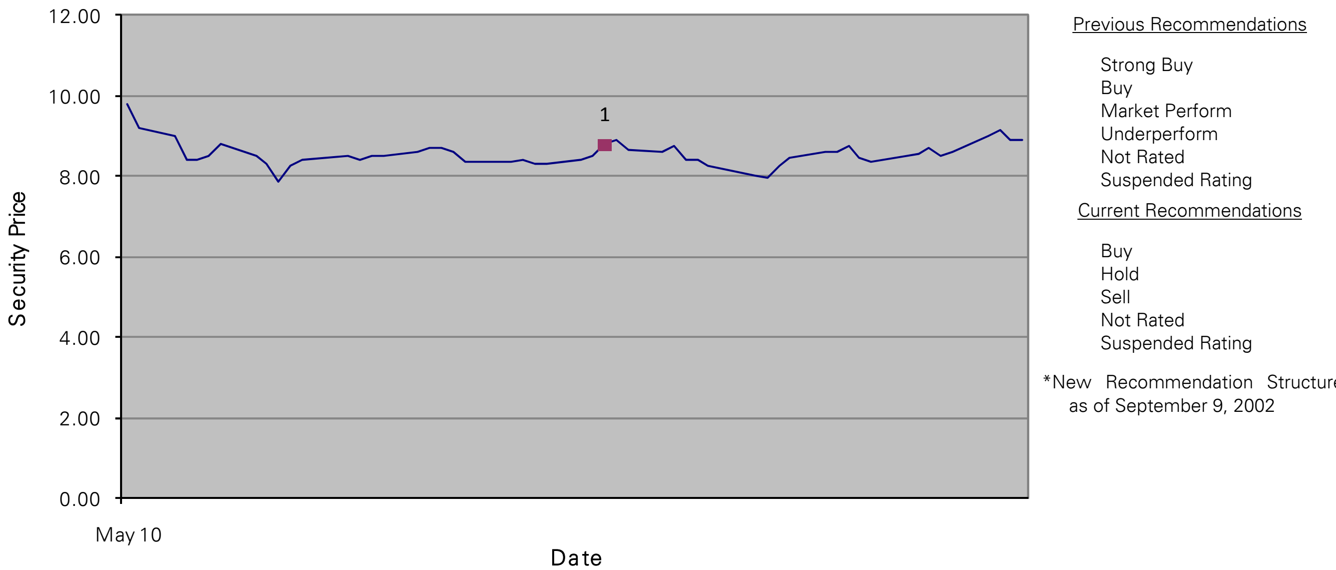
Historical recommendations and target price: TeleNav (TNAV.OQ)

(as of 7/29/2010)



1. 6/23/2010: Buy, Target Price Change USD12.00

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Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

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2. Ratings definitions prior to 27 January, 2007 were:
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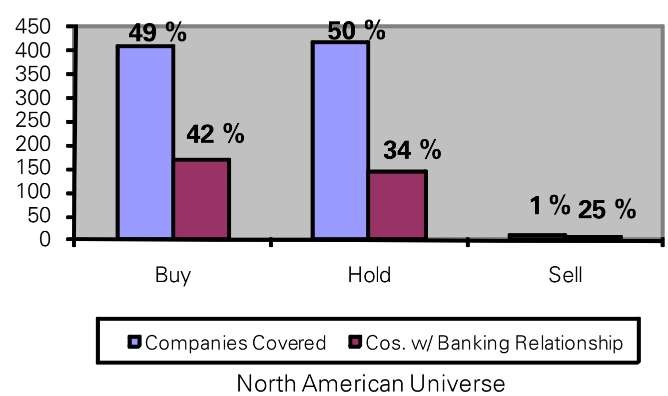
   Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



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TeleNav

TNAV : NASDAQ : US$8.91

BUY

Target: US$14.00

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COMPANY STATISTICS:

52-week Range:	7.80 - 9.25
Avg. Daily Vol.:	1,228
Market Cap (M):	US$373
Shares Out basic (M):	42
LT Debt (M):	0.0
Net Cash /shr:	2.69
Bk Value/Sh:	US$3.98
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2009A	2010A	2011E
Revenue (M):		110.9	171.2	215.5
EBITDA (M):		44.7	73.6	76.9
Net income (M):		29.6	41.4	39.9
EPS:		0.57	1.06	0.86
EPS:	Q1	-	0.21A	0.22
	Q2	-	0.27A	0.21
	Q3	-	0.33A	0.22
	Q4	-	0.24A	0.22
Total		0.57	1.06	0.86

SHARE PRICE PERFORMANCE:

COMPANY SUMMARY:

TeleNav is a location-based services and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

STRONG SUB GROWTH AMID FREE ALTERNATIVES; SPRINT RENEGOTIATION BRINGS OVERHANG; MAINTAIN BUY AND $14 TARGET

Investment Recommendation

We are maintaining our BUY recommendation and $14 target price on TNAV shares and continue to feel that the current share price creates an attractive entry point/opportunity for investors, as many additional upside opportunities are not included in management's financial projections.

Investment Highlights

- Revenue of $49.5M vs. CG and consensus estimates of $47M.
- EPS of $0.24 vs. CG of $0.24 and consensus of $0.25.
- Solid paying sub growth amid a difficult environment which includes free turn-by-turn alternatives.
- TNAV has begun to generate revenue from mobile advertising.
- The company is currently in negotiations with Sprint for potential amendments with its current contract. Management had little color to add.

Valuation

Our $14 target price is based on 7x our 2011 EV/EBITDA estimate of $77M.

EARNINGS SUMMARY

Figure 1: Earnings summary

FYE June 30 (US$000s, except per share)	FQ4/10A	FQ4/10E	Difference	FQ3/10A	Q/Q Chg %	FQ4/09A	Y/Y Chg %
Revenue	49,510	47,026	2,484.0	45,101	10%	34,254	45%
Gross margin	83.1%	81.2%	0.0	84.1%	-1%	81.1%	3%
EBITDA	19,465	18,840	624.6	20,324	-4%	14,387	35%
Operating margin	35.9%	36.0%	-0.1%	42.2%	-15%	39.8%	-10%
Net income	10,612	10,208	404.2	12,540	-15%	10,333	3%
EPS (fd)	0.24	0.24	(0.0)	0.33	-28%	0.28	-15%
Paying Subs	16,100	15,900	200.0	14,545	11%	9,500	69%
ARPU	1.03	0.98	0.1	1.02	1%	1.11	-7%
Consensus revenue		46,950					
Consensus EPS		0.25					

Source: Company reports, Thomson ONE and Canaccord Genuity

- Paying subs increased to 16,100 from 14,545 last quarter, representing 69% y/y and 11% q/q growth. This shows solid growth amid an environment of free turn-by-turn competitor offerings.
- ARPU of $1.03 vs. $1.11 last year and $1.02 last quarter. The decline was expected due to the shift in end-user growth to bundled offerings.
- TNAV was selected by U.S. Cellular, the nation's sixth largest wireless carrier, as a GPS navigation partner just after the quarter closed. As part of the deal, TNAV's turn-by-turn offering will be bundled with the consumer's wireless data plan and essentially offered for free to data plan subscribers. Although this results in lower ARPU for TNAV, it drives a higher subscription base and, ultimately, more revenue.
- The company is currently in negotiations with Sprint for potential amendments with its current contract. TNAV anticipates any extended agreement would result in ARPU declines and reductions in total revenue from Sprint for bundled services, but an increase in subs. This was anticipated, and the last time the contract was renegotiated, the result was an increase in sub growth and higher total revenue in the ensuing period. Prior to this negotiation, TNAV was the exclusive provider of Sprint Navigation until December 31, 2010. Management has consistently said it will attempt to renegotiate major contracts before their renewals.
- Cash and equivalents at the end of the quarter was $113M, up from $46M in FQ3/10 (pre-IPO). Net cash per share increased to $2.69 from $1.21 last quarter.
- FQ1/11 revenue/EPS guidance $50M/$0.22 vs. consensus estimates of $49.8M/$0.21.

ESTIMATES

Our FQ1/11 and F2011 estimates remain relatively unchanged. Our F2011 EPS estimate goes to $0.86 from $0.87 on assumptions for a slightly higher tax rate than previously modeled.

Figure 2: Estimate revisions

FYE June 30 (US$000s, except per share)	Original FQ1/11E	Revised FQ1/11E	Original F2011E	Revised F2011E
Total revenue	50,385	50,385	215,488	215,488
y/y growth	39.8%	39.8%	27.8%	25.9%
Gross Margin	80.1%	80.1%	77.6%	77.6%
EBITDA	18,891	18,992	76,786	76,887
margin	37.5%	37.7%	35.6%	35.7%
Operating Margin	33.1%	33.3%	31.0%	31.1%
Net Income	10,009	9,934	40,267	39,900
EPS (FD)	0.22	0.22	0.87	0.86
y/y growth	1.8%	1.1%	-17.1%	-18.9%
Paying Subs	16,800	16,800	18,000	18,000
ARPU	$0.97	$0.97	$0.97	$0.97
Consensus revenue	49,750		213,530	
Consensus EPS	0.21		0.87	

Source: Thomson ONE and Canaccord Genuity

VALUATON AND RECOMMENDATION

Our $14 target price is based on 7x our 2011 EV/EBITDA estimate of $77M. We believe this represents a very conservative view of what the shares are worth and, from a relative valuation standpoint, think the stock can trade into the high-teens with continued execution in the coming quarters.

Investment risks

Investment risks include, but are not limited to, customer concentration, competition, scalability, intellectual property and regulation.

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Global Stock Ratings
(as of 2 July 2010)

	Coverage Universe		IB Clients
Rating	**#**	**%**	**%**
Buy	424	61.0%	36.8%
Speculative Buy	75	10.8%	62.7%
Hold	184	26.5%	20.1%
Sell	12	1.7%	0.0%
	695	100.0%	

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Canaccord Research Disclosures as of 30 July 2010

Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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Additional information is available on request.

TeleNav, Inc.

F4Q10 Preview: Start of the Journey

Overweight

TNAV, TNAV US

Price: $8.91

Price Target: $13.50

Applied Technologies

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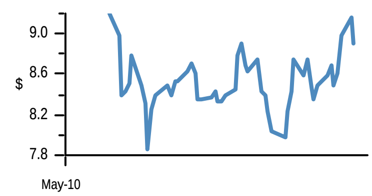
Price Performance



	YTD	1m	3m	12m
Abs	-3.2%	1.9%	-3.2%	-3.2%

SMid Cap Research
THINK BIG, BUY SMALL

We maintain our Overweight rating on TNAV ahead of F4Q10 results – the company's first report as a public company. We think TNAV is attractively valued; competitive threats weigh on sentiment, which we think will be dispelled by solid execution as well as product and contract announcements. As the leading carrier-branded, turn-by-turn navigation solution for use on GPS-enabled smartphones, we believe TNAV is poised for 24% compound annual revenue growth and 35%-plus EBITDA margins through FY13, while investing aggressively in international growth, and location-based services that could reach five billion consumers. Our December 2010 price target is $13.50.

- **TNAV reports F4Q10 results on July 29.** The conference call will begin at 5pm ET; dial-in: 888-221-9466, passcode 5484800.
- **We expect TNAV to report F4Q PF EPS of $0.28 on $46.9mm in revenue** (Street: $0.26/$46.9mm). We look for net paying subscriber adds of ~1.1 million and for ending subs of 16.3 million. We expect an ARPU of $0.98 and total sub revenue of $46.2mm. We expect gross margin of 81%, down from 84.1% at F3Q owing to continued shift toward bundling.
- **We expect F1Q11 guidance to align with our estimates.** We look for F1Q PF EPS of $0.21 on $49.4mm in revenue (Street: $0.22/$49.8mm). We look for net paying subscriber adds of 600K. We expect an ARPU of $0.97 and total sub revenue of $48.2mm. We expect gross margin of 80%; continued decline.
- **Key questions for the call.** What impact is TeleNav seeing from 'free' navigation solutions from Google and Nokia? Which handsets are fuelling subscriber growth for TNAV? Should we expect bundling to accelerate, or will the AT&T MRC subscriber base offset the shift to lower ARPUs? How are the Auto and TeleNav Track growth initiatives proceeding, relative to expectations? When can we expect to see meaningful growth from international markets, particularly at China Mobile? To what extent is the European TBT opportunity impeded by data roaming charges? How soon will U.S. Cellular revenues benefit TNAV?

TeleNav, Inc. (TNAV;TNAV US)

	2009A	2010E	2011E	2012E
EPS - Recurring ($)				
Q1 (Sep)	0.18	0.22A	0.21	0.24
Q2 (Dec)	0.24	0.28A	0.20	0.26
Q3 (Mar)	0.26	0.34A	0.21	0.27
Q4 (Jun)	0.36	0.28	0.23	0.28
FY	1.04	1.12	0.86	1.04
CY	1.12	1.03	0.94	1.13

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; CY09A=$1.10
FY10: 1QA=$0.22, 2QA=$0.27, 3QA=$0.33, 4QE=$0.24; FY10E=$1.05; CY10E=$0.95
FY11: 1QE=$0.20, 2QE=$0.18, 3QE=$0.20, 4QE$0.21=; FY11E=$0.79; CY11E=$0.86
FY12: 1QE=$0.22, 2QE=$0.24, 3QE=$0.25, 4QE=$0.26; FY12E=$0.96; CY12E=$1.04

Company Data	
Price ($)	8.91
Date Of Price	27 Jul 10
52-week Range ($)	11.48 - 7.80
Mkt Cap ($ mn)	338.83
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	13.50
Price Target End Date	31 Dec 10

See page 6 for analyst certification and important disclosures.

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- **We maintain our Overweight rating,** meaning that we expect the stock to outperform the mean of our coverage universe over the next 6-12 months. TNAV trades at 9.5 times CY11E PF EPS of $0.94, which is a 47% discount to the mean of our coverage universe. We believe this discount reflects investors' concerns relating to declining ARPUs and margins, the competitive threat from Nokia and Google, and the risks associated with an early-stage company that has just gone public. We believe the stock is 'de-risked' at this level and technology investors are presented with a very intriguing GARP stock. Our December 31, 2010 price target is $13.50, based on an assigned multiple of 6 times CY11E PF EBITDA of $84.7 million; the multiple is based on the comms software/services peer group multiple.

Valuation and Rating Analysis

We maintain our Overweight rating, meaning that we expect the stock to outperform the mean of our coverage universe over the next 6-12 months. TNAV trades at 9.5 times CY11E PF EPS of $0.94, which is a 47% discount to the mean of our coverage universe. We believe this discount reflects investors' concerns relating to declining ARPUs and margins, the competitive threat from Nokia and Google, and the risks associated with an early-stage company that has just gone public. We believe the stock is 'de-risked' at this level and technology investors are presented with a very intriguing GARP stock.

Execution should earn higher multiple in time. We take the view that TNAV is a category-defining SaaS company, and can earn multiples that are comparable with high-growth companies in that software category; however, in the context of near-term declining ARPUs and margins, competitive threats, and business model risk, we believe this is a stretch as of today. TNAV needs to earn a higher multiple through execution. We believe investors need to see evidence of continued adoption of carrier-branded TBT navigation.

Taking a more conservative stance, we believe TNAV can be compared to software-based companies that are focused on the telecommunications industry, which include companies such as Amdocs, Neustar, and Synchronoss. The median multiples for this category of companies are 11.6 times CY11E P/E and 6.1 times CY11E EV/EBITDA. Using these multiples yields a valuation range of $10.90 (P/E basis) to $13.70 (EV/EBITDA). We think this valuation range is conservative for several reasons: 1) the comp group does not exhibit as strong a growth outlook as TNAV, 2) we believe (higher) CY12 earnings will be a consideration for investors soon, and 3) we believe the company can be awarded a SaaS-like multiple with good execution over the next several quarters.

Our December 31, 2010 price target is $13.50 based on an assigned multiple of 6 times CY11E PF EBITDA of $84.7 million; the multiple is based on the comms software/services peer group multiple. The market cap takes into consideration $115mm of cash post IPO, and assumes zero debt. We use a post-IPO share count of 46 million shares to calculate our per-share price target.

Risks to Our Rating and Price Target

Customer concentration risk
Sprint accounted for 54% of FY09 revenues, and the contract with TeleNav ends in December 2011. In addition, we estimate Sprint accounts for nearly 12 million TNAV subscribers today and TeleNav is approaching 25% penetration of the post-paid market at that account, so aside from the contract rollover risk, there is also a risk that growth at Sprint slows soon. AT&T accounted for 27.5% of FY09 revenue, and we expect revenue growth at AT&T to be higher than at Sprint, especially if the operator begins to introduce bundling. The AT&T contract expires in March 2011.

Free navigation available from Google, Nokia, and Microsoft

Google introduced Google Maps Navigation for use on Android 2.0 devices in October 2009, and has since launched the free application in N. America and most of Europe. In January 2010, Nokia announced the availability of free navigation with Ovi Maps for use on S60 and Maemo smartphone platforms, which are widely used in Europe. In May 2010, Microsoft announced that free navigation would be available later in 2010 on devices running Windows Mobile 6.0 (and higher). Apple offers free maps and driving instructions, and a variety of TBT solutions are available for the iPhone and the iPad via the webstore. Free navigation is a serious threat to TeleNav, and these large companies are able to subsidize these initiatives indefinitely in a manner that TNAV cannot.

TeleNav's business model could change dramatically, with the onset of ad-based navigation and search

"Free" navigation will be increasingly supported by ad-based revenues. J.P. Morgan analyst Rod Hall estimates the LBA market could exceed $18 billion by 2015. PricewaterhouseCoopers forecasts a four-fold increase in global mobile advertising, from $414 million in 2009 to $1.6 billion in 2014. TeleNav recognizes that the "paid" navigation market (subscription based, or bundled) may not be sustainable long term, to the extent that consumers are accepting of the placement of adverts and coupons on their phones (some may want to pay a premium for TBT navigation without the clutter).

Bundling and free navigation weighing on the business model in excess of our expectations

We expect TNAV's ARPUs to decline about 8% y/y in FY11 to $0.95, stabilize in FY12 (owing to a higher proportion of revenue from AT&T), and then decline slowly for the indefinite future, primarily owing to the wireless operators transitioning to bundling and ad-based navigation and search. We expect gross margins to decline from a peak of 84% in F3Q10 to under 70% by FY15, and for EBITDA margins to decline from about 47% today to about 35% in FY11. There could be downside to the ARPUs and margins owing to competition and more rapid adoption of bundling (e.g., by AT&T), though the latter could buoy subscriber and revenue growth ahead of expectations.

Growth initiatives are somewhat opaque and risky

TNAV is engaged in some speculative software development (e.g., Whereaboutz, OnMyWay) in pursuit of new markets that might not develop (e.g., LBS features in social networking sites). We believe TNAV may make acquisitions in Europe to accelerate growth. The company is delivering solutions to a modest number of very large customers that have purchasing power and potentially the ability to stifle contract announcements and news flow for competitive reasons, so the intra-quarter information flow for TNAV could be modest. There are no good pure-play comps for TNAV, and the resulting information vacuum could lead to considerable stock intra-quarter volatility.

TeleNav, Inc.: Summary Of Financials

Income Statement - Annual	FY09A	FY10E	FY11E	FY12E
Revenues	111	169	210	261
Cost of products sold	20	30	47	67
Gross profit	91	139	163	194
SG&A	25	31	44	52
R&D	24	40	57	66
Stock based comp.	0	5	5	7
Non-cash charges	-	-	-	-
Operating Income	42	67	63	76
EBITDA	45	77	75	96
Other income / (expense)	(1)	(0)	0	0
Pre-tax income	41	67	63	77
Income taxes	12	26	27	31
Net income - GAAP	30	41	37	45
Net income PF	30	44	40	49
Diluted shares outstanding	29	39	46	47
EPS - GAAP	1.02	1.05	0.79	0.96
EPS PF	1.04	1.12	0.86	1.04

Income Statement - Quarterly	1Q10A	2Q10A	3Q10A	4Q10E
Revenues	36	41	45	47
Cost of products sold	7	7	7	9
Gross profit	29	34	38	38
SG&A	6	7	8	9
R&D	8	9	11	12
Stock based comp.	0	1	1	3
Non-cash charges	-	-	-	-
Operating Income	15	17	19	17
EBITDA	16	19	21	22
Other income / (expense)	(1)	0	(0)	(0)
Pre-tax income	14	17	19	17
Income taxes	6	7	6	7
Net income - GAAP	8	10	13	10
Net income PF	8	10	13	12
Diluted shares outstanding	38	38	38	42
EPS - GAAP	0.22	0.27	0.33	0.24
EPS PF	0.22	0.28	0.34	0.28

Balance Sheet and Cash Flow Data	FY09A	FY10E	FY11E	FY12E
Cash and cash equivalents	33	115	149	198
Accounts receivable	24	33	44	54
Inventories	0	0	0	0
Other current assets	5	7	7	7
Current assets	62	156	200	259
PP&E	7	12	13	11
Long-term portfolio investments	-	-	-	-
Goodwill and intangibles	-	-	-	-
Total assets	72	176	222	278
Accounts payable	2	4	6	8
Deferred revenues	3	5	5	5
Total debt	0	0	0	0
Total liabilities	69	80	84	88
Shareholders' equity	3	96	138	190
Net Income (including charges)	30	41	37	45
D&A	2	5	7	13
Change in Working Capital	(10)	(7)	(6)	(5)
Other	-	-	-	-
Cash flow from operations	24	44	42	60
Capex	(8)	(11)	(8)	(11)
Free cash flow	16	33	34	49
Cash flow from investing activities	(8)	(11)	(8)	(11)
Cash flow from financing activities	0	49	0	0
Dividends	-	-	-	-
Dividend yield	-	-	-	-

Ratio Analysis	FY09A	FY10E	FY11E	FY12E
Sales growth	130.7%	52.1%	24.6%	24.4%
EBIT growth	717.3%	69.6%	(6.0%)	21.6%
EPS growth	493.0%	7.6%	(23.4%)	21.3%
Gross margin	81.7%	82.2%	77.8%	74.3%
EBIT margin	38.6%	43.0%	32.5%	31.7%
EBITDA margin	40.7%	45.9%	35.6%	36.8%
Tax rate	28.7%	39.1%	42.0%	41.0%
Net margin	27.0%	25.8%	18.9%	18.8%
Debt / EBITDA	0.0	0.0	0.0	0.0
Debt / Capital (book)	0.0%	0.0%	0.0%	0.0%
Return on assets (ROA)	55.4%	35.1%	19.9%	19.6%
Return on equity (ROE)	(267.7%)	87.3%	33.8%	29.9%
Return on invested capital (ROIC)	82.4%	77.2%	59.4%	70.2%
Enterprise value / Sales	2.7	1.3	0.9	0.5
Enterprise value / EBITDA	-	-	-	-
Free cash flow yield	6.4%	9.9%	8.5%	12.0%
P/E	8.7	8.5	11.2	9.3

Source: Company reports and J.P. Morgan estimates.
Note: $ in millions (except per-share data). Fiscal year ends Jun

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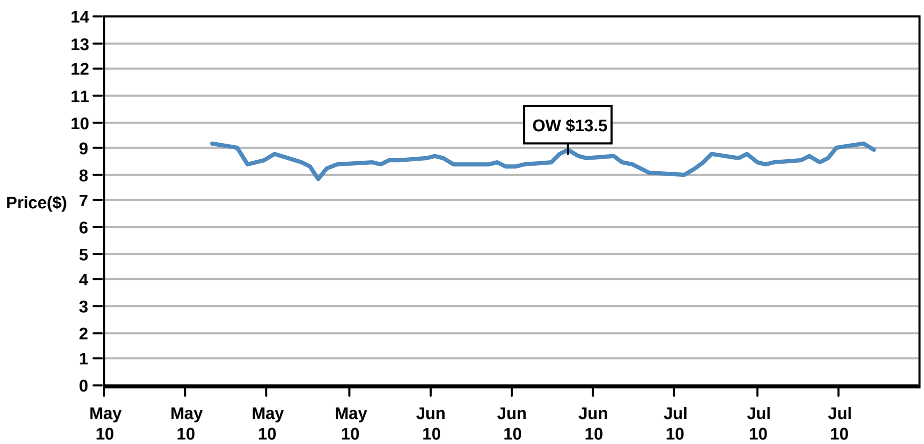
TeleNav, Inc. (TNAV) Price Chart



Date	Rating	Share Price ($)	Price Target ($)
22-Jun-10	OW	8.79	13.50

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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Company

Global Markets Research

Deutsche Bank

09 Jul 2010 - 10:10:15 AM PDT

COMPANY ALERT

Breaking News

TeleNav

Buy

Telenav signs up US Cellular for bundled navigation

Reuters:TNAV.OQ Exchange:NMS Ticker:TNAV

Price (USD)	8.44
Price target	12.00
52-week range	9.80 - 7.85
Market Cap (USDm)	480.2
Shares outstanding (m)	56.9
Free float (%)	100
Volume (8 Jul 2010)	34,173
S&P 500 INDEX	1,070.25

FYE 6/30	2009A	2010E	2011E
1Q EPS	0.02	0.02A	0.21
2Q EPS	0.02	0.16A	0.23
3Q EPS	0.02	0.31A	0.23
4Q EPS	0.02	0.24	0.24
FY EPS (USD)	0.07	0.26	0.91
P/E (x)	–	32.3	9.3

* Includes the impact of FAS123R requiring the expensing of stock options.

US Cellular to offer bundled service

Telenav announced this morning that they have signed up US Cellular as their fourth US carrier customer. US Cellular is the sixth largest US carrier, with 6.2 million subscribers. Importantly, they will offer Telenav as part of a bundled data plan. These plans attract higher subscriber numbers to Telenav service. Given the pattern at Sprint, we think the win today could start adding several hundred thousand subscribers to Telenav in coming quarters as US Cellular promotes data plans. US Cellular will start pre-loading Telenav onto all of its smartphones (including Android) and Blackberry's.

Modest financial positive, but important validation of bundled pricing

We estimate the US Cellular service will add about a penny a quarter to earnings this year. We are not changing numbers today, but will factor this in when Telenav reports earnings on July 29th. While the impact is small, we think the US Cellular shift towards bundling should help to encourage other carriers to adopt this model.

We continue to see Telenav trending well, and at current levels the stock is discounting the company's growth prospects. We reiterate our Buy rating.

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Deutsche Bank Securities Inc.

TeleNav, Inc.

U.S. Cellular Goes Deluxe - ALERT

Overweight

TNAV, TNAV US

Price: $8.44

08 July 2010

Applied & Emerging Technologies

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SMid Cap Research
THINK BIG, BUY SMALL

- U.S. Cellular is launching an own-brand TBT navigation service, called Navigator Deluxe. The service is powered by TeleNav and will be available immediately on a variety of Blackberry, HTC and Samsung smart phones. U.S. Cellular has about six million subscribers.
- The press release makes reference to the service being available as part of the new U.S. Cellular data plans, but a quick check of the operator's site this morning still makes reference to the prior-version easyedge "Your Navigator" (powered by TSYS's NIM). However, on June 25, Samsung announced that the Acclaim would be pre-loaded at U.S. Cellular with Navigator Deluxe and would be a "free" application on the network, implying a bundling arrangement.
- First take: mild positive for TNAV; mild negative for TSYS.

See page 2 for analyst certification and important disclosures.

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Other Companies Recommended in This Report (all prices in this report as of market close on 08 July 2010)
TeleCommunication Systems, Inc. (TSYS/$3.88/Overweight)

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TeleCommunication Systems, Inc. (TSYS) Price Chart

Date	Rating	Share Price ($)	Price Target ($)
02-Feb-10	OW	8.77	12.00
30-Apr-10	OW	7.73	11.50
18-Jun-10	OW	4.72	9.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Feb 02, 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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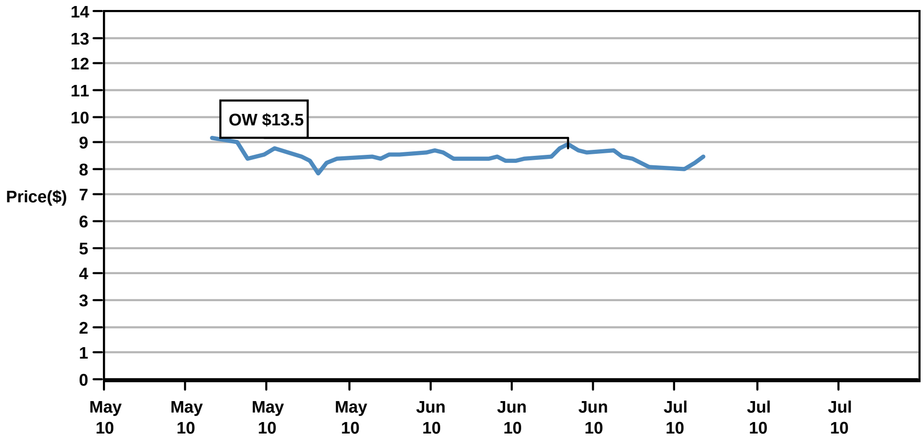
TeleNav, Inc. (TNAV) Price Chart



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"Other Disclosures" last revised March 1, 2010.

TeleNav

TNAV : NASDAQ : US$8.44

BUY

Target: US$14.00

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David Delleo, CFA 1.617.788.1595
ddelleo@canaccordgenuity.com

COMPANY STATISTICS:

52-week Range:	7.80 - 11.48
Avg. Daily Vol. (000s):	164
Market Cap (M):	US$321
Shares Out basic (M):	38
LT Debt (M):	0.0
Net Cash /shr:	1.21
Bk Value/Sh:	US$2.72
FYE:	June
Website:	http://www.telenav.com/

EARNINGS SUMMARY:

FYE Jun		2009A	2010E	2011E
Revenue (M):		110.9	168.7	215.5
EBITDA (M):		44.7	73.0	76.8
Net income (M):		29.6	41.0	40.3
EPS:		0.57	1.05	0.87
EPS:	Q1	-	0.21A	0.22
	Q2	-	0.27A	0.21
	Q3	-	0.33A	0.22
	Q4	-	0.24	0.22
Total		0.57	1.05	0.87

SHARE PRICE PERFORMANCE:

COMPANY SUMMARY:

Incorporated in 1999 and headquartered in Sunnyvale, CA, TeleNav is a location-based services (LBS) and Mobile Internet company. Its core product is voice-guided navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications, such as mobile advertising, commerce and social networking. TeleNav provides its solutions through a network of wireless carriers and under its own brand.

All amounts in US$ unless otherwise noted.

Technology -- Industrial -- Location Technology

A LEADING MOBILE INTERNET COMPANY, POWERING MOBILE NAVIGATION AND RELATED SERVICES; INITIATING COVERAGE WITH BUY, $14 TARGET

Investment recommendation

We are initiating coverage of TeleNav with a $14 target price and BUY recommendation. We feel that the current share price creates an attractive entry point/opportunity for investors, as we believe that many additional upside opportunities are not included in management's financial projections.

Investment highlights

- Leader in large under-penetrated market for mobile navigation
- Closely aligned with wireless carriers
- Revenue model provides excellent visibility into the company's future financial health
- Ad model holds promise; telematics offerings are a bonus
- Solid balance sheet, highlighted by no debt and low working capital requirements

Valuation

Our $14 target price is based on 7x our 2011 EV/EBITDA estimate. We believe this represents a very conservative view of what the shares are worth. From a relative valuation standpoint, we think the stock can trade into the high teens with strong execution in the coming quarters.

INVESTMENT THESIS

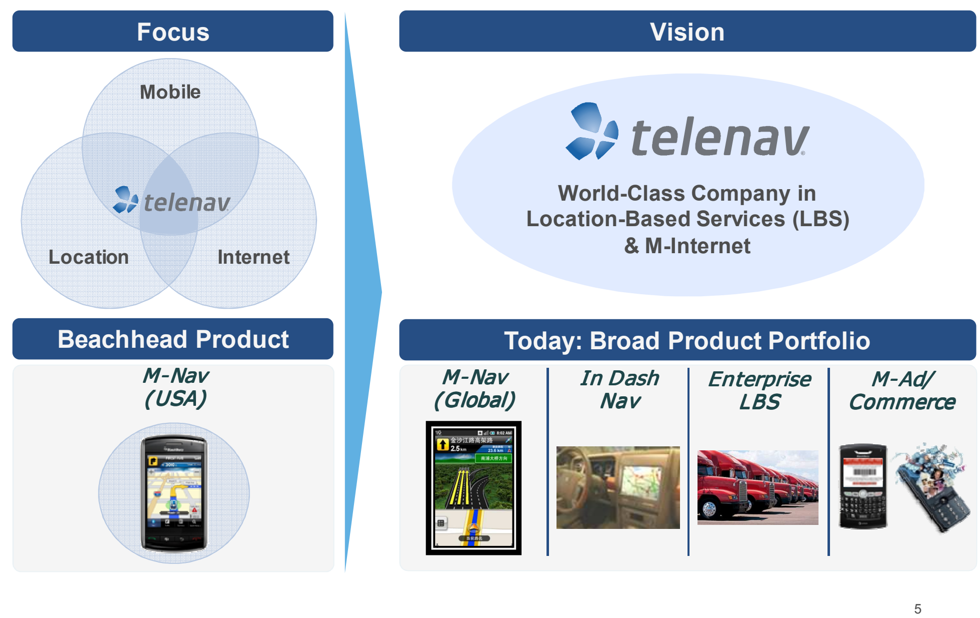
TeleNav is the largest Mobile Internet company providing navigation-related services into the rapidly growing wireless applications marketplace. It is the largest provider of primarily wireless carrier "branded" turn-by-turn navigation services in the world, with 14.5M+ paying subscribers via 15 separate wireless carrier partners in 29 different countries. Despite its rapid growth, TeleNav's US penetration rate within its wireless subscriber base is still less than 7%, with most international markets remaining essentially virgin territories. As companies such as Google, Nokia, Microsoft and others begin to enter/offer "free" turn-by-turn services, overall consumer awareness will grow, along with TeleNav's carrier partners' interests in maintaining a strong menu of competitive offerings. TeleNav's business model is closely aligned with its carrier partners' desire to stay relevant in the expanding marketplace for wireless applications. Beyond continued strong subscriber growth within an under-penetrated marketplace, TeleNav also has strong offerings in both fleet telematics and in-vehicle automotive navigation.

TeleNav's recurring subscription-based and ARPU (average revenue per user)-driven revenue model provides excellent visibility into the company's future financial health, while a solid balance sheet, highlighted by no debt and low working capital requirements, allows the company to generate substantial cash flow with very strong financial flexibility to extend its leadership opportunities via acquisitions . We are initiating coverage of TeleNav (TNAV : NASDAQ) with a $14 target price and BUY recommendation. Our target price is based on 7x our 2011 EV/EBITDA estimate of $77M, well supported by both comparable and DCF analysis.

COMPANY OVERVIEW

Incorporated in 1999 and headquartered in Sunnyvale, California, TeleNav is a location-based services (LBS) and Mobile Internet company. Its core product is voice-guided turn-by-turn navigation on mobile phones, but the company also develops solutions that support a broad range of location-enhanced applications, such as mobile advertising, commerce and social networking. The company's LBS solutions, delivered through a hosted service business model, provide consumers and enterprises with convenient and easy-to-use location-specific, real-time and personalized features and functions. TeleNav provides its solutions through a network of wireless carriers in the US, as well as through certain carriers in other countries. Most carrier partners choose to preload TeleNav's solutions on their new phones. Sprint and AT&T are its largest customers and represented 61% and 29% of consolidated revenue in fiscal 2009, respectively. Although the company does offer its solutions under the TeleNav brand, it is more commonly delivered as a white label solution through its 15 wireless network carrier partners in 29 countries. Wireless carrier partners offer TeleNav's services on either a standalone basis (AT&T Navigator) or bundled with other voice and data services (Sprint "Simply Everything" plan). As of March 31, 2010, TeleNav had 14.5M paid subscribers across more than 500 types of mobile phones, all major mobile phone operating systems and a broad range of wireless network protocols. This subscriber base represents less than 7% of its US wireless carrier partners' total subscribers today. Other major partners include Ford (SYNC platform), HP, LG, Motorola, NAVTEQ, Nokia, Palm, Qualcomm, RIM, Samsung and TeleAtlas. The company employees roughly 800 engineers (50 in China), has eight US patents and 10 foreign patents (with 51 US patent applications pending) and contributes roughly 50% of sales to operating costs and R&D.

Figure 1: Company focus and vision



Source: Company reports

COMPANY SEGMENTS

The large majority of TeleNav's revenue comes from its voice-guided, real-time, turn-by-turn mobile navigation service. The service offers real-time traffic alerts, route planning and updated points of interest (POI) among other features. The company offers its solutions to a lesser extent under the TeleNav brand through its two-way, Internet connected PND call TeleNav Shotgun. However, its offering is more commonly delivered as a while label solution through its wireless network carrier partners, with the most recognizable applications being AT&T Navigator and Sprint Navigation.

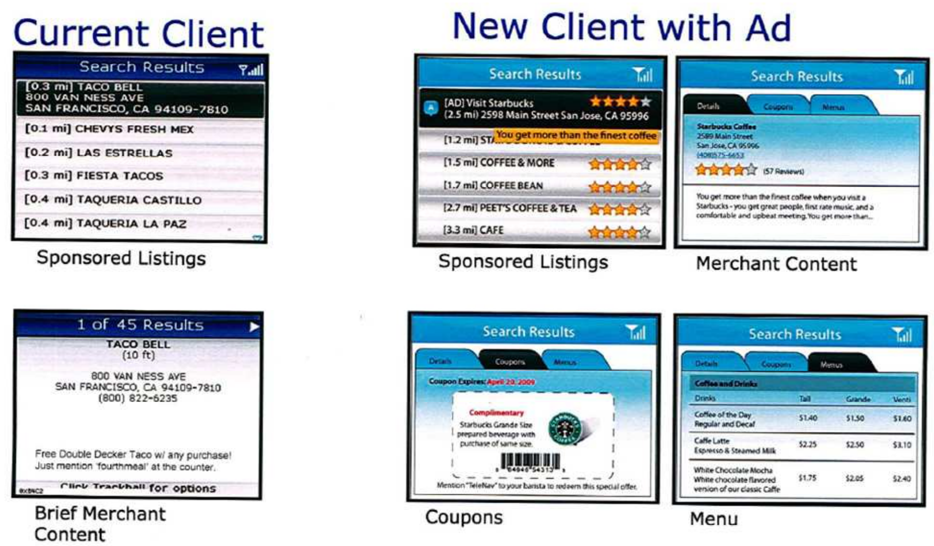
In addition to its core product, TeleNav offers Mobile Resource Management (MRM) solutions for enterprises, in-dash navigation solutions for automotive users and solutions that support a broad range of location-enhanced applications, such as mobile advertising, commerce and social networking. These offerings contribute relatively little to the top line today, but are expected to increasingly gain traction in coming years.

MRM. Management expects this segment to contribute 5% of revenue by 2012. Frost and Sullivan estimated that the US MRM market would grow from $86M in 2008 to $744M in 2013, representing a CAGR of 54%.

In-dash navigation. Management expects this segment to contribute 10% of revenue by 2012. IDC estimated that the worldwide OEM in-dash navigation market would grow from 7.7M units in 2008 to 12.2M units in 2012, representing a CAGR of 12%.

Mobile advertising, commerce, social networking. Management expects these solutions to contribute 5% of revenue by 2012. eMarketer estimated that US mobile advertising would grow from $320M in 2008 to $1.6B in 2013, representing a CAGR of 37%. We believe that this segment has the potential to generate substantial revenue in the long term and contribute to continued growth. TeleNav recently deployed a limited release of it mobile location-based advertising services to a limited number of users which delivers personalized, location-based and time-sensitive mobile advertising and includes features such as sponsored listings, content, coupons and dining menus.

Figure 2: Mobile advertising offering



Source: Company reports

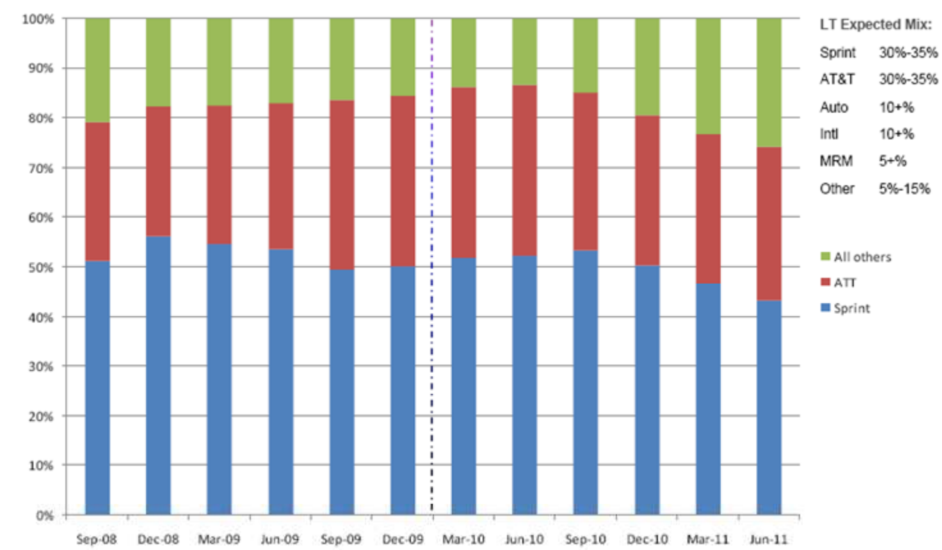
In March 2010, TeleNav released usage data that show consumers use GPS navigation devices for more than just directions. The data show that users also rely on these devices for finding nearby businesses and searching for local hotspots. The most searched for businesses by TeleNav users were Wal-Mart, Starbucks, Target, Best Buy and Bank of America. Pizza, Chinese food, burgers, American food and Mexican food topped the list of food searches. Also, the data revealed that more searches occurred in Los Angeles than in any other city and that more residents of Phoenix searched for gas prices than in any other city.

Specific to social networking, TeleNav released a beta version of Whereboutz in 2008 that allows end users to share their location and status with friends on-line or via mobile phones. In the fourth calendar quarter of 2009, TeleNav launched a social networking application that connects end users based upon their locations and interests.

CUSTOMERS AND PENETRATION RATES

Though TeleNav currently has 15 wireless network carrier partners in 29 countries, revenue from Sprint and AT&T make up the large majority of the company's revenues today. In fiscal 2009, Sprint and AT&T represented 61% and 29% of consolidated revenue, respectively. As a result, there remain plenty of opportunities to grow the business through not only expansion of existing carrier relationships, but also through the addition of new carriers.

Figure 3: Revenue mix by main carriers and products (as % of quarter)

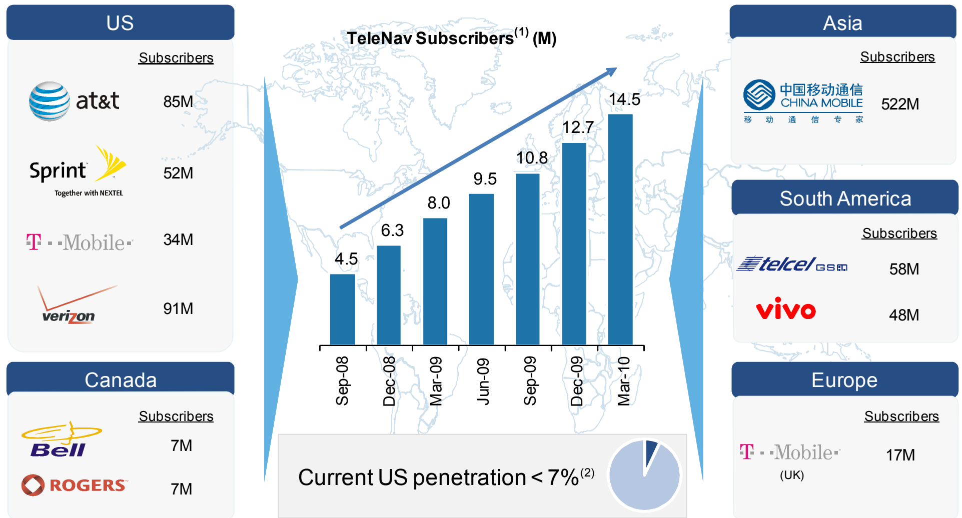


Source: Company reports

TeleNav's current agreement with Sprint expires on December 31, 2011, but the company's right to be Sprint's exclusive provider expires on December 31, 2010. The current agreement with AT&T expires on March 19, 2011, and TeleNav is the exclusive provider of white-label GPS navigation services to AT&T Navigator during this time. Neither Sprint nor AT&T is required to offer TeleNav's LBS, but the loss of either, or a change in pricing strategy, could be material.

At the current 14.5M subscriber level, TeleNav's US penetration rate is less than 7%. Management expects to announce the launch of one new domestic partner in 2010 and sees the international market representing approximately 10% of consolidated revenue by 2012 (currently ~3%). The biggest opportunity here is China Mobile, which has 500M+ subscribers. Roughly 450K subscribers are paying for mobile maps and 50K subscribers have adopted turn-by-turn navigation, meaning that TeleNav has the potential to add meaningful subscribers to its base with the signing of China Mobile (expected next year).

Figure 4: Customers and penetration rates



(1) Average monthly paying subscribers for each quarter.
(2) Based on a percentage of TeleNav's US wireless carrier partners' total subscribers

Source: Company reports

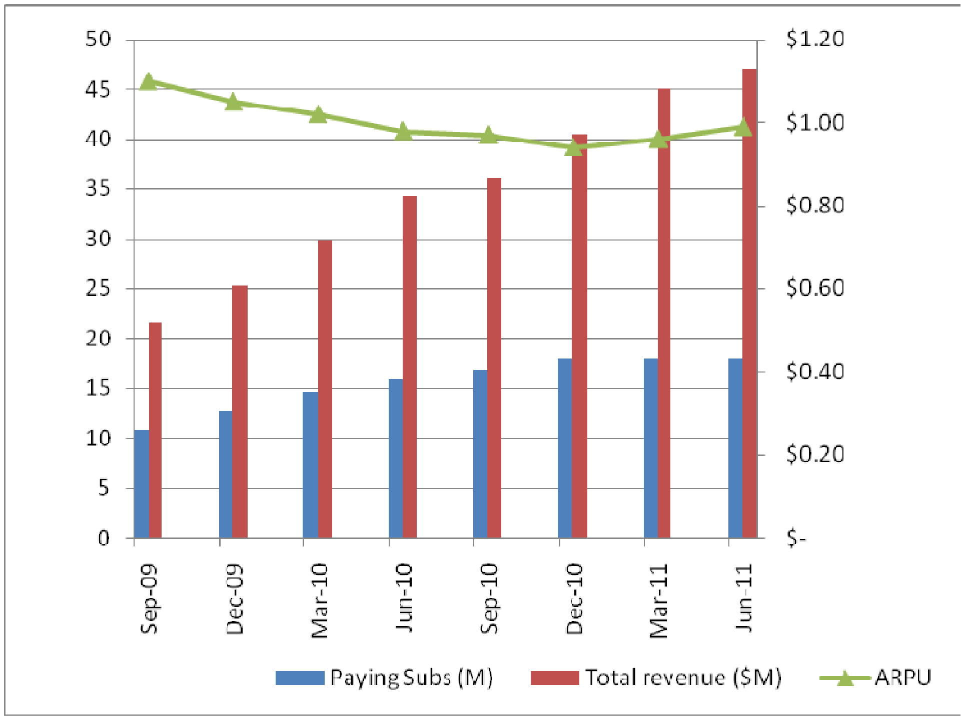
REVENUE MODEL

TeleNav's services are offered by its wireless carrier partners on either a standalone basis or bundled with other voice and data services. The standalone service is provided via a monthly recurring charge (MRC), and although it drives a higher ARPU ($9.99/month; we estimate TeleNav gets approximately 50% revenue share per month from the carrier), it carries a lower gross margin than the bundled offering and overall MRC subscriber growth is much lower. In the bundled offering (i.e., bundled for free with a monthly data plan commitment), TeleNav gets slightly less than $1 per month per subscriber from the carrier. This lower ARPU is offset by much faster subscriber growth. This "white-labeled" strategy results in deeper integration with the carrier, an expanded subscriber base and higher revenues. Of its two largest customers, AT&T (29% of revenues) uses the MRC model today while Sprint (61% of revenue) typically bundles the service. We believe expanded consumer awareness of "free navigation" will drive more carriers to pursue a data plan bundled strategy, including AT&T. Management expects MRC price reductions in 2010 (baked into expectations), which should impact revenue in the near term but result in both higher subscribers and revenue in the long term.

Average revenue per user (ARPU). As of March 31, 2010 (FQ3/10), TeleNav had 14.5M paying subscribers and an ARPU of $1.02. ARPU has trended lower as a result of the shift in end-user growth to bundled offerings and the company's wireless partners' white label offerings, both of which constitute lower monthly fees per end user. Despite the declines, ARPU is projected to grow higher starting by June 2011 from a changing user mix, an increase in AT&T MRC pricing and growing advertising revenue.

Subscribers. Paying subscriber growth has been strong, but is expected to moderate in December 2010 at around 18M subscribers as a result of other free navigation applications in the market. This is still 43% y/y growth, though. Long term, management expects an expanded availability of voice bundles to drive growth in the subscriber install base. The company is projecting 26M users by December 2012, which represents 40%+ growth y/y. As can be seen in the below chart, as usage increases, ARPU decreases but revenue grows.

Figure 5: Subs, revenue and ARPU



Source: Company reports and Canaccord Genuity

Gross and operating margin. As of March 31, 2010 (FQ3/10), TeleNav had gross and operating margins of 84% and 42%, respectively. Gross margin is expected to decline to around 76% in C2011 due to declining monthly ARPU, increased subscriber usage (which increases COGS), lower margin on the auto business and the addition of a backup data center and other infrastructure investments such as staging servers and IT expansion. Management expects long-term gross margin of 70%. Operating margin is also expected to decline from current levels due to higher operating expenses and increased headcount. Headcount and related costs make up roughly 65-70% of operating expenses. Management expects long-term operating margin of 25%-30%. Though gross and operating margins are expected to decline over the next couple of years, the long-term projections (70%+ GM and 25-30% operating margin) still signal a healthy and stable business.

Figure 6: Select financial metrics outlook

FYE June 30 (US$000s, except per share)	F2009	F2010E	F2011E	F2012E
Revenue	110,880	168,678	215,488	273,645
Paying Subs	9,500	15,900	18,000	22,450
ARPU	$1.11	$1.04	$0.97	$0.92
Gross margin	81.7%	82.2%	77.6%	75.3%
Operating margin	38.1%	40.1%	31.0%	30.9%
EPS	0.57	1.05	0.87	1.09
Shares outstanding	27,648	39,075	46,300	46,600

Source: Company reports and Canaccord Genuity

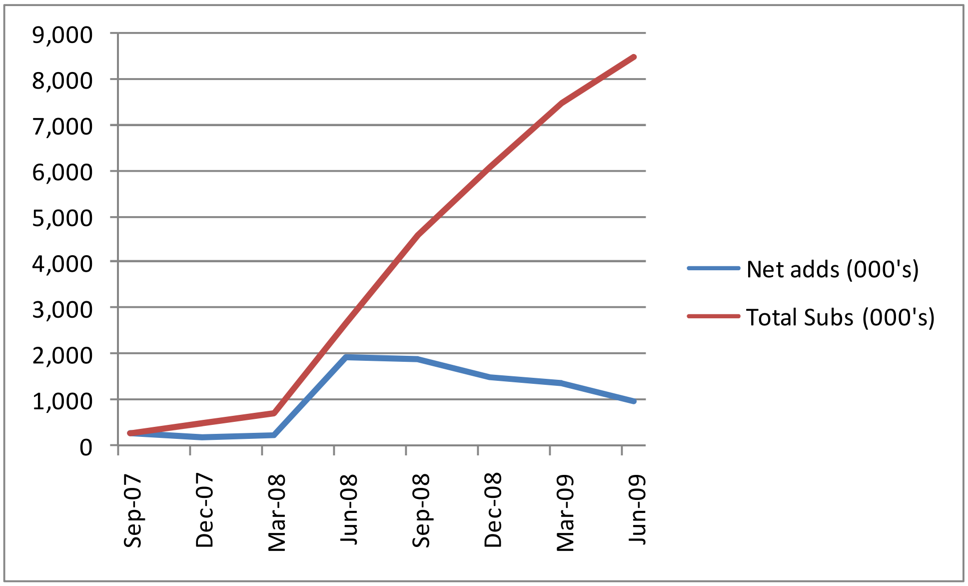
NOTHING IS FREE

In October 2009, the turn-by-turn navigation market was turned on its head when news that the Motorola Droid (launched on Verizon) would launch with free turn-by-turn functionality supplied by Google. Only a few months later, in mid-January 2010, Nokia announced free walk and drive navigation applications, using Ovi Maps, on its smartphones. Initially, the new version of Ovi Maps was available for download on 10 Nokia handsets, with more expected to be added over the ensuing weeks. By March 2010, all new Nokia GPS-enabled smartphones included the new version of Ovi Maps. Since the announcement, the application has been downloaded more than 10 million times.

While free navigation alternatives from Google and Nokia (and most recently Microsoft) are likely to take some market share, it is also expected to stimulate a larger carrier response and drive greater awareness for these applications. As consumers become more aware of the available offerings, we believe that they will see that TeleNav's solutions compare favorably to the alternatives. Also, keep in mind that Nokia has only about 3% market share in the US, and while Android-based phones are today estimated at about 9% market share and growing, only Android 2.1-powered devices are capable of supporting its navigation application. Additionally, most wireless carriers continue to heavily influence the user experience on both feature phones and smartphones. This trend is not expected to change in the near term.

Perhaps the most critical point to understand, though, is that despite Google's and Nokia's solutions being offered for "free," consumers will still need a data plan to utilize these services, which could run anywhere from $25-70 per month. Both Google and Nokia will look to monetize their free navigation services through mobile advertising, search subsidization and carrier revenue sharing. TeleNav's carrier-branded services increasingly come bundled with the data plans (i.e., Sprint's "Simply Everything" plan), so it is essentially just as free as the Google and Nokia applications.

Figure 7: Growth of Sprint subscribers to TeleNav



Source: Company reports and Canaccord Genuity

CATALYSTS

Numerous opportunities exist for TeleNav to grow its business beyond our current projections:

1. **New carrier partnerships, particularly in North America.** T-Mobile and Verizon are the outstanding US carriers with which TeleNav has only a modest relationship. T-Mobile currently has about 34 million subscribers, while Verizon has about 91M subscribers. Management expects that the carriers will adopt a bundling strategy, which comes at a lower ARPU, but increases both the install base and revenues. TeleNav had a prior agreement with Alltel to be the exclusive white label provider of navigation services, but when Alltel was acquired by Verizon in early 2009 Verizon elected to discontinue selling mobile phones pre-loaded with TeleNav's LBS. Additionally, many Verizon phones come pre-loaded with competitor Network-In-Motion's (NIM) navigation application. NIM was acquired by TeleCommunication Systems in December 2009.
2. **Major ramp at China Mobile.** TeleNav is the exclusive provider of TBT solutions to China Mobile (deal announced late last year), but revenue from the deal is not yet contributing to current growth. China Mobile has 500M+ subscribers, of which roughly 450K are paying for mobile maps and 50K have adopted turn-by-turn navigation. Any material promotion of TeleNav's services by China Mobile has the potential to meaningfully contribute to TeleNav's current growth.
3. **New in-vehicle automotive deals.** The automotive (in-dash) segment is expected to represent less than 10% of total revenue in C2010, but grow to about 10% in C2012 based entirely on existing relationships (the ramp of FORD Sync). The company could benefit from broader expansion of new OEM relationships in this marketplace as well. Typically these solutions would generate a one-time royalty fee per units sold and

revenue recognition would follow that of personal navigation devices (PND), which tends to be unit based, offer a perpetual license to the map and prove discounts based on volume.

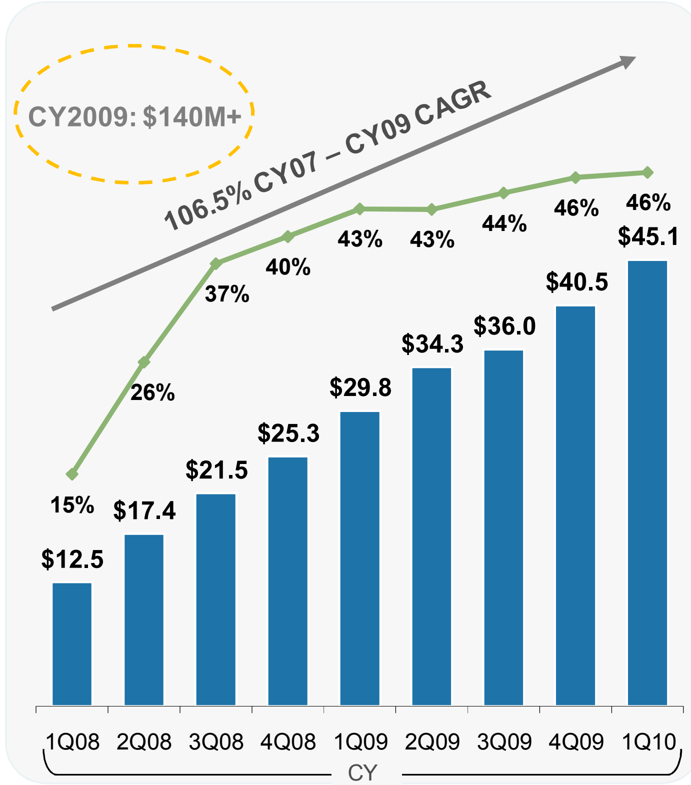
4. **Material advertising revenue contributions.** Management is currently forecasting minimal advertising revenue in the near term, but expects this segment to contribute approximately 5% of total revenue by 2012 from both paying and free subscribers. Should revenue from advertising occur sooner and more broadly than anticipated, TeleNav would likely benefit from the expansion of its advertising ecosystem, the broadening of free navigation and the potential for higher growth aided by mobile social networking.

5. **AT&T moves to bundle strategy from MRC.** AT&T currently operates under a monthly recurring charge (MRC) model, which drives a higher ARPU ($9.99/month; we estimate TeleNav gets 50% revenue share per month from the carrier), but it carries a lower gross margin and much lower subscriber growth than a bundled offering. In the bundled offering, TeleNav's solution comes free when customers sign up for a data plan and the company gets about $1 per month per subscriber from the carrier. AT&T is expected to remain primarily a MRC strategy, but should it switch to a bundled offering, TeleNav would be expected to benefit from a rapid expansion of subscriber growth rates at AT&T. As an example, we estimate TeleNav subscribers grew from approximately 500K to 8.0M+ in the two years following the bundle strategy launch at Sprint.

FINANCIAL HIGHLIGHTS

TeleNav's recurring subscription-based and ARPU-driven revenue model provides excellent visibility into the company's future financial health, while a solid balance sheet, highlighted by no debt and low working capital requirements, allows the company financial flexibility in what is becoming a more competitive and challenging environment. Additionally, strong cash flow generation and low capital expenditure requirements facilitate growth from within.

Figure 8: Revenue and EBITDA margin performance



Source: Company reports

ESTIMATES

We are presenting our FQ4/10, F2010 and F2011 estimates below.

For FQ4/10, we are forecasting revenue/net income of $47M/$10M. This assumes a paying subscriber count of 15.9M and gross margin of 81%.

For F2011, our estimates are for revenue/net income of $215M/$40M, which assumes gross margin of 78%, operating margin of 31% and paying subscribers of 18M.

Though gross and operating margins are expected to decline over the next couple of years, the long-term projections (70%+ GM and 25%-30% operating margin) still signal a healthy and stable business.

Figure 9: Outlook

FYE June 30 (US$000s, except per share)	FQ4/10E	F2010E	F2011E
Total revenue	47,026	168,678	215,488
y/y growth	37.3%	52.1%	27.8%
Gross Margin	81.2%	82.2%	77.6%
EBITDA	18,840	72,981	76,786
margin	40.1%	43.3%	35.6%
Operating Margin	36.0%	40.1%	31.0%
Net Income	10,208	41,005	40,267
EPS (FD)	0.24	1.05	0.87
y/y growth	-14.0%	84.6%	-17.1%
Paying Subs	15,900	15,900	18,000
ARPU	$0.98	$1.04	$0.97

Source: Canaccord Genuity

VALUATON AND RECOMMENDATION

We are initiating coverage of TeleNav with a $14 target price and BUY recommendation. Our target price is based on 7x our F2011 EV/EBITDA estimate of $77M. We believe this multiple could prove conservative as TeleNav's closest competitor, Network in Motion, was acquired by TeleCommunication Systems in December 2009 for almost 10x EV/EBITDA.

TeleNav's recurring subscription-based and ARPU-driven revenue model provides excellent visibility into the company's future financial health, while a solid balance sheet, highlighted by no debt and low working capital requirements, allows the company financial flexibility in what is becoming a more competitive and challenging environment. Though gross and operating margins are expected to decline over the next couple of years, long-term projections still call for 70%+ and 25-30% levels, respectively, signaling a healthy and stable business. We see several additional upside opportunities (i.e., China Mobile, new Tier 2 North America carrier, material advertising revenue contribution, etc.) that are not included in management's financial projections.

Investment risks

Investment risks include, but are not limited to customer concentration, competition, scalability, intellectual property and regulation.

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Global Stock Ratings
(as of 2 July 2010)

	Coverage Universe		IB Clients
Rating	**#**	**%**	**%**
Buy	424	61.0%	36.8%
Speculative Buy	75	10.8%	62.7%
Hold	184	26.5%	20.1%
Sell	12	1.7%	0.0%
	695	100.0%	

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Company	Disclosure
TeleNav	1A, 2, 3, 5, 7

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Deutsche Bank

23 June 2010

TeleNav

Reuters: **TNAV.OQ** Bloomberg: **TNAV US** Exchange: **NMS** Ticker: **TNAV**

Initiate with Buy rating and $12 price target

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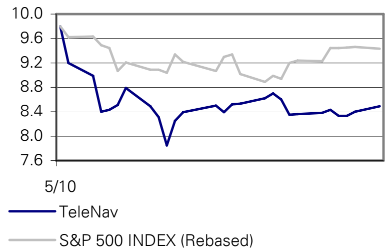
Coverage Change

Buy

Price at 21 Jun 2010 (USD)	**8.49**
Price target	**12.00**
52-week range	**9.80 - 7.85**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-3.4*	–	–
S&P 500 INDEX	*2.3*	*-4.0*	*20.8*

Stock & option liquidity data

Market Cap (USDm)	483.1
Shares outstanding (m)	56.9
Free float (%)	100
Volume (21 Jun 2010)	6,525
Option volume (und. shrs., 1M avg.)	–

Launching coverage with a Buy rating a $12 price target
Telenav is a leading provider of Location Based Services which they deliver via a turn-by-turn service offered through wireless carriers. The company is enjoying growth in its existing customer base, has a large addressable market to grow into, and is expanding internationally and into mobile advertising. We think its momentum, inexpensive valuation and growth strategy merit a Buy rating.

Near-term underpinned by carrier bundles and renewed growth at Sprint
The company's core service is providing navigation Software-as-a-service (SaaS) to wireless carriers. The company continues to see good growth from its two largest customers – AT&T and Sprint. This business continues to do well. In particular, we believe renewed growth of Sprint's subs, particularly on its bundled "Simply Everything" plan (which includes Telenav) should drive Telenav's results.

Four avenues to long-term growth
Beyond its core business Telenav is developing four new growth areas – in-dash navigation with auto OEMs; additions of new carriers (including T-Mobile US and China Mobile); fleet tracking and mobile resource management; and mobile advertising. Of these, the first three are already generating revenue and short start to contribute more meaningfully in CY11. Mobile advertising remains a promising opportunity, but could take some time to develop fully.

Valuation & risks
The chief risk the company faces comes from free alternatives such as Google's for-free Navigation service which comes bundled on many Android phones. While a threat, we think Telenav has an advantage in its close relationship with carriers and their ability to offer their service on a much wider range of handsets including feature phones, a market largely overlooked by other providers. We have valued Telenav using a discounted cash flow analysis using a 3% perpetual growth rate in line with long-term industry growth and a 12.5% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 5%).

Forecasts and ratios

Year End Jun 30	2009A	**2010E**	2011E
1Q EPS[1]	0.02	**0.02A**	0.21
2Q EPS	0.02	**0.16A**	0.23
3Q EPS	0.02	**0.31A**	0.23
4Q EPS	0.02	**0.24**	0.24
FY EPS (USD)	0.07	**0.26**	0.91
P/E (x)	–	**32.5**	9.3
DPS (USD)	0.00	**0.00**	0.00
Dividend yield (%)	–	**0.0**	0.0
Revenue (USDm)	110.9	**168.4**	214.8

Source: Deutsche Bank estimates, company data

[1] Includes the impact of FAS123R requiring the expensing of stock options.

Model updated:22 June 2010

Running the numbers

North America

United States

Wireless Equipment

TeleNav

Reuters: TNAV.OQ Bloomberg: TNAV US

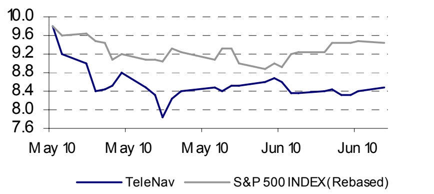
Buy

Price (21 Jun 10)	USD 8.49
Target price	USD 12.00
52-week Range	USD 7.85 - 9.80
Market Cap (m)	USDm 483 EURm 393

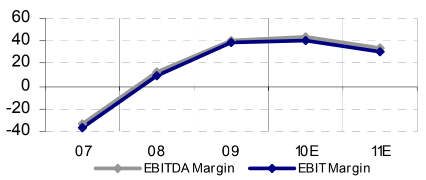
Company Profile

TeleNav is a provider of location based services, or LBS, on mobile phones. Their LBS solutions provide consumers and enterprises with location specific, real time and personalized features and functions. Through their hosted service delivery model, they provide solutions through the networks of leading wireless carriers in the United States, including Sprint Nextel Corporation, or Sprint, and AT&T Inc., or AT&T, as well as through certain carrie.

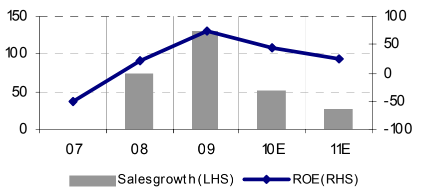
Price Performance



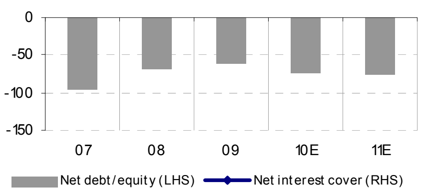
Margin Trends



Growth & Profitability



Solvency



Jonathan Goldberg, CFA
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Fiscal year end 30-Jun	2007	2008	2009	2010E	2011E
Financial Summary					
DB EPS (USD)	-0.07	0.02	0.07	0.26	0.91
Reported EPS (USD)	-0.07	0.01	0.09	0.36	0.91
DPS (USD)	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	0.15	0.18	0.40	2.33	4.42
Valuation Metrics					
Price/Sales (x)	nm	nm	nm	2.9	1.6
P/E (DB) (x)	nm	na	na	32.5	9.3
P/E (Reported) (x)	nm	na	na	23.8	9.4
P/BV (x)	0.0	0.0	0.0	3.6	1.9
FCF yield (%)	na	na	na	7.1	10.8
Dividend yield (%)	na	na	na	0.0	0.0
EV/Sales	nm	nm	nm	2.3	0.9
EV/EBITDA	nm	nm	nm	5.3	2.8
EV/EBIT	nm	nm	nm	5.7	3.1
Income Statement (USDm)					
Sales	28	48	111	168	215
EBITDA	-9	6	45	72	72
EBIT	-10	5	42	67	66
Pre-tax profit	-10	5	42	67	67
Net income	**-10**	**5**	**30**	**41**	**40**
Cash Flow (USDm)					
Cash flow from operations	**-7**	**0**	**24**	**45**	**45**
Net Capex	-2	-2	-8	-11	-8
Free cash flow	**-9**	**-2**	**16**	**34**	**37**
Equity raised/(bought back)	0	0	0	29	0
Dividends paid	0	0	0	0	0
Net inc/(dec) in borrowings	0	0	0	0	0
Other investing/financing cash flows	1	0	0	1	-3
Net cash flow	**-9**	**-2**	**16**	**64**	**34**
Change in working capital	*-1*	*-11*	*-9*	*-2*	*-7*
Balance Sheet (USDm)					
Cash and cash equivalents	19	17	33	99	133
Property, plant & equipment	3	3	7	10	9
Goodwill	0	0	0	0	0
Other assets	5	16	32	44	57
Total assets	**27**	**36**	**72**	**152**	**198**
Debt	0	0	0	0	0
Other liabilities	7	12	17	20	22
Total liabilities	**7**	**12**	**17**	**20**	**22**
Total shareholders' equity	**19**	**24**	**55**	**133**	**176**
Net debt	*-19*	*-17*	*-33*	*-99*	*-133*
Key Company Metrics					
Sales growth (%)	nm	73.4	130.7	51.9	27.5
DB EPS growth (%)	na	na	333.8	285.1	248.9
Payout ratio (%)	nm	0.0	0.0	0.0	0.0
EBITDA Margin (%)	-34.3	13.1	40.3	42.9	33.6
EBIT Margin (%)	-37.4	9.9	38.1	39.9	30.8
ROE (%)	-49.9	21.1	74.8	43.4	25.7
Net debt/equity (%)	-97.0	-69.1	-60.5	-74.5	-75.2
Net interest cover (x)	nm	nm	nm	nm	nm
DuPont Analysis					
EBIT margin (%)	-37.4	9.9	38.1	39.9	30.8
x Asset turnover (x)	1.0	1.5	2.0	1.5	1.2
x Financial cost ratio (x)	1.0	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.9	1.0	0.7	0.6	0.6
= ROA (post tax) (%)	**-36.3**	**14.7**	**54.7**	**36.2**	**22.6**
x Financial leverage (x)	1.4	1.4	1.4	1.2	1.1
= ROE (%)	**-49.9**	**21.1**	**74.8**	**43.4**	**25.7**
annual growth (%)	*na*	*na*	*255.2*	*-42.1*	*-40.7*
x NTA/share (avg) (x)	0.1	0.1	0.1	0.8	3.5
= Reported EPS	**-0.07**	**0.01**	**0.09**	**0.36**	**0.91**
annual growth (%)	*na*	*na*	*523.3*	*301.3*	*153.7*

Source: Company data, Deutsche Bank estimates

Investment Thesis

Telenav is an emerging provider of mobile location-based services (LBS). LBS offers the promise of providing value to mobile subscribers through the application of Internet data offerings filtered for the users current geographic position. Telenav currently monetizes LBS by offering a turn-by-turn navigation service via wireless carriers for use on a wide variety of handsets. Wireless subscribers pay for this service through their normal cell phone bill and have access to a navigation service that provides real-time driving instructions, similar to the experience on a personal navigation device (PND). Telenav is also working on further applications of its technology to other LBS areas.

Consumer navigation is undergoing a rapid transformation. The age of paper maps is giving away to a variety of digital offerings. This began with the advent of PC-based mapping systems such as Google maps. The next stage was the rapid growth and commoditization of the PND market which gave consumers a low-cost, somewhat portable real-time driving directions. The next stage of this process will the widespread deployment of real-time driving offerings on mobile phones. We think these offerings will be supplied through two channels – subscription services billed through the carrier, and "over-the-top" offerings supplied by 3rd parties on smartphones. Telenav is the leader in carrier-billed plans.

TeleNav provides this software as a service (SaaS) on a white label basis for carriers to supply under their own brand. Today TeleNav has over around a dozen carrier customers, but AT&T and Sprint provide the bulk of the company's customers and revenues. At AT&T consumers opt-in to an AT&T Navigation subscription paying a monthly recurring revenue (MRR), while Sprint subscribers typically get access to Sprint Navigation from Telenav via a bundled plan that covers voice minutes, a data plan and a few other data services. Telenav also has agreements to provide service to other carriers including China Mobile, Telcel in Mexico, T-Mobile USA and several others.

Telenav is benefitting from growing consumer interest in cell phone-based navigation, improving subscriber trends at Sprint and solid operating leverage derived from its SaaS model. In addition, we think the company has four other growth legs which should start to contribute meaningfully in 2011 and beyond. These include: growth at other carriers; an enterprise-oriented mobile asset tracking business; in-dash navigation platforms with auto OEMs starting with Ford's Sync platform; and further out the growth in mobile advertising.

Risks and Valuation

We see two primary sources of risk for Telenav. The first is their dependence on a small number of carrier customers for their revenue. Carriers are known to be very demanding customers. While we believe Telenav's relationship with its carrier partners is strong, the risk exists that these carriers source navigation elsewhere or more likely pressure Telenav to bring down its prices. A second, related risk is competition from OTT navigation providers. The most significant of these are deep-pocketed players in the mobile and Internet landscape including Google, Nokia and Microsoft. These three all offer comparable navigation services bundled with their mobile operating systems (OS) at no cost to carriers or consumers. We think Telenav's relationship with the carriers shield them to some degree from this competition, but long-term expect pricing to converge on these $0 offerings.

We have established a $12 price target for Telenav. Our valuation is based on a discounted cash flow analysis using a 3% perpetual growth rate in line with long-term industry growth and a 12.5% discount rate (using a 5.5% risk free rate, a beta of 1.4 and risk premium of 5%). We have also valued our company using comparable companies analysis. At our price target the company trade at 13 2010E earnings and 11x 2011E earnings. At these levels, the company would trade at a discount to our coverage universe multiple of 18x 2010E and 14 2011E. We believe this discount fully reflects the competitive pressure on the company and the associated risks.

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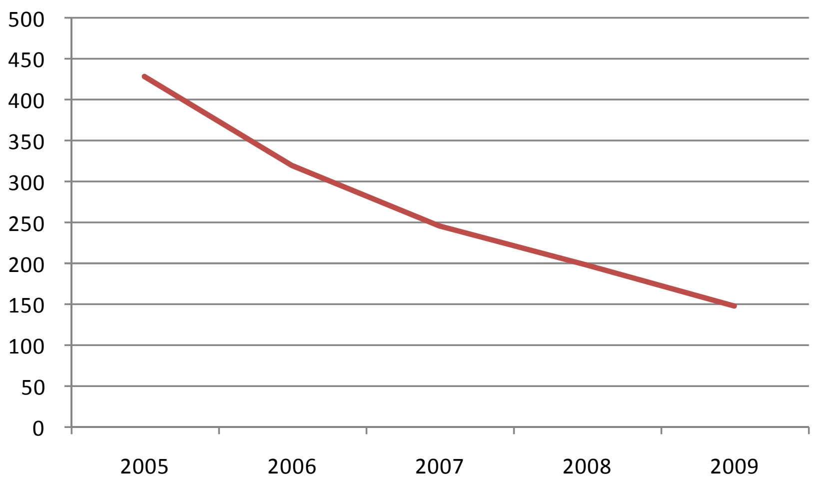
Navigation Trends

Navigation has undergone a tremendous change in the past ten years. For thousands of years finding your way from point to point was treacherous or at best inconvenient. Maps were once closely guarded national secrets that could shape the fate of empires. As people became more mobile, especially with the introduction of the automobile 100 years ago consumer use of maps has gone up considerably, but were still largely confined to static, out-of-date pieces of paper. That changed dramatically in 1999 with the launch of several online mapping services including Mapquest and Google Maps. With this dawn of the digital maps, navigation became incredibly easy and widespread.

Today, it is hard to find paper maps at all. This is profound shift, but one which has gone largely unnoticed as it gradually creeps into everyday life. We see this whole evolution as similar to what happened with the notion of time. For centuries this was immeasurable for most people outside of a small coterie of specialists. Gradually clocks and then watches become so commonplace that they were woven into the fabric of daily life. Similarly, we think location or position is becoming yet one more metric that will deliver value in new ways.

The first step in this process is improved navigation systems. Digital maps have become portable, beginning with the introduction of in-dash navigation systems in cars. This portability accelerated five years ago with the advent of relatively low-cost portable navigation devices (PND). The introduction of low-cost merchant GPS semiconductors from SiRF brought navigation fully into the realm of consumer electronics. Today you can buy PNDs for under $200 that can cover most of the world's drivable surfaces. Below we update our global PND model. Exact counts are difficult to come by, but we think the market likely peaked last year.

Figure 1: Average PND prices ($)



Source: Deutsche Bank, Garmin and TomTom

Figure 2: DB PND Model

	2005	2006	2007	2008E	2009E	2010E	2011E	2012E
Europe	2.6	9.2	14.5	18.8	17.9	16.4	15.3	14.5
YoY growth		*256%*	*59%*	*29%*	*-5%*	*-8%*	*-7%*	*-5%*
US	0.6	2.9	10.1	19.1	22.0	22.3	21.6	21.2
YoY growth		*409%*	*256%*	*89%*	*15%*	*1%*	*-3%*	*-2%*
Rest of World	0.0	0.5	1.2	2.7	4.2	4.9	5.4	6.0
YoY growth			*166%*	*123%*	*59%*	*15%*	*12%*	*10%*
Total	**3.1**	**12.5**	**25.9**	**40.6**	**44.1**	**43.6**	**42.3**	**41.7**
YoY change		*298%*	*108%*	*57%*	*9%*	*-1%*	*-3%*	*-2%*

Source: Deutsche Bank

One of the difficulties PNDs faced has been trying to determine penetration rates. The market has typically compared PND unit sales to estimates of car sales or cars on the road. By that metric the market looks relatively underpenetrated, with 2009 PND volumes equal to about 6% of cars on the road in the US and Europe. However, PND sales in both Europe and the US have exceeded auto sales for the past several years. Moreover, we think a better metric of penetration is to compare PNDs to auto sales after factoring in-dash systems. Most luxury cars today come with some form of in-dash navigation system built-in at sale. If we strip these out penetration rates appear to be close to saturation. We calculate this in the chart below. Admittedly, this is not a perfect metric of comparison, as PND purchases are made independent of car purchases. Nonetheless, we think the trend has significant implications.

Figure 3: The Rise and Decline of PNDs (Global auto sales minus cars with in-dash nav)

	2006	2007	2008E	2009E	2010E	2011E	2012E
PND Addressable market *	52,090	49,043	45,896	47,052	46,967	47,632	47,330
Penetration	24%	53%	88%	94%	93%	89%	88%

*Source: Deutsche Bank. * PND addressable market defined as auto sales minus cars with built-in navigation.*

We do not think the penetration of positioning and location systems has come anywhere close to peaking. However, we do think the method of distribution is set to move away from auto-related channels, particularly the cell phone.

Mobile Location-Based Services

The next evolution of navigation is already well underway, with a shift from standalone navigation sources to becoming just one more feature in the personal data device known as the cell phone.

As with the rest of this process, the shift in cell phones will have multiple steps. The first, is the transition of current systems to cell phone equivalents. This will include navigation and mapping features. With time, however, combining precise positioning data with mobile access to the Internet will open up the field to a far wider range of offerings.

Companies are searching for new ways to make money and deliver this value by giving users data about things around them. This idea is known as location-based services (LBS). We expect to see a wide range of business models chasing this, and we already seeing dozens of start-ups try different approaches.

As business models evolve, the underlying state of the industry will make these services more readily available to a wider and wider audience.

The first technical requirement will be data-enabled cell phones. On the following page is our global handset model. By our count 88% of the 1.4 billion phones sold this year will be data-enabled in some way (EDGE or CDMA 1x and up). This includes high end 2G phones with some basic data capabilities, that could arguably handle navigation and LBS. Almost half of these, or 41% of total handsets will be true 3G or 4G enabled, capable of fielding full-blown data connections and rich-media offerings. By 2014, virtually all phones will have at least 2G connection rates (96%) and 73% will have 3G or higher data rates.

Figure 4: DB Global Handset Model

By Technology (in thousands)	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E
Handset Unit Shipments												
GSM	474,552	638,187	728,233	828,067	891,537	774,457	721,178	638,856	553,874	458,450	374,404	284,933
# GSM	*202,847*	*137,115*	*34,895*	-	-	-	-	-	-	-	-	-
# GPRS	*252,893*	*381,865*	*476,192*	*431,678*	*361,963*	*222,905*	*149,649*	*95,041*	*86,455*	*75,786*	*65,013*	*52,328*
# EDGE	*18,812*	*119,207*	*217,146*	*396,389*	*529,574*	*551,552*	*571,529*	*543,815*	*467,419*	*382,664*	*309,392*	*232,604*
WCDMA	18,029	60,891	98,134	172,224	263,637	308,001	404,285	547,886	674,504	786,063	880,330	958,265
#WCDMA	*18,029*	*60,890*	*92,288*	*135,891*	*145,200*	*121,435*	*104,540*	*86,182*	*115,113*	*144,733*	*168,814*	*190,460*
#HSDPA	-	*1*	*5,846*	*36,334*	*118,437*	*186,565*	*299,745*	*461,704*	*559,391*	*641,331*	*711,517*	*767,805*
CDMA	151,212	166,941	200,877	209,246	216,994	211,648	232,500	242,881	250,748	260,134	265,181	269,669
# CDMA	*3,698*	*0*	-	-	-	*3,626*	*9,317*	*10,007*	-	-	-	-
# CDMA2000 1xRTT	*136,491*	*143,462*	*154,187*	*134,041*	*105,932*	*91,477*	*74,332*	*50,528*	*47,476*	*43,582*	*41,912*	*39,821*
# CDMA450	-	-	-	-	-	-	-	-	-	-	-	-
# CDMA2000 1xEV-DO	*11,023*	*23,479*	*46,689*	*75,206*	*111,062*	*116,545*	*148,851*	*182,346*	*203,272*	*216,552*	*223,269*	*229,848*
LTE	-	-	-	-	-	-	711	3,372	7,142	21,464	40,473	72,709
TD-SCDMA	-	-	-	-	-	3,952	15,582	19,362	24,527	34,890	44,826	54,556
WiMax	-	-	-	-	-	880	3,104	5,446	8,086	11,012	13,943	17,139
TDMA	12,125	9,830	5,089	1,695	-	-	-	-	-	-	-	-
iDEN	6,626	6,358	5,963	6,123	4,502	2,117	2,148	2,129	2,120	2,114	2,097	2,077
AMPS/Other	14,620	9,386	5,323	2,913	1,793	560	1,278	1,040	1,040	1,073	1,094	1,109
Total Unit Shipments	**677,163**	**891,593**	**1,043,619**	**1,220,269**	**1,378,463**	**1,301,614**	**1,380,788**	**1,460,971**	**1,522,040**	**1,575,201**	**1,622,348**	**1,660,456**

Source: Deutsche Bank, Informa, GSMA, IDC, CDG, company data

The next technical requirement will be for phones to actually have GPS capabilities. This is trickier to count. All CDMA-based phones have some form of GPS built-in, this is a requirement of the standard. This includes all CDMA 1x, CDMA EV-DO and WCDMA phones, which will be around 46% of phones sold this year. However, many of these phones' GPS is not capable of providing accurate, rapid positioning data or offload much of the calculation to the network. This makes many of them inappropriate for LBS work. Nonetheless, handset makers have been regularly stating they intend to increase the attach rate of GPS in their phones. As a rough estimate, we think all 3G and 4G phones should have true GPS capabilities, or roughly 41% of phones this year. (This probably overstates the number of LBS-ready 3G phones, but also undercounts 2G phones with GPS.)

This leaves us with a market in which around 40% of handsets are now capable of providing navigation and other LBS. In the US and Western Europe, this figure is 88%. So it should come as no surprise that we expect to see LBS develop in the US and Europe first. However, we think adoption will come quickly in other parts of the world. For many people in emerging markets, their cell phone is their first and likely only data device. PC ownership rates lag those in develop markets, and we see no reason for them to catch up any time soon. We will likely have a generation of people skipping the PC-based navigation model and going straight to cell phone navigation.

Competitive Landscape

Inside and Outside the Walls

As navigation moves to the cell phone we expect to see a new set of companies providing navigation services. In the past, navigation was largely a hardware-base offering either in-dash navigation sourced from auto component suppliers or stand-alone PND vendors like Garmin and TomTom. On phones, navigation becomes a software feature. Here, we see two primary sources of competition for Telenav – other providers of carrier branded, white-label navigation SaaS vendors and "over-the-top" third party providers who operate without any direct relationship with carriers.

White Label Competitors

Until recently, the only way to navigate in real-time on a cell phone was to work through the wireless carriers. Typically, these carriers did not provide the service themselves, but sourced solutions from SaaS vendors on a white-label basis, meaning the carriers attached their brand to the service. Qualifying as a carrier supplier is a grueling process, and typically on a small number of companies have the staying power to provide "carrier-grade solutions. As a result only a small number of companies today offer this service to carriers. In the US, there are effectively only two vendors – TeleNav and Networks in Motion which was recently acquired by Telecommunications Systems (TSYS, not rated). TeleNav is a supplier to AT&T, Sprint and T-Mobile US, while NIM/TCS supplies Verizon. In Europe and elsewhere there a number of smaller vendors in various stages of roll-outs. The most prominent of these was Wayfinder which was acquired by Vodafone in 2009, but has since been shut down.

We believe this white label model is very sticky. There are considerable barriers to entry in the form of carrier qualification procedures. Further, carriers are unlikely to switch vendors once they have deployed a service. We have heard of instances when one white label vendor is able to offer significantly lower-priced services than an incumbent supplier, but are unable to gain entry to the carrier and displace the incumbent. From a carrier point of view, the benefit of a slightly cheaper service are far outweighed by the risks of switching. Since carriers typically operate under intense regulatory and media scrutiny any disruption of service that resulted from a switch would likely draw public reaction. This does not mean that TeleNav has signed up lifelong customers, but it does limit the competition in the white label space to some degree.

Over the Top

An emerging trend is for consumers to seek navigation and other data services from parties beyond the carrier. These are often referred to as "over the top" providers, as in coming over the top of carrier walled garden service offerings. In general, the over the top vendors only provide service to relatively open handset platforms, which effectively means smart phones only. By contrast, white label vendors spend significant resources porting their solutions to be available on all phones offered by a particular carrier. In the case of TeleNav, they have ported their solution to over 500 handsets, which include smartphones and feature phones which lack a true operating system.

In navigation today we see two classes of over-the-top vendors. The first are independent developers who provide navigation "apps". This arena is largely limited to phone platforms with healthy app ecosystems meaning the Apple iPhone. A search on the AppStore for navigation typically yields around 50 apps offering a range of navigation services. The best selling of these come from PND vendors who have ported their solution to the iPhone including TomTom and Navigon. The TeleNav solution is available on the iPhone, but we view this as a small opportunity for the company.

The second category of over-the-top navigation comes from smartphone platform vendors – in particular, Google, Nokia and Microsoft. All three have their own operating systems for smartphones, and all three have launched free turn-by-turn navigation solutions. These companies have the advantage of vast scale and the ability to pre-load their applications with their smartphone OS. The downside of this is that their offerings are typically only available on a limited number of handsets.

This approach also raises concerns with carriers. Carriers are often wary of letting other parties get too close to their subscribers. Wireless operators today live in fear of becoming "dumb bit pipes" who offer commodity access service at thin margins. While they are increasingly realizing that they cannot compete with Internet companies in many fields, our sense is that most carriers still feel they have advantages in offering LBS and navigation services. We believe they are not comfortable giving up this service to other large companies. To some degree this should give TeleNav a valuable ally in building their business.

That being said, we see two risks from the over-the-top providers. The first is that they are setting prices at zero and this will put pressure on TeleNav to bring prices down, converging on free. Carriers have proven that they are willing to pay for a service they see as valuable, so we do not think this pressure will be intense or sudden. However, we do expect a gradual, continual decline in navigation prices. We also expect carriers to increasingly bundle the navigation service as part of broader package as Sprint has done. We will explore this topic further in a later section. A second, less likely prospect, is that the over-the-top providers succeed in becoming de-facto platforms for the majority of phones. In particular, we think Google's Android platform shows some potential on this front. While this possibility exists, it will only come about after prolonged resistance from carriers, and in that fight the carriers will need trusted partners like TeleNav to compete.

Pricing Models

Carriers sell TeleNav's services using two different pricing models. The first is the monthly recurring revenue (MRR) in which consumers opt-in for an additional service paid monthly. AT&T uses this model. It charges consumers $10 a month to sign up for navigation. The app is pre-loaded on most AT&T phones, but consumers have to pro-actively sign up for it. This results in a higher per user fee paid to TeleNav, we estimate this to be around $5 per month per subscriber. But it also limits the growth of the subscriber base.

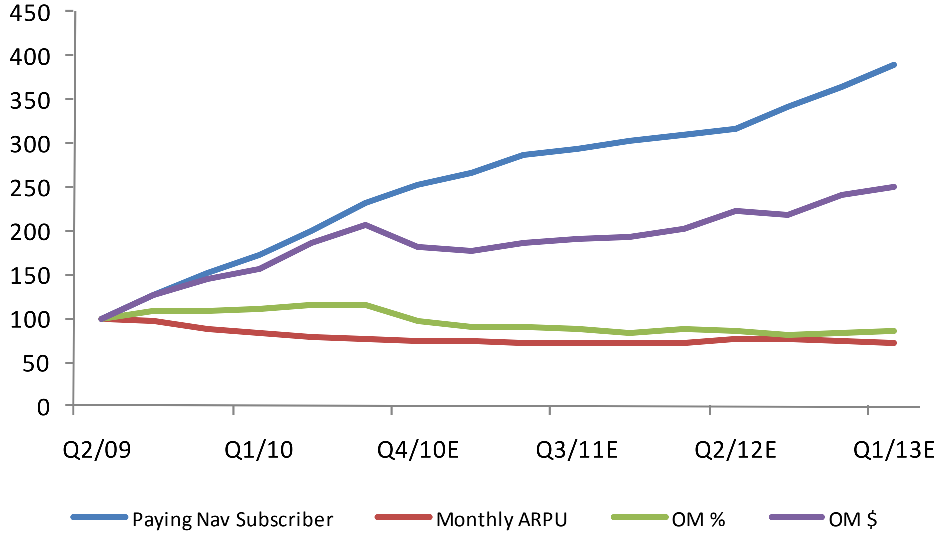
The second model is a bundled offering. In this model consumers buy a bundle of services from a carrier which includes voice minutes, a data plan and a small number of data services. In the case of Sprint, they have been promoting their "Simply Everything" plan which includes unlimited voice, data and texting for $99. It also includes Sprint TV, a Nascar service, an NFL service and Sprint Navigation, powered by TeleNav. In this model consumers have TeleNav service but may not realize it. Sprint pays a far lower price per subscriber to TeleNav here, we estimate this to be below $1 per month per sub. However, it results in a far higher number of subscribers. Of TeleNav's 14.5 million subscribers as of March 31, we estimate that between 12 and 13 million are Sprint customers.

These models reflect differing carrier motives. For MRR, carriers are looking for additional revenue streams. This has been somewhat successful. After traditional voice, text and data charges, we believe navigation has been one of the most popular carrier subscription services. For bundling, we believe the primary interest is marketing. Most consumers will likely be ambivalent about signing up for navigation. However, for some the appeal of having that one extra service may be enough to convince them to sign up for the bundled plan. Whatever this number is, it makes up for all the others, and thus serves as an effective marketing tool.

So the trade-off for Telenav is lower prices versus more subscribers. Is it better to get $5 for MRR or $1 for a bundle. Given TeleNav's SaaS model, the cost of each incremental subscriber is very low. They have built a data center which carriers a high fixed cost, but additional resources beyond that are minimal. As a result, they have tremendous operating leverage. In general, they are better off with bundled pricing plans. The elasticity of demand in this model such that at $1 per sub they typically get far more than 5 additional subscribers, the ratio is probably closer to 12. So while revenue on MRR is higher on a per subscriber basis, total operating margin dollars ends up being higher in a bundle.

The graph below illustrates this clearly. This shows subscriber count, average revenue per subscriber, operating margin percentage and total operating margin dollars all indexed for 2Q09. On a per sub basis or a percentage basis, metrics have generally declined, but on a total subscriber and more importantly total dollar level TeleNav has enjoyed significant growth.

Figure 5: Indexed Revenue, ARPU and Subs, OM% and OM dollars (2Q09 =100)



Source: Deutsche Bank and Company Data

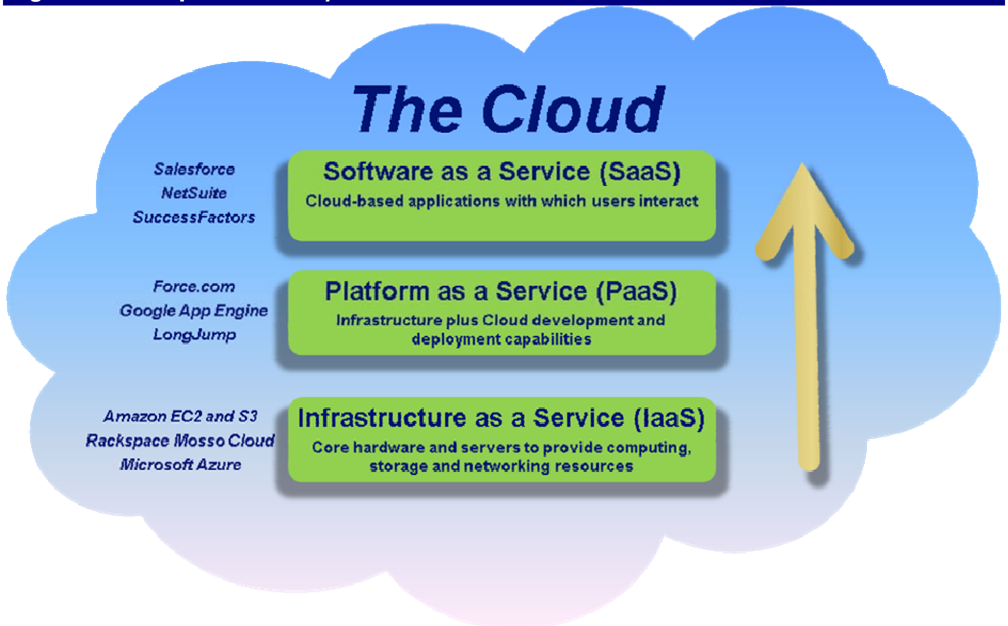
The shift to SaaS gains steam

The adoption of Software-as-a-Service solutions (and more broadly the popular moniker "Cloud Computing") has been well-publicized, and we estimate the majority of venture money spent on software overall (majority in application software) is now within this segment. While services-based software remains relatively early stage, we believe adoption is accelerating and will be the largest technological/business model disruption the software industry has seen since client-server adoption in the 1980s.

The proliferation of broadband makes it more feasible to offer software over the web and via mobile phones. The compelling economics of an on-demand solution have gradually outweighed security and performance fears that have previously hindered the market. More importantly, rapidly evolving business drivers, which are compartmentalizing legacy business processes (outsourcing, globalization, a shift to core-competencies) have made the current enterprise software model less relevant and are fueling corporate acceptance of software-as-a-service functionality to cost-effectively differentiate from competitors. Finally, momentum of web services integrations have enabled SaaS firms to innovate much more quickly than legacy vendors and lessen the wide functional gap that had plagued immature vendors.

A recently published IDC survey shows that companies expect, on average, 20% of their IT budgets will be earmarked for cloud computing in 2013, up from 14% in 2010.

Figure 6: A simple taxonomy



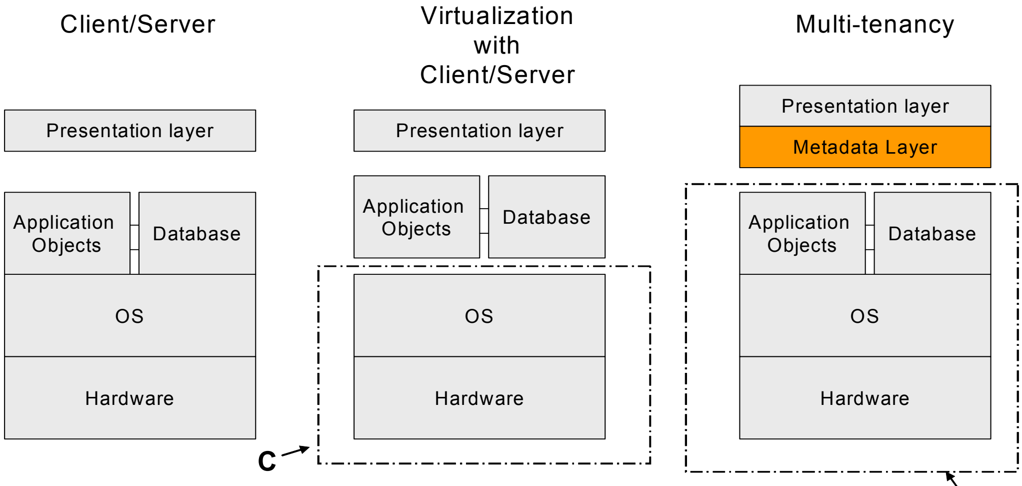
Source: Deutsche Bank and IDC

A look at the technology

We believe the technology is different than today's software stack as the code base needs to be developed and optimized for the Web, in a multi-tenant architecture. As such, successful applications are embedding more advanced Web 2.0 capabilities and scripting (AJAX, mash-ups, etc.) to deliver robust functionally within the browser. Furthermore, we believe the most successful vendors longer-term will enable metadata customization that offer customers the ability to customize the presentation layer needs (as well as workflow and some other areas) to be able to offer feature/functionality, customization, and scalability together.

Software-as-a-service enables economies of scale through a multi-tenant architecture approach (multiple tenants/customers are supported on a single instance of an application) that scales at lower infrastructure costs. This is possible through the pooling of resources (such as network connections and partitioning of large databases ensure efficient utilization of resources) while still being able to differentiate data belonging to different customers using metadata to configure the way an application appears and behaves for its users. The provision of shared services (billing, metering maintenance of hardware & other infrastructure) across all customers contributes to a reduction in fixed cost per customer.

Figure 7: Architectural view of the shift towards SaaS



Key differences between Virtualization with Client Server and Multi-tenancy

•**Customization is done at the Metadata layer in Multi-tenancy** – this enables the SaaS provider to control the application objects and the data dictionary in the Database

•**Metadata layer abstracts customization to a separate layer** – separating out the customization layer (M) enables version-less software. Thereby concentrating R&D on one version, reducing application management costs, limiting infrastructure costs, while enabling internet-type architecture scaling capabilities

•**Virtualization doesn't limit application instances or database instances** – Virtualization is driving IT costs down by enhancing server utilization, enabling better systems management, and lowering admin costs by virtualizing the layer labeled C above. This does not limit costs associated with changing the application or database and scaling applications to internet-type performance is unproven in core business areas

Source: Deutsche Bank

There are three popular implementation models in the industry, of which we believe only the multi-tenant model truly delivers a generationally more efficient delivery of software.

- Hosted on-premise: A commonly cited on-demand approach from legacy on-premise vendors is a delivery model that resembles that of a Managed Service Provider, whereby customers have web-access to an on-premise offering such that they maintain the benefits of on-premise software (via customization) but outsource the data center costs. A hosted on-premise offering (like Oracle's legacy on-demand business or Microsoft's recent push on the Dynamics portfolio) does not lead to significant infrastructure cost savings.
- Isolated Tenancy: utilizes one application version with configuration capabilities alongside a separate data model for each customer, thus enabling modification to the data structure and ease of transitioning to an on-premise version (SAP's traditional model).
- Multi-tenant SaaS: Common among next generation SaaS vendors that utilize one version of software for multiple customers while leveraging metadata customization for configuration and Web Services APIs for integration. The approach reduces server needs as infrastructure is shared across customers for more efficient use of resources.

Telenav's solution architecture is multi-tenant, allowing large deployments (now over 14m subscribers) hosted on a common infrastructure that enjoys the scale benefits of SaaS.

Although the overall themes from our previous reports on SaaS in 2006 [Software-as-a-Service: Opening Eyes in '07; Half the Market in '13] and 2008 ["SaaS and Cloud Computing: End game clearer in '08 - Legacy checkmate"] continue and many are strengthening, several new dynamics have emerged:

1. Platforms are forming as cloud computing moves front and center - There is a more pronounced push towards platforms-as-a-service. Cloud computing platforms have emerged that enable corporate IT, ISVs, SIs, and independent developers to build and deliver SaaS applications over the Internet (without the heavy investments in infrastructure). CRM's Force.com, Google's App Engine, Amazon's EC2 web services are all gaining traction, helped by slow capital spending during the recent recession.
2. Software and Internet heavyweights are starting to respond - Google, Yahoo!, SAP, Microsoft, Oracle. However, the heavyweights' entry into SaaS has been tentative at best. We see various struggles (similar to the reason for SAP's delay in BusinessByDesign). Structural misalignment, time-to-market with R&D impediments, cannibalization threats, and business model hurdles may all be potentially too high to overcome
3. Ecosystems appear to be changing - The larger SI providers appear to be only dabbling and seem reticent to significantly push SaaS, as the services attached are still relatively small. However, all major SIs have initiatives to engage with many SaaS vendors and many have built practices around extending their historical on-premise competencies to "hybrid" models that include certain cloud-based applications.

Figure 8: Economic benefits of SaaS

➢Reduced Costs	Cost efficiencies: **stack efficiency** - sharing of infrastructure (i.e., Databases, Storage, Security, Servers, etc.), **lower management costs** (outsourcing application and infrastructure management drives significant savings to CIO), **lower implementation costs** (rollouts are more efficient via ease-of-use, higher adoption, and access)
➢Faster Innovation	Faster innovation: **focused R&D dollars** – vendors invest in new product and performance, not support of legacy applications and platforms, **version-less software** – having one version enables all customers to take advantage of innovations and share feedback and improvements across customer base, **Controlled Feedback loop** – for the first time vendors can analyze adoption, usage, feedback and iteratively optimize the application for all customers
➢Higher Success	SaaS implementations demonstrate higher success rates: **start small, monitor, and expand** – implementations typically start small at the departmental level and then expand as vendor can monitor rollouts, **discipline of usage** – SaaS versions offer configuration capabilities, preventing mass customization that historically has been the key failure of enterprise software, **reduced IT reliance** – departmental rollouts require less internal IT involvement and coordination, leading to faster implementations and less bureaucratic roadblocks
➢Better Access	Users are increasingly getting improved access to applications**: uptime performance largely better than internal delivery** – increased transparency of performance requires that vendors keep near 100% availability, **Remote/Mobile access improved** – users are increasingly accessing enterprise applications from different locations and devices (i.e., home PC, Laptop, iPhone, Blackberry, etc.), **Integration to 3rd parties easier with web services** – SaaS applications are founded on web services and therefore enable quick access and communications to other applications and services on the internet
➢Opportunities unlimited	SaaS opens the door to much, much more: **Analytics opportunity** – because the data resides in aggregate and is available, analytical opportunities are created , **Integration of consumer/business interface** – As Google and others deliver consumer, productivity, and collaborative applications online, the possibility for universal access and collaboration becomes possible, **B2B efficiencies to come** – with applications moving to the cloud, the possibilities for newer B2B efficiencies (visibility, collaboration, and integration) are enhanced.

Source: Deutsche Bank

SaaS is distinct trend from other technological shifts

We see SaaS and the shift to cloud computing as more than just a technology and a business model adjustment for the industry as it points to a migration to outsource much of corporate IT's administrative processes (i.e., storage, security, application management, database management, etc.) while accelerating the pace of innovation and likely improving economic productivity more generally. This differs dramatically from other trends pushed down from the CIO such as SOA (Services Oriented Architecture), Virtualization, use of software appliances, etc. New platforms and services are being developed for enterprises moving beyond four-walled systems. Such a transformation is likely to have a more pronounced impact on a corporation's productivity than a shift in architectures within an IT department

Marketing messages often cloud the value differences between SaaS and Virtualization

While there has been increased rhetoric around different marketing messages and even some confusion as to virtualization technologies being a substitute to SaaS, we stress that the use of virtualization technology to lower IT support costs for client/server software is a far cry and distinct from SaaS. We believe the value from SaaS is derived from multi-tenancy and provider control of one-version of software as this drives faster innovation (i.e., focused R&D on one version), better scaling, and lower management and infrastructure costs.

Multi-tenancy is most likely to perform at internet scale only if customization/configuration is done at the metadata layer. This requires a different approach to application development than the traditional client/server model, and takes time to tune and optimize and build mature functionality. Salesforce.com has been building this for almost ten years and has only recently enabled complex workflow and business logic rules. We believe competitors will have difficulty replicating this and anticipate many iterations of development before they can match performance

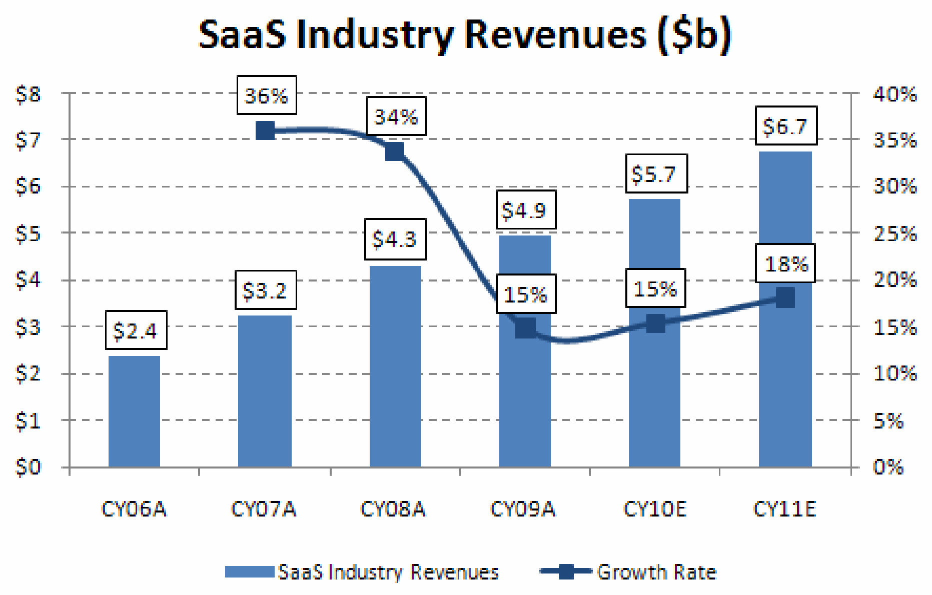
Figure 9: The SaaS Landscape

Category	Market penetration, competitive environment and Trends	Companies
CRM	■ Market penetration: Gartner estimates a $7.8b market in '07 at 5 yr CAGR of 11% ■ Competitive dynamics: Non fragmented with clear category leaders, stable pricing, differentiated product with end to end offerings – larger players possibly threaten longer-term ■ Trends: SFA expected to outgrow market by ~40%	■ salesforce.com ■ RightNow ■ SugarCRM ■ eSalesTrack ■ Constant Contact
Talent Management	■ Market penetration: IDC estimates a size of $6.4b for '07 at 5 yr CAGR '06-11 of 7.3%. Penetration in early stages with only 8% of US large enterprises using application tracking ■ Competitive dynamics: Fragmented market, rising prices for strategic solutions and static for Core HR products ■ Trends: Application tracking and performance mgmt to be category leaders with ~15% 5 yr CAGR growth	■ SuccessFactors ■ Taleo ■ Ultimate Software ■ Cornerstone OnDemand
Web analytics	■ Market penetration: Our estimates indicate $500m with growth rate of ~25% for 2 years ■ Competitive dynamics: Consolidation by leaders reducing competition, behavioral analytics enjoying higher price than search analytics ■ Trends: Solutions are advancing capabilities to further enhance site optimization via analytics, targeting, testing, and other media	■ Omniture (Adobe) ■ Google Analytics ■ WebTrends ■ Coremetrics Analytics
Spend Management	■ Market penetration: Our estimates indicate SRM to grow to $2b ■ Competitive dynamics: Fragmented market, pricing varies with functionality depth and category (i.e., sourcing, P2P, analytics, etc.) ■ Trends: Traction towards on demand solutions and emergence of B2B networks is growing. Moving from paper based re imbursement systems to End-to-End Travel Booking and Expense management systems	■ Ariba ■ Concur ■ Tangoe
Enterprise Resource Management	■ Market penetration: Gartner estimates SaaS ERP in 2009 was over $1.2b ■ Competitive dynamics: Outlook conservative due to complexities of vertical industries. SAP still having problems with Business by Design. ■ Trends: NetSuite customizing their offering to better serve manufacturing	■ NetSuite ■ Lawson (new Cloud offering on EC2) ■ Workday ■ Plex ■ FinanceForce (Coda)

Source: Deutsche Bank

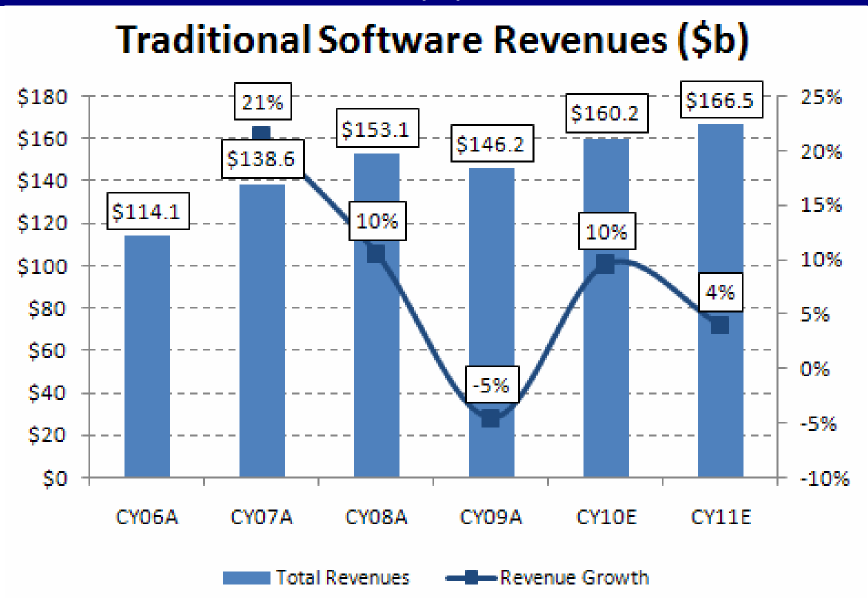
Growth trends of SaaS vs. traditional software

Figure 10: SaaS Industry Revenues ($b)



Source: Deutsche Bank

Figure 11: Traditional Software Revenues ($b)



Source: Deutsche Bank

Figure 12: Some recent significant movements by bigger players in this space

Competitor	Initiatives	Challenge
Microsoft	■ Launched Dynamic CRM Live ■ Plans single code base for on-premise, partner hosted and Microsoft hosted ■ Announced online versions of SharePoint and Exchange applications in March '08	■ Infrastructure cannibalization ■ Channel challenges ■ R&D dilemma
SAP	■ Launched basic CRM in '06 ■ Announced Business-by-Design SaaS ERP solution for mid-market, but very little progress shown so far ■ Laid out a new product roadmap for BBD to be released at May Sapphire event ■ Expects by 2011 subscription revenues to be enhanced by BBD and on-demand extensions for large enterprises	■ Maintenance cannibalization ■ Sales incentives challenges ■ Organizational DNA ■ R&D dilemma ■ Tougher competition from smaller players
Oracle	■ Released Siebel on-demand version 15 with social networking capabilities ■ On-demand biz is a pure hosting deal	■ Infrastructure cannibalization ■ Maintenance cannibalization ■ Sales incentives challenges ■ Organizational DNA ■ R&D dilemma
IBM	■ Increasingly partnering with SaaS companies (i.e. Siebel, CRM, PTC) ■ Announced the availability of Blue Cloud platform ■ Goal to be platform provider	■ Pressure on database sales

Source: Deutsche Bank

Company Overview

Company Description

TeleNav provides location-based services (LBS) to consumers and enterprises on mobile phones. TeleNav enables its customers to use GPS navigation services and obtain relevant local information. The company offers its solutions through the wireless networks of Sprint and AT&T in USA, along with other carriers in China, the United Kingdom and Brazil. TeleNav's LBS can be delivered through a wide variety of wireless network protocols, are compatible with all major mobile phone operating systems, are supported on more than 500 mobile phone models and delivered to millions of end users simultaneously. For the quarter ending 31st March 2010, TeleNav had a monthly average of 14.5 million paid end users. TeleNav was founded in 1999 and has grown from $28 million in revenue in FY07 to $111 million in FY09. As of 31st March 2010, TeleNav had 878 employees.

The company derives revenue from:

TeleNav GPS Navigator
LBS are delivered to users' mobile phones through TeleNav's GPS Navigator. Users get turn-by-turn directions by voice and onscreen. The GPS navigator integrates mapping solutions with real-time information on traffic, weather content and other points of interest (POIs). These services can be delivered to a wide variety to mobile phones (more than 500 different models), running on different mobile phone operating systems connected to various wireless network protocols.

TeleNav Track
TeleNav Track is a mobile resource management (MRM) system. This solution enables enterprises to manage mobile workforce and assets by leveraging TeleNav's LBS platform. It helps in locating, dispatching and tracking workforce and exchanging time-critical information with mobile workforce. Track facilitates communication between mobile workforce and an organisation's back-end systems, leading to improvement in management of assignments. Employees use Track to send out information wirelessly to enterprise back-end systems using their mobile phones. Track can also be integrated with an organisation's back-end systems and applications such as billing, accounting and dispatching applications.

TeleNav Automotive
With the help of TeleNav's in-dash navigation solutions, automakers can deliver a variety of connected navigation services with the same hardware in any vehicle. Vehicle buyers can activate or upgrade these solutions at any time during or after the initial purchase. The in-dash navigation system is equipped with a flexible HMI (human-machine interface) that is customizable and works on voice commands.

The in-dash navigation is offered in three variants to satisfy customers at all price points and requirements. These delivery solutions are:

1. *Traditional On-Board Solution*: This is a basic service. Data on maps and directory of POIs stored in the in the head unit. The business directory comes with 12 million POIs. Maps and POIs can be upgraded using SD card.
2. *On-Board Navigation Solutions:* The in-dash navigation device is connected to TeleNav servers and receives real-time location based services. Along with 3D moving maps, drivers receive traffic alerts, e-commerce functions, business directory of over 12 million POIs, enhanced merchant content and weather information.

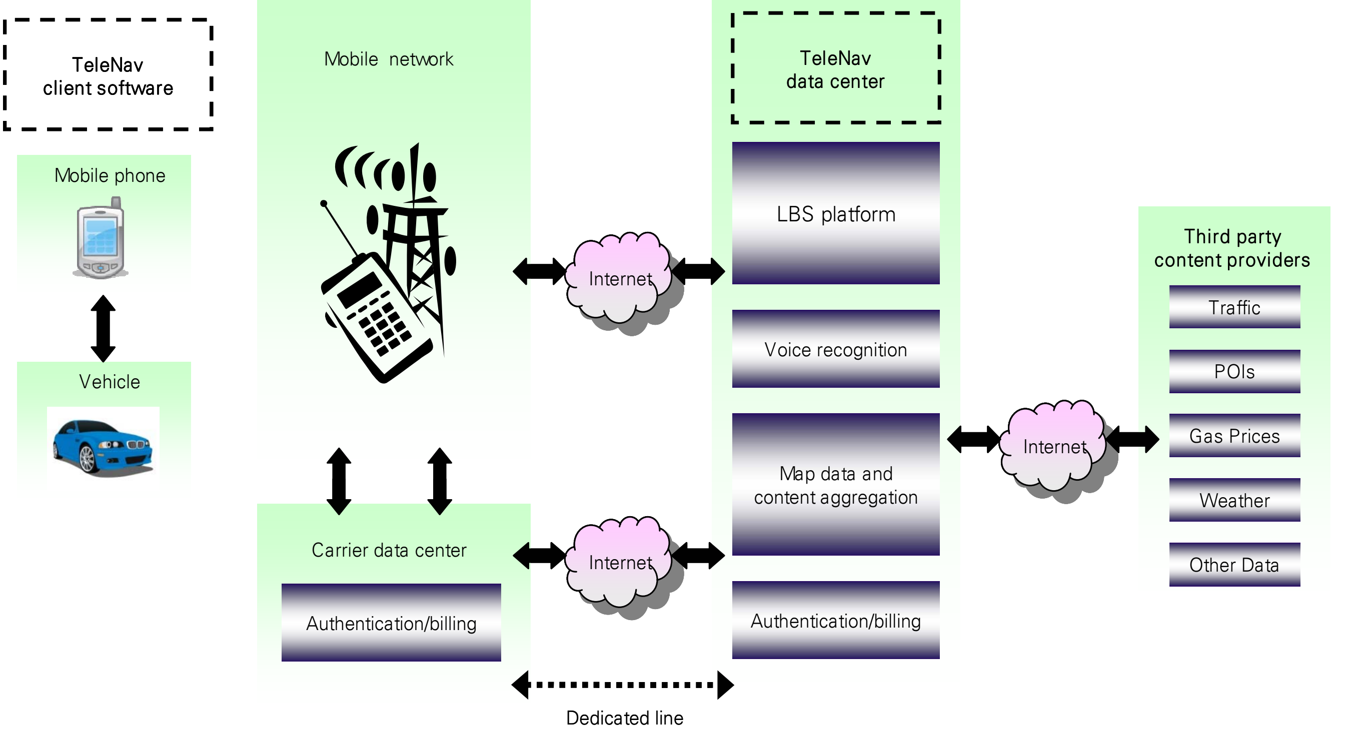
3. *Off-Board Navigation Solution:* Off-board navigation solution is essentially on-board in-dash device that connects to TeleNav's servers using drivers' Bluetooth cell phones or data connection in the car.

Whereboutz

TeleNav owns Whereboutz (www.whereboutz.com), a social networking site that enables its users to share videos, pictures and location online. All services including its iPhone application are available to users for free. Whereboutz differentiates itself by offering geo-tagged and private social networking services. This means that every time a user uploads a picture or a video, or posts a comment, it is tagged with the user's location. Whereboutz also allows its subscribers to keep their posts private, by allowing users to pick the people they want to share their post, pictures, videos and location with. Whereboutz can also host geo-tagged blogs, i.e. blogs tagged with location of the blogger. These blogs can also be restricted to a select group of people by the blog owner.

Platform and Architecture

Figure 13: Platform and Architecture



Source: Deutsche Bank and Company Data

Service Delivery Platform: TeleNav operates on a modular and scalable hosted service delivery platform (SDP). This allows TeleNav to respond to voice and data requests from clients by bringing multiple types of information together. Communication between TeleNav's SDP and client software installed on mobile phones or other GPS devices occurs on wireless carrier partners' networks. TeleNav's SDP can be scaled up by adding individual service elements, such as application servers or database nodes. The ease of capacity addition enables TeleNav to serve a growing end user base without disruption in service.

TeleNav's SDP is closely integrated with its wireless carrier partner's network. This integration with networks allows TeleNav to achieve efficient server load balancing and to minimize downtime. Using proprietary applications, TeleNav has successfully integrated its

SDP with various third-party content providers. This integration helps in the delivery of enhanced location based services.

Client software: TeleNav's client application is designed to support over 500 mobile phone models, operating on all major mobile operating systems. The client software is adaptable to evolving feature sets in new phones to create an improved user experience. It also works together with the service delivery platform to extract the latest information, data, and other services without the need to use phone memory for data-intensive services like map and POI storage. Requests made by end users are captured by the SDP interface using client software.

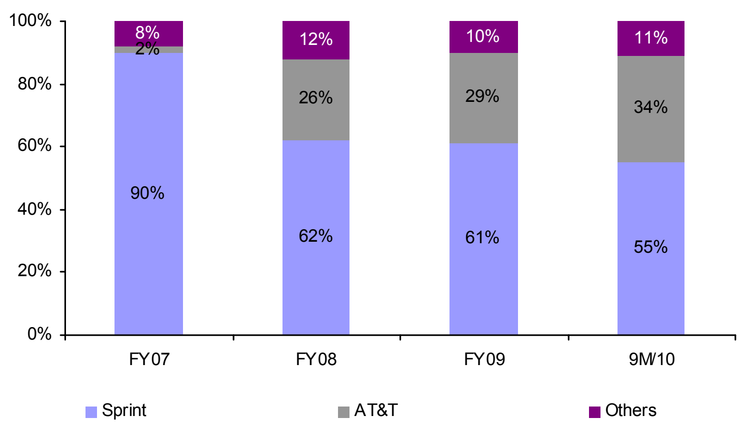
Client software can be adapted to offer a customized user interface to support preferred features and functions. TeleNav can wirelessly provide automatic updates of its service to mobile phones without the need to upload new client software. The client application caches the route and navigation information at the beginning as well as during the trip, so that in the event of a loss of or decline in connectivity during the trip, simplified navigation services can be provided.

Customers:

TeleNav primarily distributes and offers its LBS to end users through wireless carrier partners. These partners provide LBS to their subscribers either as a stand-alone service or as a bundle plan combining various voice and data services. TeleNav charges its wireless carrier partners a monthly subscription fee for each end user that subscribes to LBS. This subscription fee is either fixed or derived on a revenue sharing basis. TeleNav customers are primarily concentrated in the United States (97% revenue in 9M/10), with the remaining revenues coming from Asia and Europe.

TeleNav derives a substantial portion of its revenue from two wireless carrier partners, Sprint (55% of revenues in 9M/10) and AT&T (34% of revenues in 9M/10).

Figure 14: Customer Concentration



Source: Deutsche Bank and Company Data

Company Management:

- **HP Jin - Co-Founder, President and Chief Executive Officer**

Dr. Jin has served as TeleNav's president and a member of the board of directors since October 1999. Prior to TeleNav, Dr. Jin served as a senior strategy consultant at the McKenna Group and as a business strategy and management consultant at McKinsey. Dr. Jin was also a technical director at Loral Navigation Satellite Systems. Dr. Jin holds a B.S. and M.S. in Mechanical Engineering from the Harbin Institute of Technology and a Ph.D. in Guidance, Navigation and Control, with a Ph.D. minor in Electrical Engineering from Stanford.

- **Douglas Miller - Chief Financial Officer**

Mr. Miller has served as the CFO of TeleNav since May 2006. From July 2005 to May 2006, Mr. Miller served as the vice president and CFO of Longboard, Inc., and between October 1998 and July 2005, he held various management positions at Synplicity, Inc. Prior to that, Mr. Miller also served as chief financial officer of 3DLabs, and as a partner at Ernst & Young LLP. Mr. Miller is a CPA and also holds a B.S.C. in Accounting from Santa Clara University.

- **Robert Rennard - Co-Founder and Chief Technical Officer**

Dr. Rennard is a cofounder of TeleNav and has served as the company's chief technical officer since February 2002. From 1997 to 1999, Dr. Rennard held various positions at Cyberstar/Loral. Before that Dr. Rennard served as vice president of engineering at LINCSS/Loral and held the position of vice president at GPS Navigation Systems at Stanford Telecom and Newbridge Networks Corporation, as well as worked as an acquisition program manager for the US Air Force. Dr. Rennard holds a B.S. in Electrical Engineering from the University of Wyoming, an M.S. in Electrical Engineering from Ohio State University, and a Ph.D. in Aerospace Science from the Air Force Institute of Technology.

- **Y.C. Chao - Co-Founder and Vice President of Research and Development**

Dr. Chao is a cofounder of TeleNav and has served as its vice president of research and development since March 2006. From October 1999 to March 2006, Dr. Chao served as the senior director of technology. Between June 1998 and October 1999, he was a GPS software engineer at Snaptrack. Prior to that, Dr. Chao was a GPS receiver engineer at Trimble Navigation. He holds a B.S. in Mechanical Engineering from National Taiwan University, an M.S. in Aerospace Engineering from the University of Texas Aerospace Engineering, Center for Space Research and a Ph.D. in Aeronautics and Astronautics from Stanford University.

- **Salman Dhanani - Co-Founder and Vice President of Products and Marketing**

Mr. Dhanani is a cofounder of TeleNav in various marketing and product development roles since 1999. From January 1999 to November 1999, Mr. Dhanani served as a consultant at the McKenna Group. Prior to that, he served as an application engineer at Schlumberger Ltd. Mr. Dhanani holds a B.S. in Electrical Engineering from the University of Washington.

- **Hassan Wahla - Vice President of Business Development and Carrier Sales**

Mr. Wahla was promoted to vice president of business development and carrier sales in August 2009 and served as the executive director of business development from May 2005 to August 2009. From April 2003 to May 2005, Mr. Wahla served as a senior product manager at Nextel Communications, and between February 2002 and April 2003, he served as vice president of business development of Wireless Multimedia Solutions. Prior to that, from September 1999 to February 2002, Mr. Wahla served as director of business development at MicroStrategy, Inc. and served as a senior consultant at Maritime Power. He holds a B.S. in Industrial Engineering from Virginia Tech, an M.S. in Management from Stevens Institute of Technology and a Masters of International Affairs from Columbia.

Figure 15: Base Executive Compensation - 2009

Name and Principal Position	Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan	All Other Compensation	Total
HP Jin Co-Founder, President and Chief Executive Officer	200,000	-	-	112,500	2,667	315,167
Douglas Miller Chief Financial Officer	200,000	-	49,700	51,533	6,958	308,191
Y.C. Chao Co-Founder and Vice President of Research and Development	170,000	-	-	36,888	600	$207,488
Robert Rennard Co-Founder and Chief Technical Officer	195,000	-	-	41,214	7,833	$244,047
Hassan Wahla Vice President of Business Development and Carrier Sales	141,250	-	6,644	56,353	6,864	$211,111

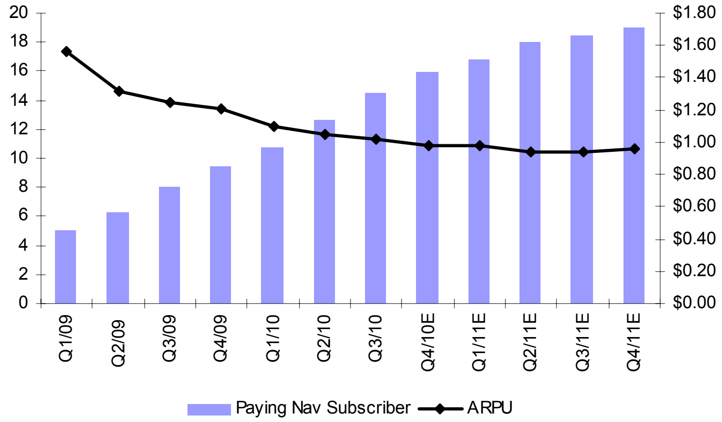
Source: Deutsche Bank and Company Data

Business Overview:

Revenue Stream

TeleNav has partnered with various wireless carriers to reach out to its end users. These partners offer TeleNav's LBS to their subscribers either as a standalone service or in a bundle with data or voice services. For customer subscription to LBS and activation for certain services, the partners pay TeleNav a monthly fee on a per-end-user basis. The subscription fee is either fixed or derived on a revenue sharing arrangement wherein a minimum fee per end user is defined. The monthly fee per end user is lower when the end user subscribes to a bundle plan compared to a standalone subscription. The revenue generated for any subscriber varies and changes over time.

Figure 16: Paying NAV subs vs. Monthly ARPU

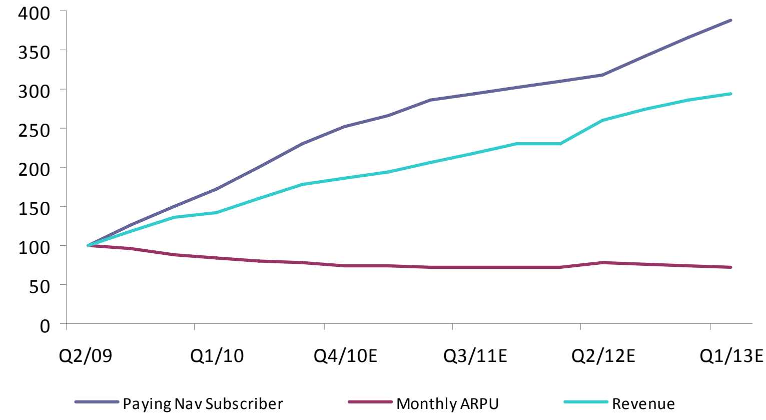


Source: Deutsche Bank and Company Data

Almost all of TeleNav's revenues are generated though subscription fees from wireless carrier partners; however, the company also offers its services directly to consumers through websites and application stores.

Revenue Trends

Figure 17: Indexed Revenue, ARPU and Subs



Source: Deutsche Bank and Company Data

Revenue has grown 82% from \$8 million in 3Q09 to \$15 million in 3Q10, primarily due to an increase in end users of TeleNav's services. This is driven by an increase in subscribers to Sprint's Simply Everything plans as well as growth in subscribers for AT&T Navigator. The average monthly subscribers have grown from 1.0 million in March 2008 to \$14.5 million in March 2010.

Since demand for mobile phones is higher during the holiday season in November and December, activations in these months also increase. Therefore, the business has experienced seasonality during the past.

However, TeleNav has witnessed an 18% fall in ARPU from \$1.24 in 3Q09 to \$1.02 in 3Q10, mainly due to:

- An increase in end users accessing TeleNav services through 'white label' offerings launched by the wireless carrier partners. The monthly fee per end user on these offerings is lower compared to the branded offerings.
- Bundle offer plans also fetch a lower per end user fee.

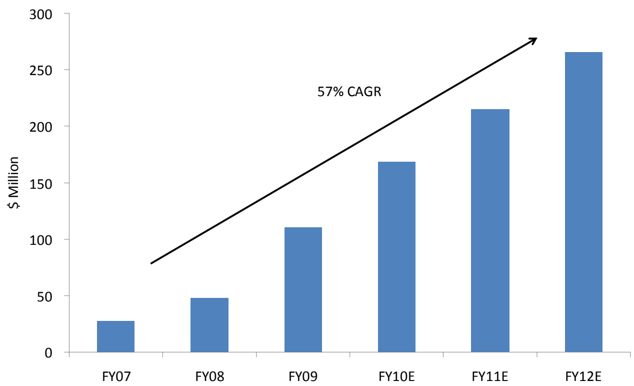
Nevertheless, the impact of decline in ARPU was offset by the increase in the number of average monthly paying end users.

Financial Overview:

Revenue Forecast

TeleNav's revenue increased 131% from 48 million in FY08 to 111 million in FY09. This is primarily due to the introduction of bundling plans by Sprint and the resulting increase in its subscriber base. This increase in end users has more than offset the decrease in ARPU witnessed during this period. Since navigation is increasingly becoming an important feature of smartphones, we expect the number of LBS end users for LBS to continuously increase. We have, therefore, modeled TeleNav revenues to grow at a CAGR of 57% over six years ($28 million in FY07 to $265 million in FY12E). We expect TeleNav's subscribers to increase from 3.1m in FY08 to 23m by FY12, with ARPU declining from $1.87 to $0.98.

Figure 18: Revenue Growth



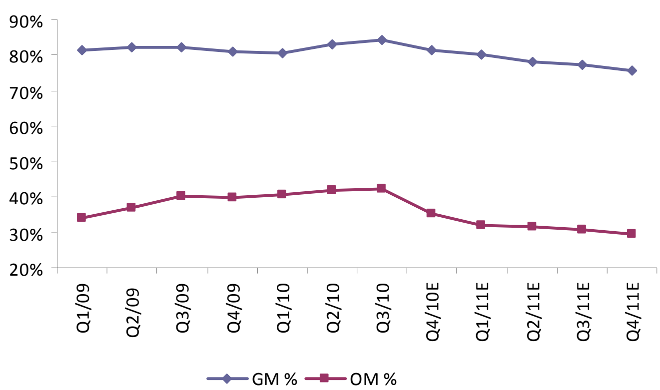
Source: Deutsche Bank and Company Data

Margin History

TeleNav's gross margins have hovered in the range of 78% to 84% in the past nine quarters. For 3QFY10, the company reported gross margins of 84%, up from 83% in 2QFY10. TeleNav's gross margins are affected by declines in ARPU and changes in usage rates. The company expects its gross margins to decline as ARPU declines and the cost of revenue increases in both absolute terms and as a percentage of revenue. Accordingly, we model gross margins to decline from 82% in FY10 to 78% in FY11 and 75% in FY12.

On the operating margin front, TeleNav's margins have risen substantially, from -9% in 1QFY08 to 42% in 3QFY10. The company expects operating expenses to increase as builds its infrastructure, add employees, and incur and other administrative costs. Accordingly, we model operating margins to decline from 40% in FY10 to 31% in FY11 and 29% in FY12.

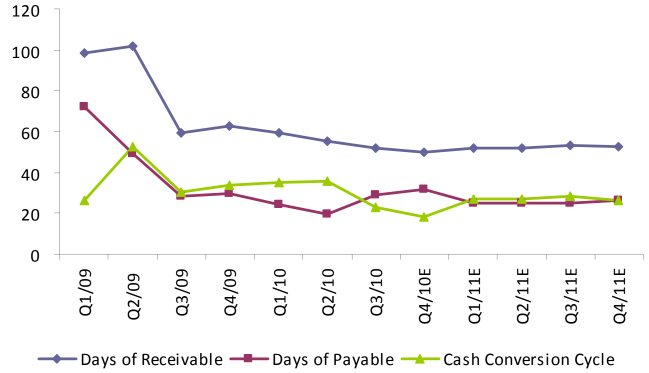
Figure 19: NAV Gross & Operating Margins



Source: Deutsche Bank and Company Data

Working capital:
TeleNav's cash conversion cycle has fluctuated over the years, increasing from 12 days in FY07 to 71 days in FY08 and then declining to 40 days in FY09. This was largely due to fluctuations in the receivables turnover, which increased from 48 days in FY07 to 109 days in FY08 and then declined to 78 days in FY09.

Figure 20: TNAV Cash Conversion Cycle



Source: Deutsche Bank and Company Data

Figure 21: DB TeleNav Model

TeleNav

Fiscal Year Ends June 30

($ thousands except per share data)

Deutsche Bank Securities 6/22/2010	9/09 Q1/10	12/09 Q2/10	3/10 Q3/10	6/10 Q4/10E	9/10 Q1/11E	12/10 Q2/11E	3/11 Q3/11E	6/11 Q4/11E	9/11 Q1/12E	12/11 Q2/12E	3/12 Q3/12E	6/12 Q4/12E	FY09	FY10E	FY11E	FY12E	CY08	CY09	CY10	CY11
INCOME STATEMENT																				
ARPU	$3.34	$3.21	$3.10	$2.94	$2.92	$2.82	$2.82	$2.88	$2.88	$3.07	$3.00	$2.95		$0.98	$0.96	$0.98				
Susbscribers	10,800	12,600	14,545	15,900	16,800	18,700	21,025	23,350	25,675	28,000	31,100	34,520		15,900	23,350	34,520				
Total Revenues	**$36,048**	**$40,503**	**$45,101**	**$46,746**	**$49,123**	**$52,260**	**$55,170**	**$58,220**	**$58,160**	**$65,900**	**$69,000**	**$72,350**	**$110,880**	**$168,398**	**$214,773**	**$265,410**	**$76,753**	**$140,651**	**$193,230**	**$237,450**
Cost of sales	(7,067)	(6,890)	(7,173)	(8,812)	(9,825)	(11,497)	(12,650)	(14,212)	(14,249)	(16,146)	(17,768)	(18,630)	(20,250)	(29,942)	(48,184)	(66,792)				
Gross Profit	28,981	33,613	37,928	37,934	39,299	40,763	42,520	44,008	43,911	49,755	51,233	53,720	90,630	138,456	166,589	198,618	61,753	114,921	155,924	180,193
Research & Development exp	(7,912)	(9,389)	(10,948)	(12,037)	(13,509)	(13,588)	(14,399)	(15,137)	(14,831)	(17,134)	(18,380)	(18,380)	(23,500)	(40,286)	(56,633)	(68,724)				
Sales & Mktg exp	(3,914)	(4,098)	(4,474)	(5,376)	(6,018)	(6,271)	(6,482)	(6,695)	(6,496)	(7,381)	(7,579)	(7,809)	(16,536)	(17,862)	(25,467)	(29,265)				
General & Admin exp	(2,559)	(3,104)	(3,484)	(3,973)	(4,175)	(4,442)	(4,689)	(4,949)	(5,176)	(5,799)	(6,228)	(6,346)	(8,302)	(13,120)	(18,256)	(23,549)				
Total Operating expenses	(14,385)	(16,591)	(18,906)	(21,386)	(23,702)	(24,301)	(25,571)	(26,781)	(26,504)	(30,314)	(32,186)	(32,535)	(48,338)	(71,268)	(100,355)	(121,538)				
EBITDA	15,634	18,183	20,325	18,020	16,978	17,864	18,563	18,764	18,825	20,775	20,388	22,451	44,682	72,162	72,169	82,439	22,544	59,413	73,187	76,927
Operating profit	14,596	17,022	19,022	16,548	15,597	16,462	16,948	17,227	17,407	19,441	19,047	21,185	42,292	67,188	66,234	77,080	22,076	57,214	67,629	71,023
Pro-Forma Operating profit	**14,911**	**17,617**	**19,617**	**17,143**	**16,647**	**17,512**	**17,998**	**18,277**	**19,082**	**21,116**	**20,722**	**22,860**	**42,799**	**69,288**	**70,434**	**83,780**	**22,465**	**58,415**	**70,919**	**76,473**
Income (loss) before income taxes	14,074	17,234	19,002	16,598	15,677	16,552	17,048	17,337	17,547	19,591	19,247	21,385	41,516	66,908	66,614	77,770				
Interest Income	(522)	212	(20)	50	80	90	100	110	140	150	200	200	(776)	(280)	380	690				
Provision for income taxes	(5,953)	(7,098)	(6,462)	(6,770)	(6,736)	(6,412)	(6,800)	(6,964)	(7,100)	(7,600)	(7,699)	(8,554)	(11,898)	(26,283)	(26,912)	(30,953)				
Net Income (loss)	8,121	5,640	12,540	9,828	8,941	10,140	10,248	10,373	10,447	11,991	11,548	12,831	29,618	36,129	39,702	46,817				
Net income (loss) -Proforma	8,303	5,990	12,942	10,180	9,539	10,783	10,879	11,002	11,445	13,016	12,553	13,836	29,980	37,415	42,204	50,849	17,389	32,287	43,445	46,341
EPS: Basic	$0.06	$0.49	$0.33	$0.25	$0.23	$0.26	$0.26	$0.26	$0.26	$0.29	$0.28	$0.30	$0.22	$0.63	$1.00	$1.13				
EPS: Diluted	$0.02	$0.20	$0.30	$0.23	$0.21	$0.23	$0.23	$0.23	$0.23	$0.26	$0.25	$0.28	$0.09	$0.32	$0.91	$1.03	$0.05	$0.27	$0.97	$0.96
Proforma EPS - Diluted	**$0.02**	**$0.16**	**$0.31**	**$0.24**	**$0.21**	**$0.23**	**$0.23**	**$0.24**	**$0.24**	**$0.27**	**$0.26**	**$0.29**	**$0.07**	**$0.26**	**$0.91**	**$1.06**	**$0.05**	**$0.22**	**$0.99**	**$1.06**
Free-cash flow	11,767	5,197	(4,223)	20,809	5,645	8,092	9,058	10,462	11,204	8,634	10,737	11,363		33,550	33,257	41,938				
Free-cash flow per share	**$0.03**	**$0.18**	**($0.10)**	**$0.49**	**$0.13**	**$0.19**	**$0.21**	**$0.24**	**$0.25**	**$0.19**	**$0.23**	**$0.25**		**$0.79**	**$0.76**	**$0.92**	**$0.15**	**$1.58**	**$8.14**	**$11.74**
Weighted average share - Basic	138,675	11,527	38,500	38,885	39,274	39,667	40,063	40,464	40,869	41,277	41,690	42,107	135,274	56,897	39,867	41,486				
Weighted average share - Diluted	341,042	28,833	42,300	42,723	43,150	43,582	44,018	44,458	44,902	45,351	45,805	46,263	332,685	113,725	43,802	45,580				
As % of total revenues																				
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%				
Cost of sales	19.6%	17.0%	15.9%	18.9%	20.0%	22.0%	22.9%	24.4%	24.5%	24.5%	25.8%	25.8%	18.3%	17.8%	22.4%	25.2%				
Gross margin	80.4%	83.0%	84.1%	81.2%	80.0%	78.0%	77.1%	75.6%	75.5%	75.5%	74.3%	74.3%	81.7%	82.2%	77.6%	74.8%				
Research & Development exp	21.9%	23.2%	24.3%	25.8%	27.5%	26.0%	26.1%	26.0%	25.5%	26.0%	26.6%	25.4%	21.2%	23.9%	26.4%	25.9%				
Sales & Mktg exp	10.9%	10.1%	9.9%	11.5%	12.3%	12.0%	11.8%	11.5%	11.2%	11.2%	11.0%	10.8%	14.9%	10.6%	11.9%	11.0%				
General & Admin exp	7.1%	7.7%	7.7%	8.5%	8.5%	8.5%	8.5%	8.5%	8.9%	8.8%	9.0%	8.8%	7.5%	7.8%	8.5%	8.9%				
Total Operating expenses	39.9%	41.0%	41.9%	45.8%	48.3%	46.5%	46.4%	46.0%	45.6%	46.0%	46.6%	45.0%	43.6%	42.3%	46.7%	45.8%				
EBITDA Margin	43.4%	44.9%	45.1%	38.5%	34.6%	34.2%	33.6%	32.2%	32.4%	31.5%	29.5%	31.0%	40.3%	42.9%	33.6%	31.1%				
Operating margin	40.5%	42.0%	42.2%	35.4%	31.8%	31.5%	30.7%	29.6%	29.9%	29.5%	27.6%	29.3%	38.1%	39.9%	30.8%	29.0%				
Income (loss) before income taxes	39.0%	42.5%	42.1%	35.5%	31.9%	31.7%	30.9%	29.8%	30.2%	29.7%	27.9%	29.6%	37.4%	39.7%	31.0%	29.3%				
Net income margin	22.5%	13.9%	27.8%	21.0%	18.2%	19.4%	18.6%	17.8%	18.0%	18.2%	16.7%	17.7%	26.7%	21.5%	18.5%	17.6%				
Net income margin - Proforma	23.0%	14.8%	28.7%	21.8%	19.4%	20.6%	19.7%	18.9%	19.7%	19.8%	18.2%	19.1%	27.0%	22.2%	19.7%	19.2%				
% y-o-y change																				
Total Revenues	67.5%	60.4%	51.1%	36.5%	36.3%	29.0%	22.3%	24.5%	18.4%	26.1%	25.1%	24.3%	130.7%	51.9%	27.5%	23.6%				
Cost of sales	75.7%	54.7%	35.4%	36.0%	39.0%	66.9%	76.4%	61.3%	45.0%	40.4%	40.4%	31.1%	78.3%	47.9%	60.9%	38.6%				
Gross Profit	65.6%	61.6%	54.5%	36.6%	35.6%	21.3%	12.1%	16.0%	11.7%	22.1%	20.5%	22.1%	146.9%	52.8%	20.3%	19.2%				
Research & Development exp	70.4%	70.8%	78.4%	66.6%	70.7%	44.7%	31.5%	25.8%	9.8%	26.1%	27.6%	21.4%	71.7%	71.4%	40.6%	21.3%				
Sales & Mktg exp	0.9%	1.0%	9.4%	19.3%	53.7%	53.0%	44.9%	24.5%	8.0%	17.7%	16.9%	16.6%	24.9%	8.0%	42.6%	14.9%				
General & Admin exp	58.3%	62.3%	47.7%	64.6%	63.2%	43.1%	34.6%	24.5%	24.0%	30.6%	32.8%	28.2%	66.3%	58.0%	39.1%	29.0%				
Total Operating expenses	41.9%	44.7%	50.2%	51.2%	64.8%	46.5%	35.3%	25.2%	11.8%	24.7%	25.9%	21.5%	51.4%	47.4%	40.8%	21.1%				
EBITDA	99.7%	94.8%	69.9%	32.2%	8.6%	-1.8%	-8.7%	4.1%	10.9%	16.3%	9.8%	19.6%	612.0%	61.5%	0.0%	14.2%				
Operating profit	98.3%	82.3%	59.0%	21.4%	6.9%	-3.3%	-10.9%	4.1%	11.6%	18.1%	12.4%	23.0%	784.6%	58.9%	-1.4%	16.4%				
Income (loss) before income taxes	88.4%	81.8%	68.8%	24.8%	11.4%	-4.0%	-10.3%	4.5%	11.9%	18.4%	12.9%	23.3%	766.5%	61.2%	-0.4%	16.7%				
Net Income (loss)	63.2%	-17.8%	68.4%	-4.9%	10.1%	79.8%	-18.3%	5.5%	16.9%	18.3%	12.7%	23.7%	543.0%	22.0%	9.9%	17.9%				
Net income (loss) -Proforma	64.9%	-13.9%	72.1%	-2.8%	14.9%	80.0%	-15.9%	8.1%	20.0%	20.7%	15.4%	25.8%	494.4%	24.8%	12.8%	20.5%				
EPS: Diluted	58.6%	845.9%	1222.5%	640.7%	770.1%	18.9%	-21.5%	1.4%	12.3%	13.6%	8.3%	18.9%	523.3%	256.8%	185.3%	13.3%				
Proforma EPS - Diluted	21.4%	734.6%	1547.6%	915.6%	1024.6%	48.1%	-23.4%	-1.9%	17.3%	17.3%	11.5%	20.9%	333.8%	285.1%	248.9%	16.8%				
Free-cash flow	-	-	-	-	-52.0%	55.7%	-314.5%	-49.7%	98.5%	6.7%	18.5%	8.6%			-0.9%	26.1%				
Free-cash flow per share	-	-	-	-	279.2%	3.0%	-306.1%	-51.7%	90.7%	2.5%	13.9%	4.4%			-4.3%	21.2%				

Source: Deutsche Bank and company data

Valuation

Initiate with a $12 price target

Our valuation is based on a discounted cash flow analysis using a 12.5% discount rate and a 3% growth rate. We obtained this rate using a weighted average cost of capital in conjunction with the capital asset pricing model, adjusted for Cisco's capital structure. Our growth rate is determined by comparison with other companies in the industry, the overall industry growth rate, and overall economic growth. Our discount rate is derived from the CAP Model using a weighted average cost of capital. The discount rate is premised on a risk free rate of 5.5%, a country premium of 5% and a beta of 1.4. The growth rate is based on our estimate of long-term economic growth.

We think of TeleNav as a SaaS company that happens to offer navigation services. As such, we believe the valuation should be bounded at the high end by SaaS leaders such as Salesforce.com and Concur, and at the low end by navigation hardware companies like Garmin and TomTom. PNDs are flat-to-declining hardware businesses and not good comps for the SaaS-based TeleNav.

TeleNav's high growth, solid margins a sticky and scale-driven business should deserve a premium. However, TNAV is in a business model transition for which we apply a discount. Near-term, recurring subscriber fees (e.g., AT&T Navigator for $10 per month) are moving to bundled services (ala Sprint), which have driven most of the recent growth, but also pushed down ARPU. Mid-to-longer-term, free offerings from Google, Nokia, Microsoft and others could further transition the business to "free-to-subscriber", paid for by new revenue streams such as advertising and m-commerce. The first transition is already in progress, but it's too early to accurately model the second transition.

Our $12 price target embeds a CY11 P/E of 11x, in line with the PND vendors but at a discount to a broader universe of consumer electronics stocks. TeleNav is currently trading at an CY11 P/E of 8x, a discount to PND vendors 9x and the broader universe of 14x.

We value our SaaS coverage on a cash flow basis using an EV/uFCF multiple, since we believe unlevered free cash flows are the best reflection of a subscription based business model. TNAV is currently trading at 6.4x on CY11 estimates vs. our SaaS coverage of a dozen companies at 25x. The $12 PT would imply an EV/FCF multiple of 14.3x, still at a steep discount to the peer group.

Risks

Customer concentration

TeleNav primarily distributes and offers its LBS to end users through wireless carrier partners. These partners provide LBS to their subscribers either as a stand-alone service or as part of a bundle plan. TeleNav derives approximately 90% of its revenue from two wireless carrier partners, Sprint (55% of revenues in 9M/10) and AT&T (34% of revenues in 9M/10). A high concentration of customers and absence of long term exclusivity contract are risk factors for TeleNav.

Intense competition

TeleNav operates in an intensely competitive industry and faces stiff competition from larger companies with higher customer bases and sounder financial, technical, marketing and sales & distribution resources. Developments like Google's decision to offer free, voice-guided, turn by turn navigation to Android based mobile devices and Nokia's offering of maps on its smartphones to facilitate free turn by turn navigation could have negative implications for TeleNav's business operations.

The free offering of LBS to subscribers may also adversely affect TeleNav's relationship with wireless carrier partners. They may decide to terminate relation with TeleNav, not market its services aggressively, or reduce subscription fees. Any such developments could hamper profitability, increase sales and marketing expense, and damage market share.

Dependence on carrier partners for growth
TeleNav is dependent on its carrier partners for marketing and distribution of its LBS. TeleNav relies on its wireless carrier partners to promote GPS enabled mobile phones that are pre-loaded with TeleNav's client software.

Shift in pricing plans
TeleNav offers LBS to customers through direct subscription or bundled plans offered by its carrier partners. Though direct customer subscriptions result in higher ARPU, there has been a significant shift in TeleNav's customer base using its LBS through bundled service plans from wireless carriers. Growth of bundle service subscribers in the customer mix has lead to decline in ARPU from $5.49 in 2Q08 to $1.02 in 3Q10. Though bundled services gives TeleNav the scale, they lead to decline in ARPU, which, if not offset through new revenue streams and economies of scale, could lead to a decline in margins.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
TeleNav	TNAV.OQ	8.49 (USD) 21 Jun 10	1,2,7

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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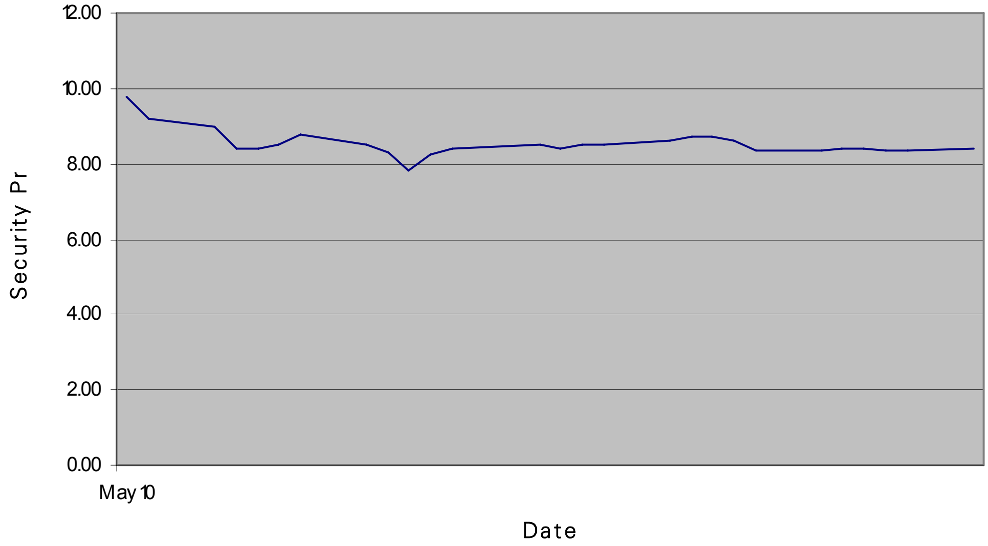
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Jonathan Goldberg

Historical recommendations and target price: TeleNav (TNAV.OQ)

(as of 6/21/2010)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

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Notes:

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2. Ratings definitions prior to 27 January, 2007 were:

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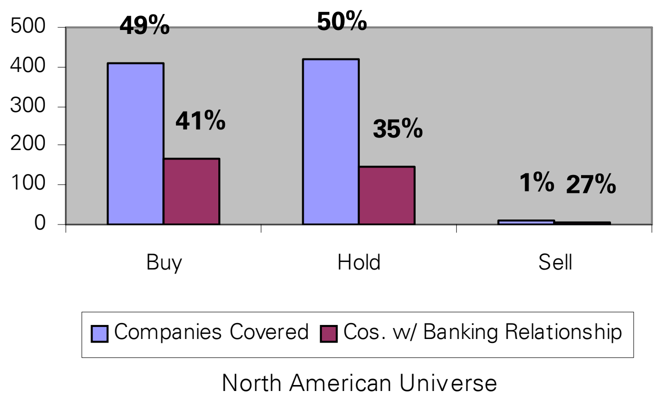
Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Regulatory Disclosures

1. Important Additional Conflict Disclosures

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Global Disclaimer

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J.P.Morgan

TeleNav, Inc.

Leading the Way: Initiating at Overweight

Initiation
Overweight
TNAV, TNAV US
Price: $8.45
Price Target: $13.50

We are initiating coverage of TeleNav, Inc. (TNAV) with an Overweight rating and a $13.50 price target. We think TNAV is attractively valued; competitive threats weigh on sentiment, which we think will be dispelled by solid execution, and product and contract announcements. As the leading carrier-branded, turn-by-turn navigation solution for use on GPS-enabled smartphones, TNAV is poised for 24% compound annual revenue growth and 35%-plus EBITDA margins through FY13, while investing aggressively in international growth, and location-based services that could reach five billion consumers. We forecast CY10 PF EPS of $1.03 and CY11 PF EPS of $0.94.

- **The addressable market for turn-by-turn (TBT) navigation and mobile search is vast.** By the end of 2010, there will be five billion mobile phone subscribers, with over 360 million GPS-enabled handsets, and 266 million smartphones will ship, mostly pre-loaded with mobile navigation applications. Wireless carriers are promoting and pricing TBT service to grow data ARPUs and build customer loyalty. We believe TBT will spawn mobile search and location-based advertising, a market that could reach $18 billion in value by 2015.
- **TeleNav is the leading provider of carrier-branded TBT navigation** in North America, with more than 15 million subscribers, primarily on the Sprint and AT&T networks. The company has strong momentum as the OEM solution for Ford, and is starting up operations with China Mobile, the world's largest operator. In our view TeleNav could be a major navigation and search engine for the mobile internet, competing with industry giants like Google and Microsoft.
- **Multiple growth opportunities and a compelling business model.** We forecast a three-year revenue CAGR of 24%, driven by a subscriber CAGR of 32%, and new markets, offset by declining ARPUs as TBT navigation is increasingly bundled. Gross and operating margins should decline, owing to bundling and aggressive R&D investment, but we believe EBITDA margins will trough at 34%, yielding leverage with growth in FY13 and beyond.
- **We are initiating coverage of TNAV with an Overweight rating,** reflecting our view that the stock is attractively valued and will outperform the mean of our coverage in the next 6-12 months. Our December 2010 price target is $13.50. **There are three key risks:** 1) customer concentration, 2) competing "free" solutions, and 3) declining medium-term margins owing to bundling.

Applied & Emerging Technologies

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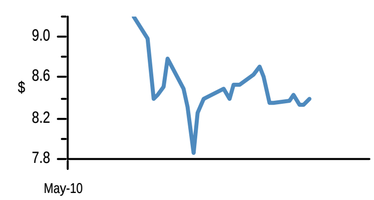
Price Performance



	YTD	1m	3m	12m
Abs	-8.7%	0.0%	-8.7%	-8.7%

SMid Cap Research
THINK BIG, BUY SMALL

TeleNav, Inc. (TNAV;TNAV US)

	2009A	2010E	2011E	2012E
EPS - Recurring ($)				
Q1 (Sep)	0.18	0.22A	0.21	0.24
Q2 (Dec)	0.24	0.28A	0.20	0.26
Q3 (Mar)	0.26	0.34A	0.21	0.27
Q4 (Jun)	0.36	0.28	0.23	0.28
FY	1.04	1.12	0.86	1.04
CY	1.12	1.03	0.94	1.13

Source: Company data, Bloomberg, J.P. Morgan estimates.
GAAP EPS estimates: FY09A=$1.02; CY09A=$1.10
FY10: 1QA=$0.22, 2QA=$0.27, 3QA=$0.33, 4QE=$0.24; FY10E=$1.05; CY10E=$0.95
FY11: 1QE=$0.20, 2QE=$0.18, 3QE=$0.20, 4QE$0.21=; FY11E=$0.79; CY11E=$0.86
FY12: 1QE=$0.22, 2QE=$0.24, 3QE=$0.25, 4QE=$0.26; FY12E=$0.96; CY12E=$1.04

Company Data	
Price ($)	8.45
Date Of Price	21 Jun 10
52-week Range ($)	11.48 - 7.80
Mkt Cap ($ mn)	321.33
Fiscal Year End	Jun
Shares O/S (mn)	38
Price Target ($)	13.50
Price Target End Date	31 Dec 10

See page 37 for analyst certification and important disclosures.

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Table of Contents

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Key Investment Points

TeleNav, Inc. (TNAV)

Overweight

TeleNav is a software-based provider of carrier-branded, turn-by-turn (TBT) navigation and mobile search solutions, and as such, is poised to exploit a major global growth opportunity arising from the convergence of GPS-enabled mobile phones, smartphone operating systems, mobile internet access, and 3G wireless networks.

For more on TNAV's addressable market see Industry Overview starting on page 16.

The addressable market for TBT navigation and mobile search is vast
By the end of 2010 there will be five billion mobile phone subscribers worldwide, with over 324 million in North America and over 500 million in Western Europe, two of the more developed wireless data markets. Wireless data revenues continue to grow rapidly (~11% y/y in N. America) as subscribers increase their use of SMS texting, email, internet access, navigation, and search, enabled by the availability of inexpensive smartphones. In 2010, we expect over 360 million GPS-enabled handsets (IDC) and 266 million smartphones (JPM estimate) to ship globally, mostly pre-loaded with mobile navigation applications, or mobile storefronts from which TBT applications can be downloaded. With the enablers in place, and growing consumer awareness of TBT, subscriber growth is very strong. comScore estimates TBT subscriber growth of 68% in Europe in 2009. TeleNav witnessed 91% y/y subscriber growth in the quarter ended March 31, 2010.

See page 20 for Gartner's LBS forecast, and page 20 for the JPM LBA market forecast.

Location-based services (LBS) – an $8 billion market by 2012
TBT navigation is a subset of location-based services, which should be a major growth market in the even broader context of the mobile internet. Gartner forecasts LBS subscriber growth to be 46% through 2011, yielding nearly 300 million subscribers by the end of 2012, and a revenue opportunity of just over $8 billion in the same timeframe, a CAGR of 44%. **J.P. Morgan analyst Rod Hall estimates that the mobile Location-Based Advertising (LBA) market could top $18 billion by 2015.** PricewaterhouseCoopers estimates that mobile advertising will quadruple from $414 million in 2009 to $1.6 billion in 2014. We believe TeleNav's application portfolio will expand to exploit the broader LBS opportunity.

Wireless operators have a strong incentive to promote TBT navigation
Major wireless operators in N. America and Europe are pre-loading own-brand TBT applications on smartphones and feature phones that they are introducing into the market. The application is infrequently used and light on bandwidth, placing limited stress on the network, but generates material incremental per subscriber data ARPU when sold à la carte ($9.99/month at AT&T). Demand seems to be price elastic, so when Sprint bundled TBT with a monthly data plan subscriber volumes grew dramatically (now over 10 million, implying ~25% penetration of post-paid subs). This could be strategically significant for the wireless operator, because the application has personalization options that could make it "sticky," a source of customer loyalty, and the entry point to a broader swathe of carrier-oriented applications associated with mobile internet, including mobile advertising and mobile search. Essentially, TBT can defend the carrier from the threat of becoming a dumb pipe.

About 10% penetration for TeleNav TBT navigation at Sprint and AT&T.

TeleNav is the leading provider of carrier-branded TBT navigation in North America

TeleNav has more than 15 million subscribers, primarily on the Sprint and AT&T networks, which represent a combined addressable market of about 130 million subs, so penetration stands at about 10% (assumes 1-2 million subs on T-Mobile and other networks). The company's TBT navigation application runs on more than 500 devices and on all major smartphone operating systems, both leadership positions. The company has strong momentum as the OEM solution for Ford, running on the Microsoft-powered SYNC platform, and is starting up operations with China Mobile, the world's largest operator. With over 800 engineers (more than half located in China) and 10 patents (30 applications pending), TeleNav is a focused presence in navigation and search, and is innovating quickly under the leadership of a strong management team. The product platform, centered on TBT navigation, also includes mobile resource management (MRM) solutions for businesses, auto OEM solutions, social networking applications (e.g., Whereaboutz, Onmyway, Sipity), and location-based advertising. In our view, TeleNav is positioned to be a major participant in LBS, navigation, and search on the mobile internet, competing with industry giants that include Google, Yahoo, and Microsoft.

There are multiple growth opportunities for TeleNav

We forecast a three-year revenue CAGR of 24% (through FY13), driven primarily by a subscriber CAGR of 32% over the same period, offset in part by declining ARPUs as TBT navigation is increasingly bundled. Subscriber growth should come from deeper penetration of existing wireless accounts in the next two years, while we expect revenues from China Mobile to be material by FY12. From near zero revenue today, we look for Auto OEM solutions (initially Ford) to generate well over 5% of revenue by the end of FY12, MRM to generate nearly 5% of revenue, and ad-based revenues to represent 2-3% of overall revenue. There may also be a contiguous opportunity to license or embed the TeleNav platform in social networking websites.

We forecast $1.03 PF EPS in CY10 and $0.94 in CY11 (higher share count).

The business model is already compelling

F3Q10 gross margins of 84% and EBITDA margins of 47% should decline, owing to bundling and increased investment, but we believe this low-capex, cash-generating company should generate 70%-plus gross margins and EBITDA margins of over 34% even at the trough of the investment cycle. We believe free cash flow to equity will steadily expand from about $34 million in FY11 to over $80 million in FY15, a four-year CAGR of 26%, and EBITDA margins should climb to over 37% again as the company begins to harvest some of the investment being made in the next year or so. **We believe TNAV can generate PF EPS of $1.03 in CY10 and $0.94 in CY11.**

See page 11 for analysis that explores earnings sensitivity to subscriber and ARPU assumptions.

ARPU/Subscriber sensitivity analysis

A key consideration for investors is the relationship between carrier pricing and subscriber adoption. To date the market has demonstrated strong positive price elasticity. By way of example, Sprint introduced bundling of TeleNav TBT in March 2008 when the blended ARPU stood at $3.85 and subscriber count was under one million. A year later, the blended ARPU stood at $1.14 and the subscriber count had jumped to nearly 8 million. Looking forward, we believe declining ARPUs will fuel continued growth, but weigh on margins. On page 11, we include a sensitivity analysis, which gives investors the ability to evaluate the estimated impact of subscriber growth and ARPU decline on revenue, EBITDA and PF EPS. An interactive version of this model is available on request.

Investment Risks

Customer concentration risk

Sprint accounted for 54% of FY09 revenues, and the contract with TeleNav ends in December 2011. In addition, we estimate Sprint accounts for nearly 12 million TNAV subscribers today and TeleNav is approaching 25% penetration of the post-paid market at that account, so aside from the contract rollover risk, there is also a risk that growth at Sprint slows soon. AT&T accounted for 27.5% of FY09 revenue and we expect revenue growth at AT&T to be higher than at Sprint, especially if the operator begins to introduce bundling. The AT&T contract expires in March 2011.

See page 27 for more on competition and how we think it can be contained.

Free navigation available from Google, Nokia, and Microsoft

Google introduced Google Maps Navigation for use on Android 2.0 devices in October 2009, and has since launched the free application in N. America and most of Europe. In January 2010, Nokia announced the availability of free navigation with Ovi Maps for use on S60 and Maemo smartphone platforms, which are widely used in Europe. In May 2010, Microsoft announced that free navigation would be available later in 2010 on devices running Windows Mobile 6.0 (and higher). Apple offers free maps and driving instructions, and a variety of TBT solutions are available for the iPhone and the iPad via the webstore. Free navigation is a serious threat to TeleNav, and these large companies are able to subsidize these initiatives indefinitely in a manner that TNAV cannot.

TeleNav's business model could change dramatically, with the onset of ad-based navigation and search

"Free" navigation will be increasingly supported by ad-based revenues. J.P. Morgan analyst Rod Hall estimates the LBA market could exceed $18 billion by 2015. PricewaterhouseCoopers forecasts a four-fold increase in global mobile advertising, from $414 million in 2009 to $1.6 billion in 2014. TeleNav recognizes that the "paid" navigation market (subscription based, or bundled) may not be sustainable long term, to the extent that consumers are accepting of the placement of adverts and coupons on their phones (some may want to pay a premium for TBT navigation without the clutter).

For how the business model could change with lower ARPUs, please refer to Sensitivity Analysis, on page 11.

Bundling and free navigation weigh on the business model in excess of our expectations

We expect TNAV's ARPUs to decline about 8% y/y in FY11 to $0.95, stabilize in FY12 (owing to a higher proportion of revenue from AT&T), and then decline slowly for the indefinite future, primarily owing to the wireless operators transitioning to bundling and ad-based navigation and search. We expect gross margins to decline from a peak of 84% in F3Q10 to under 70% by FY15, and for EBITDA margins to decline from about 47% today to about 35% in FY11. There could be downside to the ARPUs and margins owing to competition and more rapid adoption of bundling (e.g., by AT&T), though the latter could also buoy subscriber and revenue growth ahead of expectations.

Growth initiatives are somewhat opaque and risky

TNAV is engaged in some speculative software development (e.g., Whereaboutz, OnMyWay) in pursuit of new markets that might not develop (e.g., LBS features in social networking sites). We believe TNAV may make acquisitions in Europe to accelerate growth. The company is delivering solutions to a modest number of very large customers that have purchasing power and potentially the ability to stifle contract announcements and news flow for competitive reasons, so the intra-quarter information flow for TNAV could be modest. There are no good pure-play comps for TNAV, and the resulting information vacuum could lead to considerable intra-quarter stock volatility.

Company Description

TeleNav is a software-based provider of carrier-branded, location-based applications delivered to GPS-enabled mobile devices, principally smartphones. TNAV consumer applications include turn-by-turn navigation (voice and screen instructions), maps, local search, and social networking. Enterprise solutions (MRM) include tools for monitoring the location of vehicles and other assets and for optimizing a mobile workforce.

TeleNav has ~14.5 million subscribers with 15 wireless carrier partners in 29 countries and covers more than 500 phone models and all major mobile OSs. The company's product portfolio includes Mobile Navigation, In-Dash Navigation, Enterprise LBS, and Mobile Advertising/Commerce. TeleNav was founded in 1999 and is headquartered in Sunnyvale, California with a significant presence in China and additional offices in the U.S., Mexico, Brazil, and the U.K. As of March 31, 2009, the company had 878 employees of which 670 were in functions related to R&D, with 331 in the U.S and 541 in China.

TeleNav began trading on the Nasdaq on May 13, 2010, under the ticker symbol "TNAV."

Earnings Overview

We forecast CY10 PF EPS of $1.03, PF EBITDA of $78.5mm, and revenue of $191.5mm.

We forecast CY11 PF EPS of $0.94, PF EBITDA of $84.7mm, and revenue of $234.1mm.

We forecast CY12 PF EPS of $1.13, PF EBITDA of $104.6mm, and revenue of $289.5mm.

We look for TNAV to grow PF EBITDA at a CAGR of about 17% over the next five years on a revenue CAGR of 22%. The loss of leverage relates to lower ARPUs and gross margins originating from increased bundling of TBT navigation, and a nearer-term investment phase that positions the company for longer-term growth in the mobile internet.

Demand for TeleNav TBT seems to be price elastic. We think this is an important consideration for investors. We note that in September 2007 ARPU was about $5.15 and TNAV reported less than 500,000 subscribers. Growth accelerated in June 2008 when Sprint started to bundle TeleNav as part of the Simply Everything plan, and by December 2008, the total subscriber count approached six million. We believe bundling by AT&T could have a similar effect, however there is no guarantee that the price-elastic relationship will endure.

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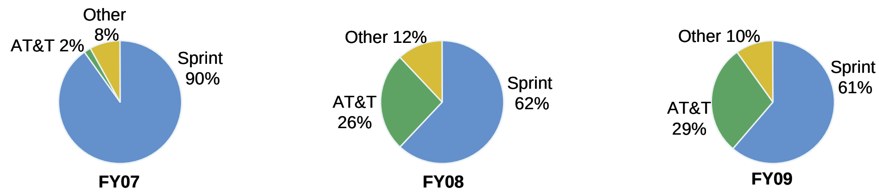
We expect TNAV to report 4QFY10 PF EPS of $0.28, PF EBITDA of $21.5 million, and revenue of $46.9 million. We look for FY11 guidance to align with our expectations: FY11E PF EPS of $0.86, PF EBITDA of $74.7 million, and sales of $210.1mm.

Revenue Outlook

Currently, nearly all of TNAV's revenues relate to consumer TBT subscribers at Sprint and AT&T (90% of FY09 revenue). 96% of FY09 revenue originated in the U.S. We believe MRM and Auto OEM revenues currently represent less than 3% of total revenue. The subscription revenues are recurring in nature and the company has good visibility into current quarter activity owing to real-time reporting of activations.

Figure 1: Revenue Breakdown by Customer



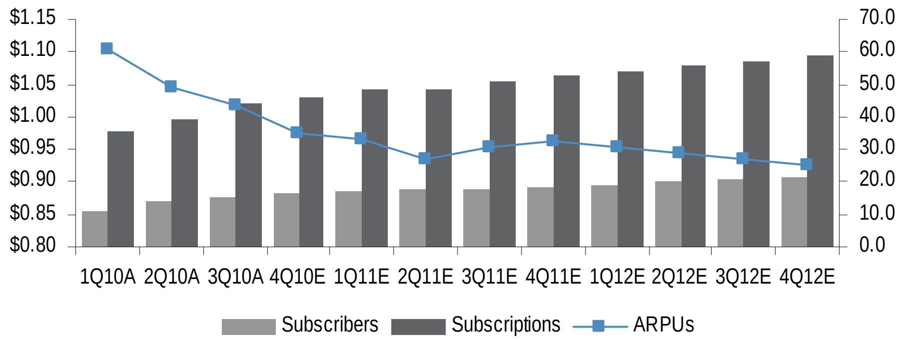
Source: Company reports.

Contracts govern the carrier relationships. The Sprint contract extends through December 2011 and the AT&T contract through March 2011. We expect both contracts to be rolled over. Alltel is of declining significance to TeleNav (migrating to Verizon systems). The Bell Mobility contract extends to June 2011; Rogers and T-Mobile (U.S.) are three-month rolling contracts.

We expect TBT subscription revenue growth of approximately 49% in FY10, 25% in FY11, and 37% in FY12. Subscription revenue growth should be fueled by rapid adoption by subscribers, nearly 64% in FY10, 13.5% in FY11, and nearly 17% in FY12; however, this should be offset by declining ARPUs through mid-FY11 owing to increased bundling at Sprint. We expect a temporary rise in ARPUs in late FY11 owing to higher relative growth of "monthly recurring charge" (MRC) customers at AT&T, but for the ARPU decline to resume in FY12 as AT&T turns to bundling and other carriers in Asia (China Mobile) and Latin America (Vivo, Telcel) come on board.

Figure 2: Subscribers, ARPUs, and Total Subscription Revenue Forecast

$ in millions, units in volumes

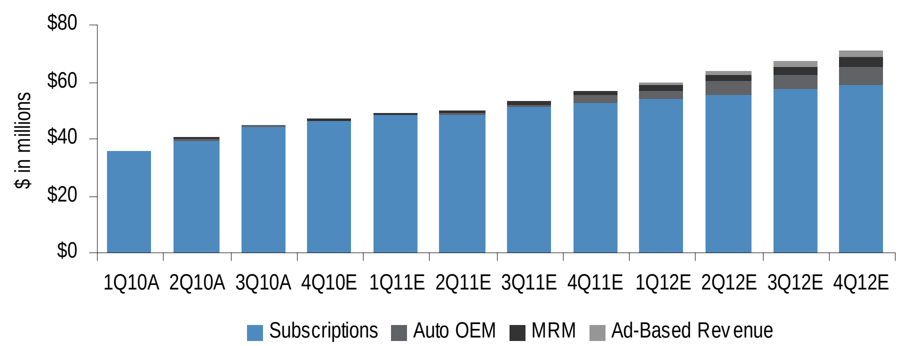


Source: Company reports and J.P. Morgan estimates.

We look for rapid growth in Auto/OEM revenues (Ford SYNC) and MRM through FY12, though from a low base. We believe Ford will be deploying TeleNav's TBT navigation on all new 2010/2011 Ford and Lincoln models, and that TeleNav has potential to introduce similar solutions into other auto OEMs in the next year or two. Regarding MRM, we believe TeleNav, in partnership with its telecom partners, will more aggressively market its enterprise solutions next year, and build a more focused direct sales team. Location-based advertising is likely to be a modest contributor to growth in the FY10-FY12 timeframe.

Figure 3: Revenue Forecast through FY12

$ in millions



Source: Company reports and J.P. Morgan estimates.

Looking longer term, we believe China Mobile and location-based advertising will be material contributors to growth in FY13 and beyond.

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Table 1: Fiscal Year Long-Term Revenue Forecast

$ in millions

	FY09A	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Paying Subscribers (000s)	10,000	16,350	18,550	21,650	25,700	32,950	40,950
Net Adds (000s)	2,000	7,814	2,200	3,100	4,050	7,250	8,000
Average Subscribers (000s)		13,907	17,450	20,100	23,675	29,325	36,950
ARPU ($)		$1.04	$0.95	$0.94	$0.88	$0.81	$0.75
% Growth (q/q)							
% Growth (y/y)			*-7.8%*	*-1.6%*	*-6.3%*	*-7.8%*	*-7.8%*
Subscription Revenue	0.0	165.9	200.5	226.3	248.3	283.1	331.6
% change y/y			20.8%	12.9%	9.7%	14.0%	17.1%
Ad-Based Subscribers (000s)		150	2,050	6,550	12,550	19,150	26,150
Net Adds (000s)		150	1,900	4,500	6,000	6,600	7,000
Average Subscribers (000s)		75	1,100	4,300	9,550	15,850	22,650
Ad-Based Revenue (50% share)	0.0	0.0	1.3	6.6	21.1	40.9	57.1
% change y/y			2900.0%	423.2%	218.6%	93.8%	39.6%
Automotive		1.1	4.8	18.5	31.9	37.7	42.3
% change y/y			336.4%	285.4%	72.4%	18.3%	12.0%
MRM		1.6	3.6	10.1	16.7	20.0	22.4
% change y/y			130.1%	180.6%	64.9%	20.3%	12.0%
Total Revenue	110.9	168.6	210.1	261.5	317.9	381.8	453.4
% Growth (y/y)	*130.7%*	*52.1%*	*24.6%*	*24.4%*	*21.6%*	*20.1%*	*18.8%*

Source: Company reports and J.P. Morgan estimates.

Table 2: Calendar Year Long-Term Revenue Forecast

$ in millions

	CY09A	CY10E	CY11E	CY12E	CY13E	CY14E
Paying Subscribers (000s)	14,000	17,550	20,050	23,450	28,950	36,950
Net Adds (000s)		3,550	2,500	3,400	5,500	8,000
Average Subscribers (000s)		15,775	18,800	21,750	26,200	32,950
ARPU ($)	$1.07	$0.97	$0.95	$0.91	$0.85	$0.78
% Growth (q/q)						
% Growth (y/y)		*-9.4%*	*-2.0%*	*-4.2%*	*-7.5%*	*-7.8%*
Subscription Revenue	75.3	187.3	213.7	237.8	262.3	307.8
% change y/y		148.8%	14.1%	11.3%	10.3%	17.4%
Ad-Based Subscribers (000s)	-	850	3,950	9,550	15,850	22,650
Net Adds (000s)		850	3,100	5,600	6,300	6,800
Average Subscribers (000s)		425	2,400	6,750	12,700	19,250
Ad-Based Revenue (50% share)	0.0	0.4	3.4	12.2	31.4	48.9
% change y/y		-	824.7%	263.1%	158.1%	55.5%
Automotive	0.7	1.5	11.2	25.4	35.1	39.9
% change y/y		114.3%	646.7%	126.8%	38.3%	13.5%
MRM	0.6	2.4	5.8	14.1	18.5	21.2
% change y/y		294.1%	145.3%	143.1%	31.4%	14.2%
Total Revenue	140.7	191.5	234.1	289.5	347.4	417.8
% Growth (y/y)		*36.1%*	*22.3%*	*23.7%*	*20.0%*	*20.3%*

Source: Company reports and J.P. Morgan estimates.

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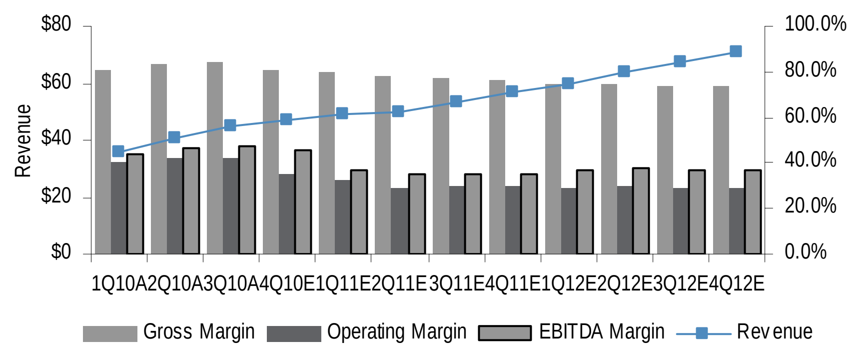
Earnings Outlook

Gross, operating, and EBITDA margins will likely plunge in FY11-FY12 before recovering in FY13. This should originate in declining ARPUs, which will weigh on gross margins. 70% of subscriber COGS is largely represented by licensing fees and they increase with usage (which is increasing). About 30% of costs are fixed and relate to data center and customer support operations, so there could be some longer-term leverage here. We do not expect gross margins to return to the peak 84% level seen in FY10.

Operating and EBITDA margins should also decline largely as a result of the pressure on gross margins. In addition, the company is investing heavily in new products and services (R&D is expected increase over 70% in FY10 and over 40% in FY11) and to support carriers in new geographies (more than 50% of the engineers are located in China), and there is a significant increase in G&A (public company costs) in FY10.

Figure 4: Margin Forecast through FY12

$ in millions



Source: Company reports and J.P. Morgan estimates.

Longer term, we believe EBITDA margins will trough at about 35%, and then expand to about 37% through FY15 as the company scales growth with its newer carrier partners and new products & services.

PF net income is forecast to decline in FY11 to $39.7 million from $43.6 million in FY10, primarily due to a 10% decrease in EBITDA margins, but also due to a higher tax rate (about 200bp). We estimate PF EPS of $0.86 will represent a decline of about 23% in FY11 owing to lower margins, a higher tax rate, and a significant 20% increase in the weighted average share count.

We expect PF net income to grow about 24% in FY12 as the company scales. We look for FY12 PF EPS of $1.04, marking a 21% y/y increase.

Note that TeleNav carries negligible inventory, and that capital expenditure (primarily relating to data center operations and office equipment) is modest at about $10 million per year. The company does capitalize major software projects but the amount capitalized to date is negligible. Non-cash stock compensation, currently running at about $5 million per annum, normalized, is a consideration when calculating pro forma earnings.

Table 3: Income Statement Snapshot

$ in millions, except per share data

	FY09A	1Q10A	2Q10A	3Q10A	4Q10E	FY10E	1Q11E	2Q11E	3Q11E	4Q11E	FY11E	FY12E
Revenue												
Subscription	0.0	35.7	39.5	44.4	46.2	165.9	48.2	48.4	50.9	52.9	200.5	226.3
Ad-Based	0.0			0.0	0.0	0.0	0.1	0.2	0.4	0.6	1.3	6.6
Automotive		0.1	0.6	0.2	0.2	1.1	0.5	0.6	1.2	2.5	4.8	18.5
MRM		0.2	0.4	0.5	0.5	1.6	0.6	0.8	1.0	1.2	3.6	10.1
Total Revenue	110.9	36.0	40.5	45.1	46.9	168.6	49.4	50.0	53.5	57.2	210.1	261.5
% Growth (y/y)	*130.7%*	*67.5%*	*60.4%*	*51.1%*	*37.1%*	*52.1%*	*37.1%*	*23.5%*	*18.7%*	*21.8%*	*24.6%*	*24.4%*
Gross profit	90.6	29.0	33.6	37.9	38.0	138.6	39.5	39.0	41.2	43.7	163.4	194.4
Gross Margin	*81.7%*	*80.4%*	*83.0%*	*84.1%*	*81.0%*	*82.2%*	*80.0%*	*78.0%*	*77.0%*	*76.4%*	*77.8%*	*74.3%*
R&D	23.5	7.9	9.4	10.9	12.0	40.2	13.4	13.8	14.4	15.0	56.6	66.1
S&M	16.5	3.9	4.1	4.5	5.3	17.8	6.0	6.3	6.4	6.8	25.5	30.0
G&A	8.3	2.6	3.1	3.5	4.0	13.2	4.2	4.4	4.6	5.0	18.3	21.9
Oper. income	42.3	14.6	17.0	19.0	16.7	67.3	15.8	14.5	15.8	17.0	63.1	76.4
Operating Margin	*38.1%*	*40.5%*	*42.0%*	*42.2%*	*35.5%*	*39.9%*	*32.1%*	*29.0%*	*29.5%*	*29.7%*	*30.0%*	*29.2%*
PF EBITDA	45.2	15.9	18.8	21.2	21.5	77.4	18.4	17.4	18.7	20.3	74.7	96.2
EBITDA Margin	*40.7%*	*44.2%*	*46.4%*	*46.9%*	45.8%	45.9%	37.2%	34.8%	34.9%	35.5%	35.6%	36.8%
PF PTI	42.0	14.4	17.8	19.9	20.1	72.2	17.0	15.8	17.2	18.5	68.4	83.1
PF Net Income	30.0	8.3	10.5	13.1	11.7	43.6	9.8	9.2	10.0	10.7	39.7	49.1
Net Margin	*27.0%*	*23.0%*	*25.9%*	*29.0%*	*24.9%*	*25.8%*	*19.9%*	*18.3%*	*18.6%*	*18.7%*	*18.9%*	*18.8%*
GAAP EPS -	$1.02	$0.22	$0.27	$0.33	$0.24	$1.05	$0.20	$0.18	$0.20	$0.21	$0.79	$0.96
PF EPS	$1.04	$0.22	$0.28	$0.34	$0.28	$1.12	$0.21	$0.20	$0.21	$0.23	$0.86	$1.04
Diluted shares	28.833	37.521	38.001	38.028	42.300	38.962	46.000	46.200	46.400	46.600	46.300	47.185

Source: Company reports and J.P. Morgan estimates.

Sensitivity Analysis

Revenue and earnings are sensitive to subscriber growth and ARPU declines. The following tables provide investors with a snapshot of the potential impact of subscriber and ARPU assumptions on estimated revenues, EBITDA, and PF EPS. An interactive version of this model is available on request.

Table 4: CY11E Revenue Sensitivity Relative to ARPUs and Average Subscribers

$ in millions

					ARPU			
		$0.30	$0.50	$0.70	$0.90	$1.10	$1.30	$1.50
Average subs	11,000	60	86	113	139	166	192	218
	12,000	64	92	121	150	179	208	236
	13,000	67	98	130	161	192	223	254
	14,000	71	104	138	172	205	239	272
	15,000	74	110	146	182	218	254	290
	16,000	78	116	155	193	232	270	308
	17,000	82	122	163	204	245	286	326
	18,000	85	128	172	215	258	301	344
	19,000	89	134	180	226	271	317	362
	20,000	92	140	188	236	284	332	380
	21,000	96	146	197	247	298	348	398
	22,000	100	152	205	258	311	364	416
	23,000	103	158	214	269	324	379	434
	24,000	107	164	222	280	337	395	452
	25,000	110	170	230	290	350	410	470
	26,000	114	176	239	301	364	426	488
	27,000	118	182	247	312	377	442	506
	28,000	121	188	256	323	390	457	524
	29,000	125	194	264	334	403	473	542
	30,000	128	200	272	344	416	488	560

Source: J.P. Morgan estimates.

Table 5: CY11E EBITDA Sensitivity Relative to ARPUs and Average Subscribers

$ in millions

Average subs	ARPU $0.30	$0.50	$0.70	$0.90	$1.10	$1.30	$1.50
11,000	(29)	(12)	6	23	40	58	75
12,000	(27)	(8)	11	30	49	68	87
13,000	(24)	(4)	17	37	58	78	99
14,000	(22)	0	22	44	66	88	111
15,000	(20)	4	28	51	75	99	122
16,000	(17)	8	33	58	84	109	134
17,000	(15)	12	39	66	92	119	146
18,000	(13)	16	44	73	101	129	158
19,000	(10)	20	50	80	110	140	170
20,000	(8)	24	55	87	118	150	182
21,000	(6)	28	61	94	127	160	193
22,000	(3)	32	66	101	136	170	205
23,000	(1)	36	72	108	144	181	217
24,000	2	39	77	115	153	191	229
25,000	4	43	83	122	162	201	241
26,000	6	47	88	129	170	212	253
27,000	9	51	94	137	179	222	264
28,000	11	55	99	144	188	232	276
29,000	13	59	105	151	197	242	288
30,000	16	63	111	158	205	253	300

Source: J.P. Morgan estimates.

Table 6: CY11E PF EPS Sensitivity Relative to ARPUs and Average Subscribers

$ in millions

Average subs	ARPU $0.30	$0.50	$0.70	$0.90	$1.10	$1.30	$1.50
11,000	(0.49)	(0.27)	(0.05)	0.16	0.38	0.60	0.82
12,000	(0.46)	(0.22)	0.02	0.25	0.49	0.73	0.96
13,000	(0.43)	(0.17)	0.08	0.34	0.60	0.85	1.11
14,000	(0.40)	(0.12)	0.15	0.43	0.71	0.98	1.26
15,000	(0.37)	(0.07)	0.22	0.52	0.82	1.11	1.41
16,000	(0.34)	(0.02)	0.29	0.61	0.92	1.24	1.56
17,000	(0.31)	0.03	0.36	0.70	1.03	1.37	1.70
18,000	(0.28)	0.07	0.43	0.79	1.14	1.50	1.85
19,000	(0.25)	0.12	0.50	0.87	1.25	1.63	2.00
20,000	(0.22)	0.17	0.57	0.96	1.36	1.75	2.15
21,000	(0.19)	0.22	0.64	1.05	1.47	1.88	2.30
22,000	(0.16)	0.27	0.71	1.14	1.58	2.01	2.44
23,000	(0.13)	0.32	0.78	1.23	1.68	2.14	2.59
24,000	(0.10)	0.37	0.84	1.32	1.79	2.27	2.74
25,000	(0.07)	0.42	0.91	1.41	1.90	2.40	2.89
26,000	(0.04)	0.47	0.98	1.50	2.01	2.52	3.04
27,000	(0.01)	0.52	1.05	1.59	2.12	2.65	3.19
28,000	0.02	0.57	1.12	1.67	2.23	2.78	3.33
29,000	0.04	0.62	1.19	1.76	2.34	2.91	3.48
30,000	0.07	0.67	1.26	1.85	2.44	3.04	3.63

Source: J.P. Morgan estimates.

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Cash Flow and Balance Sheet Outlook

As a software provider, TNAV has very low capex requirements and we expect it will generate strong cash flows – over $30 million in FY11 and over $40 million in FY12. Accounts receivable, at 78 days, are down y/y, and seem to be manageable. TNAV is collecting cash from a small number of very sizable telecommunications operators that represent very modest credit risks, in our view.

Table 7: Cash Flow Snapshot

$ in millions

	FY07A	FY08A	FY09A	FY10E	FY11E	FY12E
Net Income (loss)	(9.6)	4.6	29.5	40.8	36.7	45.2
Depreciation and amortization	0.9	1.5	2.4	4.8	6.5	13.3
Stock-based compensation	0.1	0.5	0.5	4.9	5.1	6.5
Revaluation of preferred stock warrants	0.3	0.7	0.8	0.7	-	-
Accounts receivable	(1.4)	(10.8)	(9.4)	(9.5)	(10.4)	(9.7)
Other assets	(0.1)	(0.1)	(0.1)	(3.0)	(0.0)	(0.0)
Accounts payable	0.4	0.3	0.5	1.5	1.5	2.3
CASH FROM OPERATIONS	(6.6)	(0.3)	23.8	44.2	42.0	60.1
Capital expenditures	(2.5)	(1.7)	(7.8)	(10.9)	(8.1)	(11.4)
CASH FROM INVESTING	(2.5)	(1.7)	(7.8)	(10.9)	(8.1)	(11.4)
CASH FROM FINANCING	0.4	(0.0)	0.2	48.6	-	-
Effect of exchange rate	0.1	0.2	0.2	(0.1)	-	-
Change in cash	(8.5)	(1.9)	16.3	81.8	33.9	48.7

Source: Company reports and J.P. Morgan estimates.

The balance sheet is strong with plenty of cash and no debt. TNAV exited 3QFY10 with $46.1 million of cash & equivalents, up 32% y/y. The proceeds of the IPO, about $48 million, should position the company with about $115 million of cash, exiting FY10.

Table 8: Balance Sheet Snapshot

$ in millions

	FY07A	FY08A	FY09A	FY10E	FY11E	FY12E
Cash and cash equivalents	18.7	16.8	33.1	115.0	148.8	197.5
Accounts receivable, net	3.7	14.6	23.9	33.4	43.9	53.6
Prepaid expenses and other	0.6	0.6	2.8	5.4	5.4	5.4
Total current assets	23.3	32.1	62.0	155.8	200.1	258.6
Property and equipment, net	2.6	2.9	6.6	11.6	13.2	11.3
Total assets	26.6	36.0	72.2	176.0	221.9	278.4
Accounts payable	0.8	1.2	2.1	4.4	5.9	8.2
Accrued compensation	0.8	2.1	3.8	3.9	3.9	3.9
Accrued royalties	1.0	1.9	3.3	2.7	3.6	4.5
Other accrued expenses	1.6	1.8	1.9	4.9	6.5	8.1
Deferred revenue	1.4	2.4	3.5	5.3	5.3	5.3
Total current liabilities	5.7	9.4	14.6	21.2	25.3	30.1
Convertible preferred stock	47.2	50.2	51.4	56.0	56.0	56.0
Other	1.6	2.2	2.9	2.4	2.4	2.4
Total Liabilities	54.5	61.8	68.8	79.6	83.6	88.5
Total liabilities and stockholders' equity	26.6	36.0	72.2	176.0	221.9	278.4

Source: Company reports and J.P. Morgan estimates.

Valuation and Rating Analysis

We are initiating coverage of TNAV with an Overweight rating, meaning that we expect the stock to outperform the mean of our coverage universe over the next 6-12 months. At a closing price of $8.45 on June 21, TNAV is trading at 9.0 times CY11E PF EPS of $0.94, which is a 49% discount to the mean of our coverage universe. We believe this discount reflects investors' concerns relating to declining ARPUs and margins, the competitive threat from Nokia and Google, and the risks associated with an early-stage company that has just gone public. We believe the stock is substantially 'de-risked' at this level and technology investors are presented with a very intriguing GARP stock.

Execution should earn higher multiple in time. We take the view that TNAV is a category-defining SaaS company, and can earn multiples that are comparable with high-growth companies in that software category; however, in the context of near-term declining ARPUs and margins, competitive threats, and business model risk, we believe this is a stretch as of today. TNAV needs to earn a higher multiple through execution. We believe investors need to see evidence of continued adoption of carrier-branded TBT navigation.

Taking a more conservative stance, we believe TNAV can be compared to software-based companies that are focused on the telecommunications industry, which include companies such as Amdocs, Neustar, and Synchronoss. The median multiples for this category of companies are 11.5 times CY11E P/E and 5.9 times CY11E EV/EBITDA. Using these multiples yields a valuation range of $10.80 (P/E basis) to $13.50 (EV/EBITDA). We think this valuation range is conservative for several reasons: 1) the comp group does not exhibit as strong a growth outlook as TNAV, 2) we believe (higher) CY12 earnings will be a consideration for investors soon, and 3) we believe the company can be awarded a SaaS-like multiple with good execution over the next several quarters.

Our December 31, 2010 price target is $13.50 based on an assigned multiple of 6 times CY11E PF EBITDA of $84.7 million; the multiple is based on the comms software/services peer group multiple. The market cap takes into consideration $115mm of cash post IPO, and assumes zero debt. We use a post-IPO share count of 46 million shares to calculate our per-share price target.

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Table 9: TNAV Trades at a Significant Discount to its Peers

TeleNav: Trading multiples for selected comparable companies

$ in millions, except per share data and as indicated; Financial data as of 06/21/2010

Name	Price	Mkt Cap	EV	P/E			EV / Revenue			EV / FCF			EV / EBITDA			LTG	PEG (FY2)
				CY09	CY10	CY11	CY09	CY10	CY11	CY09	CY10	CY11	CY09	CY10	CY11		
Category-defining software																	
AUTONOMY CORP PLC	$28.96	$6,999	$6,877	27.7x	23.4x	20.2x	9.3x	7.6x	6.7x	32.5x	24.1x	20.0x	19.5x	13.9x	11.9x	19.37	1.04
CONCUR TECHNOLOGIES INC	$44.19	$2,204	$2,164	52.7x	54.0x	42.4x	8.3x	6.9x	5.8x	43.3x	39.0x	33.9x	31.7x	23.3x	19.0x	26.30	1.61
SOLARWINDS INC	$18.51	$1,258	$1,179	29.4x	25.1x	19.4x	10.1x	7.4x	5.7x	25.4x	28.7x	21.7x	25.7x	15.4x	11.7x	21.50	0.90
SUCCESSFACTORS INC	$22.29	$1,614	$1,276	nm	nm	nm	8.3x	6.9x	5.6x	nm	nm	36.2x	nm	nm	nm	31.00	na
TALEO CORP-CLASS A	$25.60	$1,018	$782	33.2x	35.2x	27.2x	3.9x	3.4x	3.0x	18.8x	29.6x	22.2x	30.2x	15.3x	12.3x	23.00	1.18
LOGMEIN INC	$27.26	$627	$488	46.2x	40.2x	42.1x	6.6x	5.3x	4.4x	23.3x	42.7x	43.7x	39.1x	22.0x	16.1x	17.50	2.40
Mean				**37.9x**	**35.6x**	**30.3x**	**7.8x**	**6.2x**	**5.2x**	**28.7x**	**32.8x**	**29.6x**	**29.2x**	**18.0x**	**14.2x**	**23.11**	**1.43**
Median				**33.2x**	**35.2x**	**27.2x**	**8.3x**	**6.9x**	**5.7x**	**25.4x**	**29.6x**	**28.1x**	**30.2x**	**15.4x**	**12.3x**	**22.25**	**1.18**
Mobile Internet platform																	
APPLE INC	$270.17	$245,838	$222,683	33.5x	19.3x	16.3x	5.3x	3.6x	3.0x	22.2x	16.4x	14.5x	16.1x	11.8x	9.9x	18.00	0.91
GOOGLE INC-CL A	$488.56	$155,600	$129,086	21.1x	17.5x	15.2x	7.4x	6.1x	5.3x	15.2x	14.7x	12.5x	13.1x	10.0x	8.6x	19.85	0.77
RESEARCH IN MOTION	$60.07	$32,397	$30,486	14.0x	11.4x	10.2x	2.1x	1.7x	1.4x	17.0x	12.6x	9.8x	7.9x	6.4x	5.6x	19.25	0.53
VALUECLICK INC	$12.05	$980	$820	13.2x	15.5x	14.2x	1.9x	2.0x	1.9x	6.9x	10.5x	11.4x	7.1x	7.1x	6.6x	11.83	1.20
Mean				**20.4x**	**15.9x**	**14.0x**	**4.2x**	**3.3x**	**2.9x**	**15.3x**	**13.5x**	**12.0x**	**11.0x**	**8.8x**	**7.7x**	**17.23**	**0.85**
Median				**17.5x**	**16.5x**	**14.7x**	**3.7x**	**2.8x**	**2.5x**	**16.1x**	**13.6x**	**11.9x**	**10.5x**	**8.5x**	**7.6x**	**18.63**	**0.84**
Comm/carrier services																	
AMDOCS LTD	$28.05	$5,769	$4,408	13.0x	12.2x	11.5x	1.5x	1.4x	1.3x	10.1x	9.9x	9.7x	7.3x	6.5x	6.2x	11.98	0.96
SYNIVERSE HOLDINGS INC	$19.76	$1,378	$1,787	12.4x	10.5x	9.7x	3.7x	2.9x	2.7x	17.1x	21.0x	18.9x	9.0x	7.0x	6.4x	14.17	0.68
NEUSTAR INC-CLASS A	$21.58	$1,618	$1,282	15.5x	13.5x	11.7x	2.7x	2.4x	2.2x	8.6x	8.3x	9.8x	6.1x	5.5x	4.9x	13.50	0.87
SYNCHRONOSS TECHNOLOGIE	$20.57	$644	$558	36.1x	33.4x	24.2x	4.3x	3.6x	3.1x	31.6x	31.4x	na	20.3x	13.4x	10.5x	27.50	0.88
TELECOMMUNICATION SYSTEI	$4.69	$248	$354	5.2x	7.5x	7.2x	1.2x	0.8x	0.7x	6.8x	na	na	8.2x	4.6x	3.8x	12.00	0.60
INFOSPACE INC	$7.74	$277	$194	14.1x	13.5x	11.6x	0.9x	0.7x	0.7x	7.0x	na	na	11.5x	6.0x	5.7x	42.50	0.27
Mean				**16.0x**	**15.1x**	**12.6x**	**2.4x**	**2.0x**	**1.8x**	**13.5x**	**17.6x**	**12.8x**	**10.4x**	**7.2x**	**6.2x**	**20.28**	**0.71**
Median				**13.5x**	**12.8x**	**11.5x**	**2.1x**	**1.9x**	**1.8x**	**9.3x**	**15.5x**	**9.8x**	**8.6x**	**6.2x**	**5.9x**	**13.83**	**0.77**
Navigation																	
GARMIN LTD	$32.03	$6,379	$5,068	9.1x	11.0x	11.6x	1.7x	1.7x	1.8x	4.8x	6.2x	7.2x	5.7x	6.6x	6.9x	8.75	1.33
TOMTOM	$5.30	$1,449	$1,641	10.3x	8.1x	7.6x	1.1x	1.1x	1.1x	5.1x	14.2x	12.7x	5.5x	5.6x	5.5x	10.00	0.76
TRIMBLE NAVIGATION LTD	$30.44	$3,692	$3,547	29.3x	21.7x	17.9x	3.1x	2.8x	2.5x	19.5x	nm	29.9x	21.7x	14.4x	12.7x	17.57	1.02
Mean				**16.2x**	**13.6x**	**12.4x**	**2.0x**	**1.9x**	**1.8x**	**9.8x**	**10.2x**	**16.6x**	**11.0x**	**8.9x**	**8.4x**	**12.11**	**1.04**
Median				**10.3x**	**11.0x**	**11.6x**	**1.7x**	**1.7x**	**1.8x**	**5.1x**	**10.2x**	**12.7x**	**5.7x**	**6.6x**	**6.9x**	**10.00**	**1.02**
Overall mean				**23.1x**	**20.7x**	**17.8x**	**4.4x**	**3.6x**	**3.1x**	**17.5x**	**20.6x**	**19.6x**	**15.9x**	**10.8x**	**9.1x**	**19.24**	**1.00**
Overall median				**18.3x**	**16.5x**	**14.7x**	**3.7x**	**2.9x**	**2.7x**	**17.0x**	**16.4x**	**16.7x**	**12.3x**	**8.5x**	**7.7x**	**18.00**	**0.91**
TeleNav (JPM estimates)	**$8.45**	**$389**	**$274**	**7.5x**	**8.2x**	**9.0x**	**1.9x**	**1.4x**	**1.2x**	**16.1x**	**8.4x**	**6.7x**	**4.4x**	**3.5x**	**3.2x**	**9.93**	**0.91**

Source: Bloomberg.

Note: Estimates based on Bloomberg consensus estimates unless otherwise noted.

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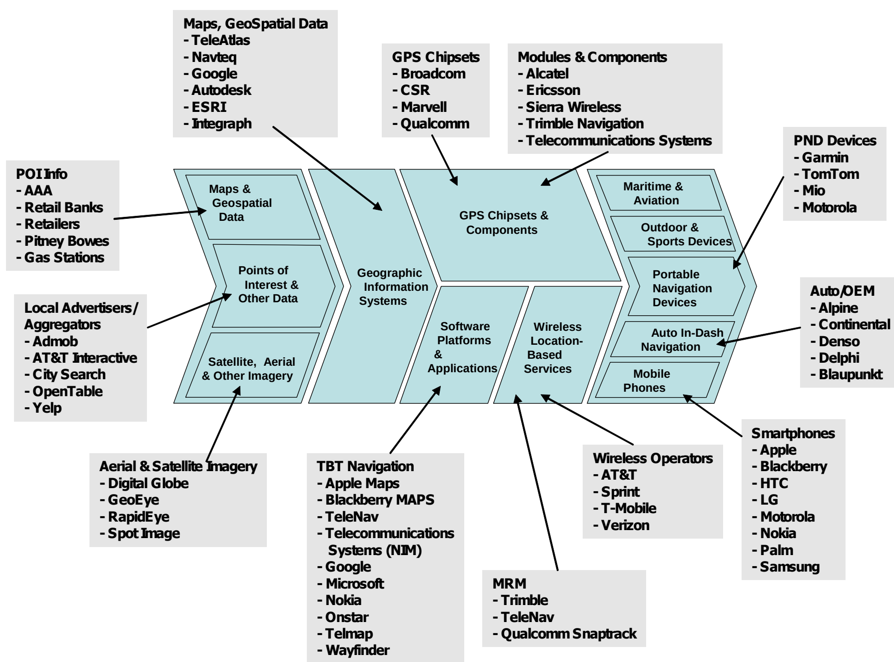
Industry Overview

TeleNav is a leading provider of software and services used to power carrier-branded TBT navigation and mobile search solutions in North America and internationally. TBT and mobile search are early-stage examples of LBS, which will expand to include mobile resource management (MRM), LBA, mobile social networking applications, mobile commerce, and other applications and services.

TBT navigation goes mainstream with cheap smartphones. TBT navigation is made possible by the convergence of digital maps, vectorized geographic information, network-assisted global positioning systems (GPS), high-speed wireless networks, wireless data infrastructure, and the availability of inexpensive feature phones and smartphones that support multi-tasking applications.

TeleNav is a leader in TBT navigation. There are multiple participants in the mobile navigation value chain, but TeleNav has emerged as a leading participant in the emergent space, powering the Sprint Navigator and AT&T Navigation applications, Ford's SYNC TBT solution, as well as MRM solutions for use by business customers.

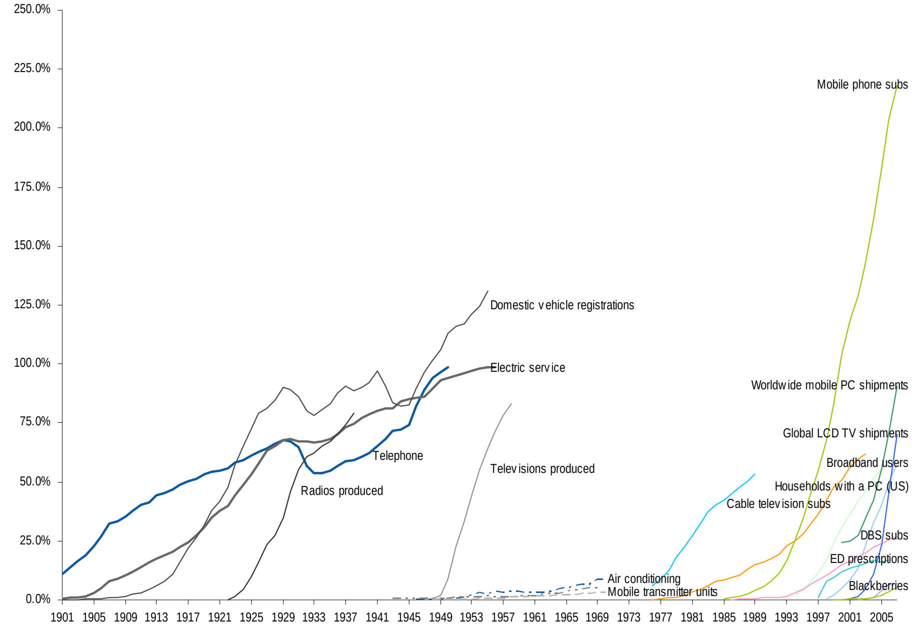
Figure 5: Mobile Navigation Value Chain Diagram



Source: J.P. Morgan.

Adoption of LBS expected to follow a steep adoption curve. LBS, including TBT navigation, mobile internet search, and LBA, are growing rapidly, following the trajectory of other recent consumer-facing technology innovations, such as the internet, mobile phones, and mobile email.

Figure 6: The Speed at Which New Technologies Are Adopted in the Mass Market Has Accelerated



Source: U.S. Census, International Telecommunications Union, Computer History Museum, and J.P. Morgan estimates. Note: Penetration expressed as a percentage of U.S. households.

The addressable market for TBT navigation and mobile search is vast. Whereas PC/laptop-based access to the internet can be measured in hundreds of millions of users, the wireless or mobile internet will extend to more than five billion subscribers globally, assuming growing adoption of wireless data plans and applications.

Table 10: We Expect over Five Billion Wireless Subscribers, Globally, in 2010

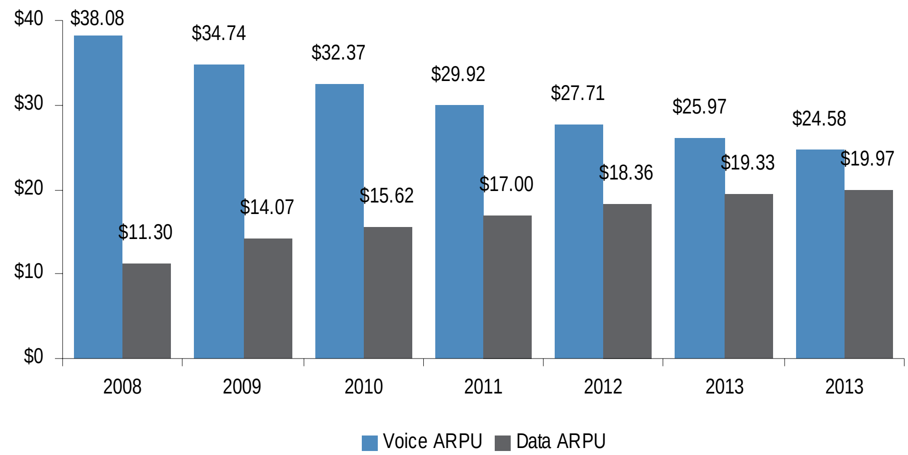
Subscribers in millions

	2008	2009	2010E	2011E
N. America	292	309	324	337
APAC	605	711	810	919
China	619	726	810	919
Japan	106	111	115	122
Korea	46	48	51	52
India	353	540	679	827
Europe	497	513	531	544
S. America	452	505	559	598
EEMEA	1,018	1,177	1,324	1,453
Total	3,988	4,640	5,203	5,771

Source: J.P. Morgan estimates (Rod Hall, Telecom Equipment Analyst).

Wireless operators seek revenue growth in subscriber loyalty and data ARPUs. Subscriber growth should inevitably slow as wireless data markets mature. However, wireless data revenues per subscriber continue to grow. In the U.S., there are likely to be more than 290 million subscribers in 2010 (Michael McCormack, J.P. Morgan Analyst), and wireless voice average revenue per user (ARPU) is declining at about a 7% CAGR, but data ARPUs should grow at a 7% CAGR through 2013.

Figure 7: In the U.S., Declining Voice ARPUs Are Offset by Growing Data ARPUs



Source: J.P. Morgan estimates (Michael McCormack, Telecommunications Services Analyst).

Much of the growth in wireless data is driven by smartphone shipments, for which wireless data plan attach rates are close to 100%. Smartphones, many priced at under $200, now feature powerful CPUs, gigabytes of memory, 3G broadband data transmission capabilities, large-format touch screens, and flexible operating systems that support powerful applications.

Smartphone growth to top 38% CAGR through 2015. J.P. Morgan's telecom equipment analyst, Rod Hall, forecasts that smartphone shipment growth will exceed 38% compounded annually through 2015, and that smartphones will represent more than 50% of all handset shipments by 2013. Turn-by-turn navigation is pre-provisioned on the majority of smartphones, often by the carrier, and TeleNav therefore benefits from the growth of the consumer product category.

Table 11: Smartphones Will Represent More than 50% of All Handset Shipments by 2013

Millions of units

	2009	2010E	2011E	2012E	2013E	2014E	2015E	% CAGR
Handsets	1,140	1,290	1,407	1,464	1,508	1,538	1,569	5.5%
% change y/y		*13%*	*9%*	*4%*	*3%*	*2%*	*2%*	
Smartphones	176	266	393	629	829	1,000	1,223	38.1%
% change y/y		***51%***	***48%***	***60%***	***32%***	***21%***	***22%***	
Smartphone Subs	460	549	704	1051	1536	2067	2613	33.6%
% change y/y		*19%*	*28%*	*49%*	*46%*	*35%*	*26%*	
Other Subs	4,179	4,684	5,112	5,093	4,982	4,776	4,512	1.3%
% change y/y		*12%*	*9%*	*0%*	*-2%*	*-4%*	*-6%*	
Total Subs	4,639	5,233	5,816	6,144	6,518	6,843	7,125	7.4%
% change y/y		*13%*	*11%*	*6%*	*6%*	*5%*	*4%*	
% Smartphones/Total	15%	21%	28%	43%	55%	65%	78%	
% Smartphone Subs/Total	10%	10%	12%	17%	24%	30%	37%	

Source: J.P. Morgan estimates (Rod Hall Telecom Equipment Analyst).

GPS feature phones drive TBT adoption, too. TBT navigation is also being pre-provisioned by wireless operators on a broader range of GPS-enabled feature phones. IDC forecasts that over 40% of handsets will be GPS-enabled by 2014, yielding unit shipments of over 680 million.

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Table 12: Beyond Smartphones, GPS-Enabled Handset Growth Will Be Significant

Millions of units

	2009	2010E	2011E	2012E	2013E	2014E	% CAGR
3G+ handsets with GPS	140.8	205.1	279.7	364.3	446.9	519.3	29.8%
2G handsets with GPS	139.9	157	174.2	168	165.2	163.9	3.2%
Total	280.7	362.1	453.9	532.3	612.1	683.2	19.5%
% total handsets	25%	28%	32%	36%	41%	44%	

Source: IDC.

PND growth will be eclipsed by TBT navigation on mobile phones. Consumers will continue to conduct navigation on Personal Navigation Devices (PNDs), which feature “on-board” maps, POI, and other information; however, we believe this niche category will be overtaken rapidly by “off-board” solutions (typically handset-based) that capture real-time map updates, traffic conditions, and POI data, bundled with personal information on the ever-handy mobile phone.

Table 13: U.S. Personal Navigation Device Unit Growth Will Plateau and Decline

Units in millions

				PND Penetration	
Year	US Households	Passenger Cars	GPS Unit Sales	Household %	Car %
2005	113.3	136.6	3.641	3.21%	2.67%
2006	114.4	137.2	5.465	4.78%	3.98%
2007	115.4	137.8	12.100	10.48%	8.78%
2008E	111.8	138.4	15.670	14.02%	11.32%
2009E	113.3	139.0	16.470	14.54%	11.85%
2010E	114.4	139.6	17.940	15.68%	12.85%
2011E	114.8	140.2	17.200	14.98%	12.27%
2012E	115.1	140.8	16.210	14.08%	11.51%

Source: IDC, Canalys, and J.P. Morgan estimates.

Maps and navigation are important drivers of ARPU. According to ComScore, nearly 73 million U.S. wireless subscribers accessed their mobile phone browsers in April 2010, up 31% y/y, and nearly 70 million accessed applications, up 28% y/y. Between 78% and 80% of smartphone users accessed their browser or applications in April 2010, or 17-19% of feature phone users.

Application use on mobile phones is increasing across all categories, with the strongest growth in social networking. Map applications are among the most used applications (over 18 million users) and grew 93% y/y. Separately, comScore reports a 68% increase in mobile TBT navigation subscribers in Western Europe in April 2010, to about 42 million subscribers.

Table 14: Mobile Users Are Increasing Access of Applications, Including Maps and Navigation

Category	Apr-09	Apr-10	% Change
Total Audience: 13+ yrs old	232,000	234,000	1%
Used application (1)	54,414	69,639	28%
Weather	8,557	18,063	111%
Maps	8,708	16,773	93%
Social Networking	4,270	14,518	240%
Search	5,434	10,315	90%
News	4,148	9,292	124%
Sports Information	3,598	7,672	113%
Movie Information	3,296	6,359	93%
Photo/Video Sharing Service	3,131	5,950	90%
Bank Accounts	2,340	4,974	113%
Online Retail	1,416	2,701	91%

Source: comScore MobiLens. Note (1) excludes games.

LBS revenue could top $8 billion by 2011. LBS include mobile navigation, mobile commerce, location-based applications, mobile resource management, asset tracking, people tracking, and mobile search. In 2008, Gartner forecast LBS subscriber growth of nearly 77% from 2009 to 2011, yielding revenue CAGR of 73%. Gartner estimates that there will be nearly 300 million subscribers by 2011.

Table 15: Gartner Forecast Very Strong LBS Growth through 2011

Subscribers in millions, $ in millions

	2008	2009	2010E	2011E	% CAGR 2009-2011E
LBS Subscribers					
W. Europe	3.6	12.1	29.5	55.3	114%
N. America	14.7	27.2	48.7	71.5	62%
APAC	15.4	36.1	68.1	117.2	80%
Japan	9.4	20.0	35.6	54.1	64%
Total	43.2	95.3	181.9	298.0	77%
LBS Revenue					
W. Europe	$161.2	$519.2	$1,225.6	$2,291.8	$110%
N. America	$491.3	$862.6	$1,522.5	$2,173.9	59%
APAC	$386.0	$811.1	$1,525.1	$2,551.6	77%
Japan	$268.8	$524.7	$829.9	$1,073.0	43%
Total	$1,307.3	$2,717.6	$5,103.1	$8,090.3	73%

Source: Gartner, 2008.

LBA could top $18 billion by 2015. J.P. Morgan Telecomm Equipment analyst, Rod Hall, estimates that mobile search will yield an $18 billion market opportunity by 2015. Assumptions include: by 2015 smartphones will represent 80% of all handset shipments, LBS adoption will reach 80% penetration (of smartphones), users will conduct about 1.0-1.25 searches a month, and each mobile search will generate.$0.46 of revenue. In addition, the model assumes that adoption of LBA/search among non-smartphone users will also occur but only reach ~15% with a lower value per query as compared to smartphone users.

Table 16: The Mobile "Yellow Pages" Market Size Estimates and Supporting Assumptions

	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Global mobile subscribers (m)	3,970	4,626	5,183	5,705	6,144	6,518	6,842	7,125
Global handset shipments (m)	1,219	1,077	1,126	1,183	1,230	1,267	1,292	1,318
Global smartphone shipments (m)	155	164	248	414	590	760	905	1,054
Smartphones as a % of total handsets	*13%*	*15%*	*22%*	*35%*	*48%*	*60%*	*75%*	*80%*
Replacement handsets (m)	45	86	177	235	272	335	459	645
Smartphone subscribers (m)	370	448	519	698	1,016	1,442	1,887	2,297
Adoption rate (%)	14%	23%	35%	50%	65%	80%	80%	80%
Searches monetized / user / month (#)	1.00	1.00	1.10	1.15	1.25	1.30	1.40	1.40
Implied revenue / search (US$)	0.48	0.43	0.46	0.46	0.46	0.46	0.46	0.46
Revenue from smartphone users ($m)	295	522	1,093	2,196	4,518	8,205	11,566	14,075
Non-smartphone subs (m)	3,600	4,178	4,664	5,007	5,128	5,077	4,955	4,828
Adoption rate (%)	7%	9%	11%	13%	15%	15%	15%	15%
Queries / user / month (#)	1.00	1.00	1.05	1.10	1.20	1.25	1.25	1.25
Revenue / query (US$)	0.40	0.36	0.38	0.38	0.38	0.38	0.38	0.38
Revenue from non-smartphone users ($m)	1,210	1,625	2,457	3,265	4,209	4,340	4,237	4,128
Total Revenue ($m)	1,504	2,147	3,550	5,461	8,727	12,545	15,803	18,203

Source: J.P. Morgan estimates.
Assuming that the smartphone subscriber base at end 2008 was 260mm.

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MRM revenues could reach $1 billion by 2014. MRM represents a contiguous LBS market that TeleNav is poised to pursue, directly and via the wireless carrier channel. TNAV already has more than 9,000 small to medium-sized business customers of the TeleNav Track service, partnering with AT&T, Sprint, and Verizon; however, the revenue contribution is currently modest.

Frost & Sullivan pegs the MRM market as a $973 million market opportunity by 2014, and defines MRM as incorporating both handset-based and in-vehicle technology that uses wireless and location technologies to locate, track, and manage mobile workers, tasks, and assets.

Table 17: The U.S. MRM Market Could Approach $1.0 Billion by 2014

$ in millions, subscribers in millions

	2008	2009	2010E	2011E	2012E	2013E	2014E	5-Year CAGR
Total Revenues	$86.29	135.6	209.44	346.31	529.36	744.17	973.4	48%
% change y/y		*57%*	*54%*	*65%*	*53%*	*41%*	*31%*	
Total Subscribers	0.46	0.7	1.04	1.67	2.51	3.51	4.56	45%
% change y/y		*52%*	*49%*	*61%*	*50%*	*40%*	*30%*	

Source: Frost & Sullivan, 2009.

TBT OEM solutions for 30 million auto OEMs a year also a possibility. Approximately 30 million passenger vehicles ship in North America and Europe each year, normalized for the economic cycle. We are seeing evidence of increased adoption of TBT navigation solutions in the driver dashboard. GM Onstar was an early provider of concierge-type solutions and the solution will soon be enhanced by the inclusion of Google TBT (service will be called “eNav”). This puts GM into a more competitive position versus Ford, which introduced TBT navigation (powered by TeleNav) into their SYNC platform and is making it available on all 2010/2011 Ford and Lincoln vehicles. Luxury automobiles, such as Mercedes and BMW, also come with an in-cockpit concierge service, which includes TBT navigation (powered by ATX Group). We believe TBT will prevail as an OEM solution over in-dash PND solutions, owing to the ability to provide “off-board” real-time data, and because voice interaction reduces driver distraction.

We believe, in time, all vehicles will come equipped with TBT navigation, or a console system that supports it as an option, implying an annual addressable market of 30 million (passenger) vehicles in N. America and Europe, alone.

Company Overview

TeleNav is addressing several large market opportunities relating to LBS, LBA, MRM, and the narrowly defined TBT navigation market. The company has 15 million subscribers on its system, 9,000 SMB customers, and major telco customers (e.g., Sprint and AT&T), and supports over 500 models of mobile phone, integrates with all major operating systems, and has one of the broadest product and service offerings in the industry.

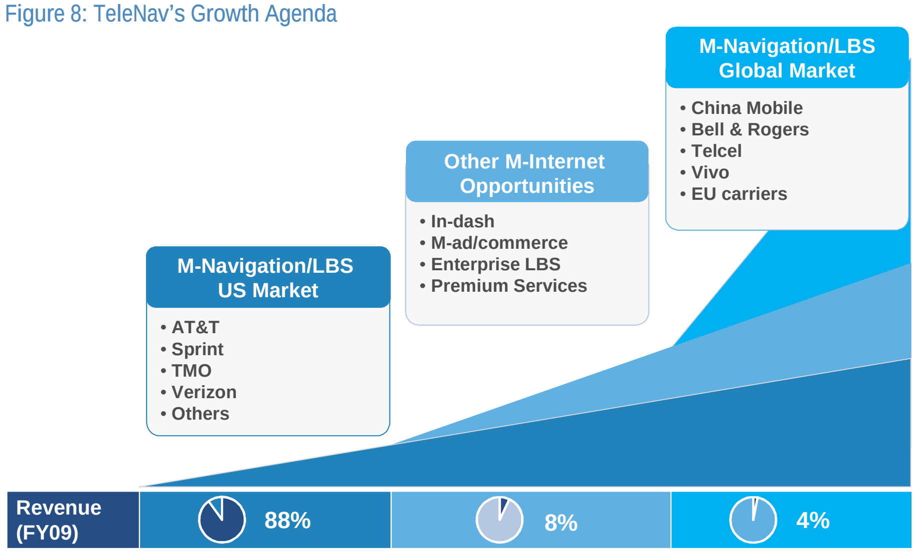
Table 18: TeleNav Has Established Relationships with Tier 1 Customers and Technology Partners

Carrier	Subs	TBT provider[1]	Branding of TBT	Pricing	Positioning	Platforms/devices[2]
AT&T	87mm	TeleNav	AT&T Navigator	$2.99/day $9.99/month $99/year $249/unlimited	Pre provisioned Free download + 30 day free trial	Apple (2 devices), AT&T (6), HTC (5), HP (5), LG (5), Motorola (10), Nokia (7), Palm (5), Pantech (9), RIM (13), Samsung (16), Sony-Ericsson (8), Symbol (1)
Sprint	48mm	TeleNav	Sprint Navigation	Included in some voice and data plans such as Simply Everything Plan $2.99/day $9.99/month	Pre provisioned Free download + 5 days free trial	HTC (6 devices), LG (8), Motorola (13), Palm (9), RIM (9), Samsung (19), Sanyo (18), Sprint (1)
T-Mobile	34mm	TeleNav	TeleNav GPS Navigat	$9.99/month	Free download + 30 day free trial	Danger (1 device), Huawei (1), HTC (5), Motorola (2), Nokia (2), RIM (6), Samsung (6), Sony Ericsson (2)
Verizon	93mm	Networks In Motion	VZ Navigator	Included in some voice and data plans such as Get It Now $2.99/day $4.99/week $9.99/month	Free download + 30 day free trial	Feature phones, RIM, Windows Mobile, Palm, Android

Source: Company reports and J.P. Morgan.
Notes: [1] Does not reflect free navigation providers.
[2] To check complete listing of TeleNav carrier line-up and respective available devices, visit http://www.telenav.com/products/tn/devices/.

Multiple growth opportunities. Looking forward, we believe growth will be centered on 1) deepening penetration of existing carrier subscriber populations (e.g., Sprint, AT&T), 2) expanding geographic footprint (China, South & Central America, Europe), 3) expanding into contiguous markets (MRM, Auto OEM, Enterprise solutions, Social Networking), and 4) location-based advertising.

Figure 8: TeleNav's Growth Agenda



Source: Company data and J.P. Morgan.

In the context of TeleNav's growth agenda, we believe the international growth opportunity, especially in China, is the largest.

Table 19: The Largest Opportunity for TNAV May Be International

Carrier	Subscribers	Location	Tech Partners	Service
AT&T	87 million	US	ADP	BPO outsourcing
Sprint	48 million	US	CitySearch	Local advertisers
T-Mobile	34 million	US	InfoUSA	POI data
Verizon	93 million	US	INRIX	Traffic information
Bell	7 million	Canada	Motorola	Handsets
Rogers	7 million	Canada	Navteq	Map data
China Mobile	522 million	China	Nokia	Handsets
T-Mobile	17 million	UK	Palm	Handsets
Telcel	58 million	Mexico	RIM	Handsets
Vivo	48 million	Brazil	Samsung	Handsets
Alltel	11 million	US	Sanyo	Handsets
Boost Mobile	3.1 million	US	SiRF	LBS solutions
NII Holdings	3.4 million	S.America	TeleAtlas	Maps
			yp.com	POI data

Source: Company reports.

TeleNav products and services include TBT navigation for mobile phones (TeleNav GPS Navigation), Mobile Resource Management (TeleNav Track), in-dash auto solutions (TBT navigation for the Ford SYNC platform), a showcased PND product (Shotgun), and several innovative social networking applications (Sipity, OnMyWay, and Whereaboutz).

Table 20: TNAV's Product and Service Offerings

	Mobile Navigation	Mobile Resource Management	In-Dash Navigation	Other LBS Solutions
Products	GPS Navigator	TeleNav Track TeleNav Vehicle Manager TeleNav Vehicle Tracker TeleNav Asset Tracker	-2010-2011 Ford & Lincoln models sold in North America today in partnership with Microsoft SYNC	Location-Based Advertising Shotgun (PND) Whereaboutz Sipity OnMyWay
Description	Voice-guided, real-time, turn-by-turn, mobile navigation service accessed primarily through mobile phones Core functions: -voice-guided, turn-by-turn directions; -3D moving maps; -automatic rerouting for missed turns; -over 13 million searchable POIs in North America, including restaurants, hotels, ATMs, Wi-Fi hotspots, and gas stations; -search along route; and -integration with contacts. Enhanced connected features: -updated maps, POIs, real-time traffic, gas prices, and weather information; -voice recognition for address input and local business and POI searches; -traffic-optimized routing, intelligent one-click navigation rerouting, and updated ETA based on traffic flow; -POI reviews, including end user generated reviews; -real-time traffic alerts specific to a chosen route; -preplanned routes that can be saved, downloaded to mobile phones, and accessed with one click; -address sharing.	MRM solutions allow enterprises to monitor and manage mobile workforces and assets Key features: -voice-guided, turn-by-turn directions to navigate workers to their destinations; -real-time and historical reports of the location of the mobile workforce and routes taken and transit times as compared to optimal routes and ideal transit times; -updated job status information to improve efficiency and productivity in connection with assignments; -automatic alerts when workers or vehicles enter or exit a specific area, have stopped, or are speeding; -customizable wireless forms to capture field information and improve communication, including job details, signatures, and barcode scans; -wireless timecards to improve payroll accuracy and workforce time and attendance; -integration with enterprise back-end systems and applications.	Mobile navigation services through connected in-dash systems. TNAV's technology powers in-dash navigation service that provides updated and connected real-time LBS to drivers. TNAV is developing an in-dash navigation service that will incorporate navigation software loaded in the vehicle and a connected service to deliver real-time traffic information, gas prices, and frequently updated maps. TNAV intends to leverage the LBS platform, its end-user base, and real-time content, including user-generated content, to provide in-dash navigation features and functions and enhance the end-user experience.	Location-based mobile advertising Internet-connected PND Social networking LBS applications In October 2009, TNAV deployed mobile location-based advertising services to a limited number of end users -TeleNav Shotgun, a two-way, Internet-connected PND, released in 2008 -Whereboutz - social networking application which allows end users to share their location and status with friends online or via mobile phones -Sipity - a social networking application which connects end users based upon their locations and interests -OnMyWay - a social networking application which automatically notifies a person (or a group of people) of the user's trip status and estimated time of arrival via text message or email

Source: Company filings.

TeleNav GPS Navigation. Today nearly 90% of TeleNav revenues are represented by GPS navigation subscription revenues. The firm has nearly 15 million subscribers to its service, mostly at Sprint (bundled) and AT&T (monthly recurring charge). The company is paid approximately $1.00 per subscriber per month when bundled, and as much as $9.99 per month at AT&T. The company is rapidly introducing new features on each of the operating systems for which the client solution is designed (Apple, Microsoft, Blackberry, Palm, Brew, Linux, Android, Symbian).

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Figure 9: TeleNav Navigation Features Are Continuously Expanding

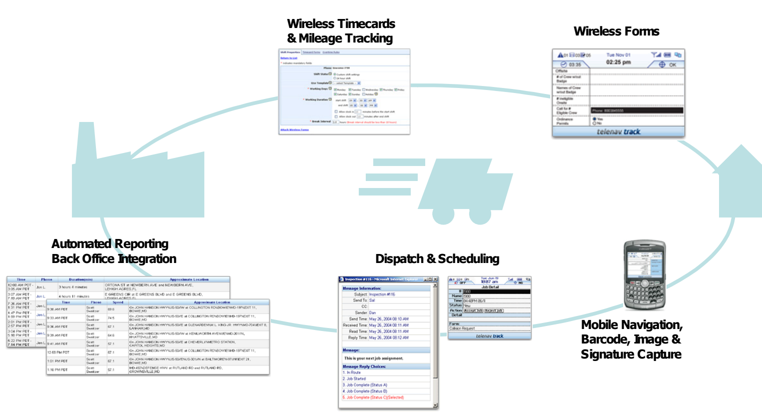
Platform: Java/BREW

TeleNav GPS Navigator Version	3	4	4	4	4	3.9 Lite	5	5.0 Lite	5	5	6	6
Navigation												
Text Directions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Voice Directions	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Automatic Reroute	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nav View: Turn Icons	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Nav View: 2D Moving Maps					✓		✓		✓	✓	✓	✓
Nav View: 3D Moving Maps							✓	✓	✓	✓	✓	✓
Route Preview	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Traffic Rerouting & Alerts									✓	✓	✓	✓
Speech Recognition Address Entry											✓	✓
Speed Trap & Traffic Camera Alerts												✓
Speed Limit Display												✓
Lane Assist												✓
Directory Search												
12 Million Businesses	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Speech Recognition Search											✓	✓
Gas by Price	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fuzzy Search							✓	✓	✓	✓	✓	✓
Search Along Route							✓		✓	✓	✓	✓
Ratings & Reviews										✓	✓	✓
Deals & Coupons											✓	✓
Maps												
Static Map	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
Follow Me Map							✓		✓	✓	✓	✓
Traffic on Maps									✓	✓	✓	✓
Other												
Automatic updates	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customizing Route Style	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
"My TeleNav" Website	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Recording Location	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓
Call In Address	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sharing Address										✓	✓	✓
Fandango Integration												✓

Source: Company reports.

TeleNav Track is an enterprise-grade software-based solution for mobile workforce management, and asset, task, and people tracking, which integrates with CRM and back-office workforce management systems (e.g., ADP, Kronos, Quickbooks). The system supports improved dispatching and scheduling, wireless forms, time-keeping, mileage tracking, and barcode/image/signature capture. Customers of TeleNav Track include: Transcare, Diagnostic Labs, A&R Wholesales Distributors, Federated Service Solutions, Med Legal, Western Towing, the City of New York, and Anaheim Union School District.

Figure 10: TeleNav Track Delivers Enterprise-Grade Capabilities



Source: Company reports and J.P. Morgan.

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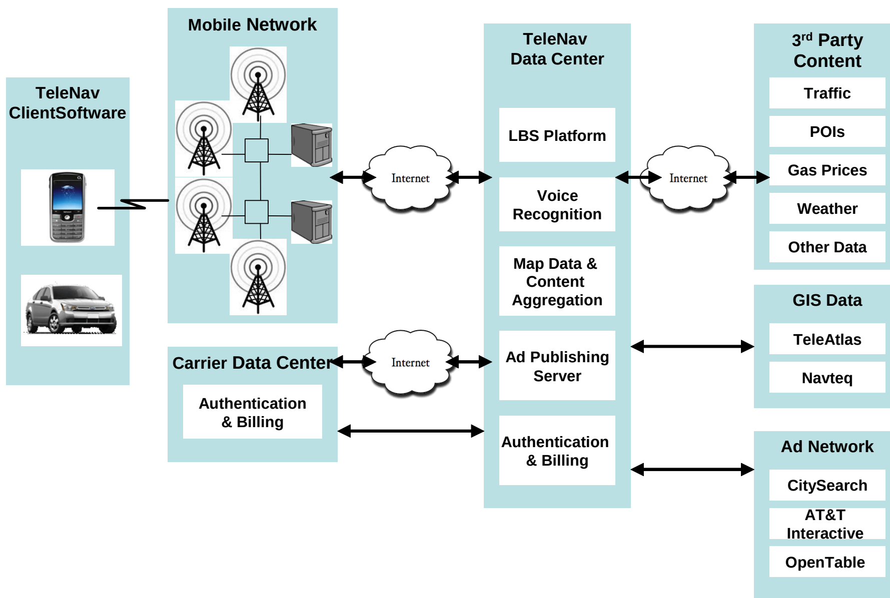
TeleNav provides off-board navigation, meaning that the maps, navigation instructions, and POI information is provided in real time over the air, from a datacenter. The information is constantly refreshed (unlike a PND) and the application can be continuously upgraded. The application, or software as a service (SaaS), is hosted in the TeleNav Data Center. Building blocks of the application include a LBS Platform (which enables the routing of relevant information to the user based on XY coordinates, in the appropriate format), voice recognition software, authentication and billing systems, and an ad publishing platform. Source information includes GIS data, principally from TeleAtlas and Navteq, POI information from multiple third-party sources, and local advertisements provided by ad networks such as CitySearch, Yelp, or direct from advertisers (e.g., Best Western).

Figure 11: TeleNav Platform



Source: Company reports and J.P. Morgan.

We see LBA as a natural extension of mobile navigation and mobile search, and we believe TeleNav is well positioned to pursue this opportunity, competing effectively against much larger companies, such as Google and Nokia. Aside from the fact that TeleNav already has the ability to reach 15 million subscribers, the company’s platform can be (and is being) extended to incorporate and deliver paid-positioning (on search), coupons, and mobile banner ads. Importantly, we believe TeleNav is able to implement ad-based search in a manner that does not undermine the wireless operator’s relationship with the subscriber, and which yields revenue share to the wireless operator.

We believe TeleNav is positioned to realize $0.20-$0.50 per billable event. The revenue-share model will favor TeleNav or the operator depending on who sourced the advertiser.

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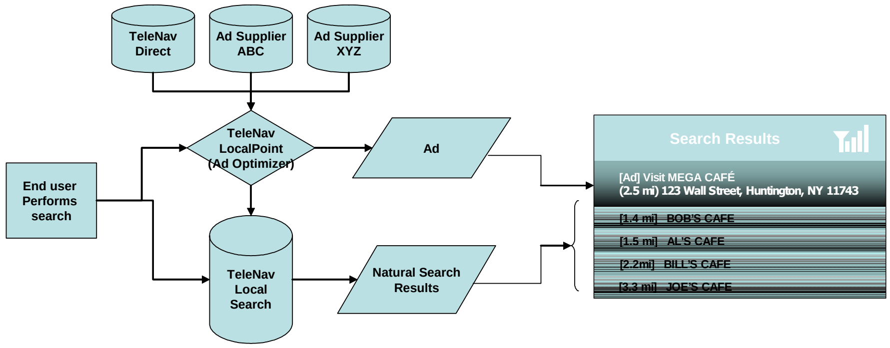
Figure 12: The TeleNav Platform Enables the Delivery of Location-Based Advertising



Source: Company reports and J.P. Morgan.

Competition

Telecommunications Systems (acquirer of Networks in Motion) is TeleNav's closest direct competitor, as a white-label TBT navigation solution provider (for Verizon).

TeleNav is also now competing with "free" navigation solutions from Nokia and Google ("Google Experience" versions of the Android platform). Microsoft has also announced its intention to offer free turn-by-turn navigation on Version 6.0 and higher of Windows Mobile.

Free navigation is a threat, but it can be contained. We believe TeleNav is well positioned to defend against the threat of "free" navigation, primarily because of its close partnership with the wireless operators. First, wireless operators still control which applications will be pre-provisioned on the majority of handsets, including a subset of Android handsets. Second, it's worth remembering that Android and Nokia represented less than 15% of all smartphone sales in 1Q10 in N. America; Samsung, LG, HTC, Blackberry, Motorola, Palm, and others are important suppliers and often deliver product that aligns with the carrier specifications. Third, we believe wireless operators will increasingly move to bundling TBT navigation, and as such, it is perceived to be free by consumers. Finally, owing to a strong R&D presence in China, we believe TNAV has a significant advantage in that nascent market. Finally, TeleNav is introducing its own ad-based navigation capabilities, competing head on with industry giants, not only in TBT navigation but also in the broader mobile search category.

TeleNav competes with "on-board" navigation from the PND vendors, such as Garmin, TomTom, and Mio. Garmin and TomTom have developed applications that can run on mobile phones too. We believe the PND market will plateau and decline as consumer adoption of TBT navigation on mobile phones expands. Off-board navigation provides real-time information, applications can be updated regularly, and provides reach into a deeper database of information, and is always on, always available being on the consumer's ever-present mobile phone.

There are a number of smaller companies that are also in the TBT Navigation space, including Telmap, Jentro, Appello Systems, ALK Technologies, and Route 66.

In MRM, TeleNav is competing against Trimble, Qualcomm, and other enterprise-grade solutions companies.

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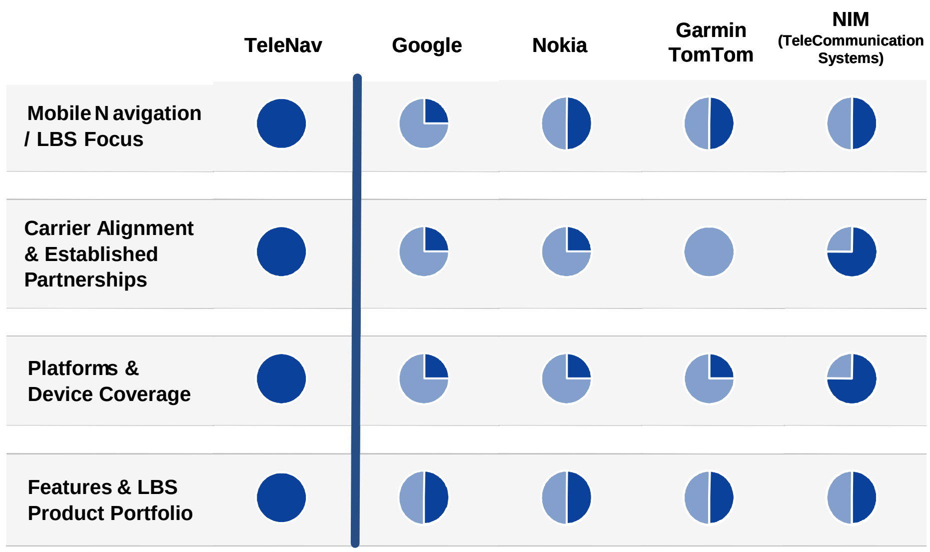
In the Auto/OEM segment, TeleNav competes against GM Onstar (now including Google), ATX Group, PND (Garmin, TomTom), and OEM suppliers (e.g., Denso, Alpine, Harman International).

Figure 13: TeleNav Is Aligned with Carriers, Is Focused on LBS, and Is Operating Systems Agnostic



Source: J.P. Morgan.

Management

We have been monitoring TeleNav's progress for nearly ten years and we are tremendously impressed by H.P. Jin, the CEO, who took this company from a very early-stage venture through to a company that occupies a leadership position in the nascent LBS industry, employing over 800 staff, and which partners with some of the most demanding customers in the world of telecommunications and technology. We think the company is run in a prudent manner, but has a very strong culture of innovation, which we think is unique. Dr. Jin has also established a global organization from the get-go.

Mr. Miller, the CFO, has impressed us with his steady piloting of the IPO process. Thus far (pre-IPO), the company's results have matched or beaten expectations, and we believe Mr. Miller has a good handle on how to communicate with the Street. Both Mr. Jin and Mr. Miller believe execution is key.

H.P. Jin, President, Chief Executive Officer, and Chairman of the BOD
H.P. Jin is a cofounder of TeleNav and has served as the president and a member of the board of directors since October 1999. Dr. Jin has also served as TeleNav's chief executive officer and chairman of the board of directors from October 1999 to May 2001 and since December 2001. Prior to TeleNav, Dr. Jin served as a senior strategy consultant at the McKenna Group and as a business and strategy consultant at McKinsey & Company, management consulting firms. Dr. Jin was also previously a technical director at Loral Integrated Navigation Communication Satellite Systems, or LINCSS, a division of Loral Space & Communications, Inc., a GPS service and engineering company. Dr. Jin holds a B.S. and M.S. in Mechanical Engineering from

Harbin Institute of Technology in China and a Ph.D. in Guidance, Navigation, and Control, with a Ph.D. minor in Electrical Engineering, from Stanford University.

Douglas Miller, Chief Financial Officer and Treasurer
Douglas Miller has served as TeleNav's chief financial officer since May 2006. From July 2005 to May 2006, Mr. Miller served as vice president and chief financial officer of Longboard, Inc., a privately held provider of telecommunications software. From October 1998 to July 2005, Mr. Miller held various management positions at Synplicity, Inc., a publicly traded electronic design automation company acquired by Synopsys, Inc., including senior vice president of finance and chief financial officer. Prior to that time, Mr. Miller also served as chief financial officer of 3DLabs, Inc., a publicly held graphics semiconductor company, and as a partner at Ernst & Young LLP, a professional services organization. Mr. Miller is a certified public accountant (inactive). He holds a B.S.C. in Accounting from Santa Clara University.

Table 21: TeleNav's Management Team and Board of Directors

Management	Role	Age	Prior Experience
H.P. Jin	President, CEO & Chairman	46	Co-founder, McKenna Group, McKinsey & Co, Loral Space
Douglas Miller	CFO & Treasurer	52	Longboard, Synplicity, 3DLabs, Ernst & Young
Y.C. Chao	VP, Research & Development	45	Co-founder; Snaptrack, Trimble Navigation
Salman Dhanani	VP, Products & Marketing	36	Co-founder; McKenna Group, Schlumberger Ltd
Loren Hillberg	General Counsel & Secretary	51	Force10 Networks, Macrovision, Macromedia
Robert Rennard	Chief Technical Officer	65	Cyberstar, LINCSS/Loral, Stanford Telecom, Newbridge
Hassan Wahla	VP, Business Dev & Carrier Sales	38	Nextel, Wireless Multimedia, MicroStrategy, Maritime Power
BoD	**Role**	**Age**	**Affiliations**
H.P. Jin	Chairman	46	President & CEO
Shawn Carolan	Director	35	Managing Director of Menlo Ventures
Samuel Chen	Director	59	Chairman of Rayson, Sonix, GlobalStat
Hon Jane Chiu	Director	54	Director of Comchip; Chairman of Union Polymer Material; Director of Secureinside.com, Taiwan Parking Corp
Soo Boon Koh	Director	59	Managing Partner of iGlobe Partners Fund
Joseph M. Zaelit	Director	64	Venture Partner of iGlobe Partners Fund

Source: Company reports.

Appendix : Glossary Of Terms

Angle of Arrival measurement (AoA)
Angle of Arrival measurement is a method for determining the direction of propagation of a radio-frequency wave incident on an antenna array.

Application programming interface (API)
API is a set of routines, data structures, object classes, and/or protocols provided by libraries and/or operating system services in order to support the building of applications. It can be dependent or independent on the operating system.

ARPU
Average revenue per user typically refers to the monthly revenue associated with a consumer of telecommunications services.

Cell Identification/Cell of Origin (COO)
COO is a mobile positioning technique for finding a caller's cell location, based on the base-station segment in which the handset is operating.

CPC (Cost per Click)
CPC is cost of advertising based on the number of clicks received.

CPO (Cost per Order)
CPO is cost of advertising based on the number of orders received. Also called Cost per Transaction.

CPM (Cost per thousand)
It is media term describing the cost of 1,000 impressions, e.g., a Web site that charges $1,500 per ad and reports 100,000 visits has a CPM of $15 ($1,500 divided by 100).

Eyeballs
Eyeballs is slang term for audience; the number of people who view a certain website or advertisement.

Geo-coding
This process assigns a map position to an address record.

Geo-location
It is the identification of the real-world geographic location of an Internet-connected computer, or GPS-enabled mobile device.

Geo-tagging
It is the process of adding geographical data (usually latitude and longitude coordinates) to various media such as photographs, video, websites, or RSS feeds. These data can also include altitude, bearing, accuracy data, and place names.

Geo-targeting
Displaying (or preventing the display of) content based on automated or assumed knowledge of an end user's position in the real world. This is relevant to both PC and mobile data services.

GIS
A geographic information system (GIS) captures, stores, analyzes, manages, and presents data that refers to or is linked to location.

GSM Localization
It is the use of multilateration to determine the location of GSM mobile phones, usually with the intent to locate the user.

GUI
Graphical User Interface is the software interface between user and hardware of any electronic device. A GUI offers graphical icons, and visual indicators, as opposed to text-based interfaces, typed command labels, or text navigation to fully represent the information and actions available to a user.

GEOINT
GEOINT stands for GEOspatial INTelligence, which is an intelligence discipline comprising the exploitation and analysis of satellite information to describe, assess, and visually depict physical features and geographically referenced activities on the Earth.

GPS
GPS is Global Positioning System which is a technology that gives the position of any object with attached GPS receiver on the globe. It uses four satellites from a constellation of 24 to 32 satellites (launched by the U.S.) to precisely locate the GPS receiver. The official name of GPS is NAVSTAR (Navigation Satellite Timing and Ranging).

LBS
A location-based service (LBS) is an information and entertainment service, accessible with mobile devices through the mobile network and utilizing the ability to make use of the geographical position of the mobile device. LBS can include mobile commerce when taking the form of coupons or advertising directed at customers based on their current location. They include personalized weather services and even location-based games.

LBA
Location-based advertising relates to ad revenues that originate in knowing the location of the consumer and using that information to provide context-sensitive promotions, coupons, or other material that drives business to the advertiser.

MEO
Medium Earth Orbit (MEO) is the region of space around the Earth above Low Earth Orbit (altitude of 2,000 kms) and below geostationary orbit (altitude of 35,786 kms). The most common use for satellites in this region is for navigation, such as GPS (with an altitude of 20,200 kms).

MRM
Mobile Resource Management refers to a suite of software and services for use by business customers for management mobile workers, mobile assets, and mobile tasks.

NGA
National Geospatial Intelligence Agency (NGA) is an agency of the U.S. Government with the primary mission of collection, analysis, and distribution of geospatial intelligence (GEOINT) in support of national security.

OEM
Original equipment manufacturer.

Off-Board Navigation
Map data is stored on a server and downloaded to the handset as and when required.

On-Board Navigation
Map data is stored in the handheld device itself.

Points of Interest (POI)
Additional information included in maps such as information about gas stations, restaurants, hotels, etc. In some instances, additional POIs can be downloaded and included in the map data, such as speed cameras, McDonalds locations, and other sponsored information.

PND
Portable Navigation Device (PND) is a portable electronic product which combines a positioning capability (such as GPS) and navigation functions.

PSAP
A Public Safety Answering Point (PSAP) is a call center responsible for answering calls to an emergency telephone number for police, firefighting, and ambulance services.

SIS
Spatial Information Systems (SIS) is the technology of acquiring, managing, analyzing, and displaying information in a spatial context. GIS software, GPS, and remotely sensed data from aircraft and satellites are all examples of this technology in spatial data.

SMB/SME
Small to medium-sized business/Small to medium-sized enterprise.

SMS
Short message service, otherwise known as ‘texting’.

Spam
Spam is unsolicited commercial e-mail.

TBT
Turn-by-turn navigation refers to computer-aided navigation in which driving and walking instructions are issued via voice or a visual display interface.

US E911 Mandate
US’s E911 program mandates cell phones to transmit their phone number and location when dialing 911. Many new phones have GPS receivers built in, even if they can’t provide turn-by-turn directions.

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Table 22: Income Statement

$ in millions

	FY08A	FY09A	1Q10A	2Q10A	3Q10A	4Q10E	FY10E	1Q11E	2Q11E	3Q11E	4Q11E	FY11E	FY12E
Total Revenue	**48.1**	**110.9**	**36.0**	**40.5**	**45.1**	**46.9**	**168.6**	**49.4**	**50.0**	**53.5**	**57.2**	**210.1**	**261.5**
% Growth (q/q)			*5.2%*	*12.4%*	*25.1%*	*4.1%*		*5.3%*	*1.2%*	*8.3%*	*6.8%*		
% Growth (y/y)	*73.4%*	*130.7%*	*67.5%*	*60.4%*	*51.1%*	*37.1%*	*52.1%*	*37.1%*	*23.5%*	*18.7%*	*21.8%*	*24.6%*	*24.4%*
Cost of revenue	11.4	20.3	7.1	6.9	7.2	8.9	30.1	9.9	11.0	12.3	13.5	46.7	67.1
% Growth (q/q)			*9.1%*	*-2.5%*	*4.1%*	*24.4%*		*10.8%*	*11.4%*	*11.8%*	*9.6%*		
% Growth (y/y)	*47.2%*	*78.3%*	*75.7%*	*54.7%*	*35.4%*	*37.7%*	*48.4%*	*39.8%*	*59.7%*	*71.6%*	*51.3%*	*55.4%*	*43.7%*
% of Sales	*23.6%*	*18.3%*	*19.6%*	*17.0%*	*15.9%*	*19.0%*	*17.8%*	*20.0%*	*22.0%*	*23.0%*	*23.6%*	*22.2%*	*25.7%*
Gross profit	**36.7**	**90.6**	**29.0**	**33.6**	**37.9**	**38.0**	**138.6**	**39.5**	**39.0**	**41.2**	**43.7**	**163.4**	**194.4**
Gross Margin	*76.4%*	*81.7%*	*80.4%*	*83.0%*	*84.1%*	*81.0%*	*82.2%*	*80.0%*	*78.0%*	*77.0%*	*76.4%*	*77.8%*	*74.3%*
Operating expenses:													
Research and development	13.7	23.5	7.9	9.4	10.9	12.0	40.2	13.4	13.8	14.4	15.0	56.6	66.1
% Growth (q/q)			*9.5%*	*18.7%*	*16.6%*	*9.5%*		*12.0%*	*3.0%*	*4.0%*	*4.0%*		
Sales and marketing	13.2	16.5	3.9	4.1	4.5	5.3	17.8	6.0	6.3	6.4	6.8	25.5	30.0
% Growth (q/q)			*-13.1%*	*4.7%*	*9.2%*	*19.0%*		*13.0%*	*4.0%*	*3.0%*	*5.0%*		
General and administrative	5.0	8.3	2.6	3.1	3.5	4.0	13.2	4.2	4.4	4.6	5.0	18.3	21.9
% Growth (q/q)			*6.0%*	*21.3%*	*12.2%*	*16.0%*		*5.0%*	*4.5%*	*4.0%*	*8.0%*		
Total operating expenses	**31.9**	**48.3**	**14.4**	**16.6**	**18.9**	**21.4**	**71.2**	**23.7**	**24.5**	**25.4**	**26.7**	**100.4**	**118.0**
% of Sales	*66.4%*	*43.6%*	*39.9%*	*41.0%*	*41.9%*	*45.5%*	*42.3%*	*47.9%*	*49.0%*	*47.5%*	*46.7%*	*47.8%*	*45.1%*
Operating income (loss)	**4.8**	**42.3**	**14.6**	**17.0**	**19.0**	**16.7**	**67.3**	**15.8**	**14.5**	**15.8**	**17.0**	**63.1**	**76.4**
Operating Margin	*9.9%*	*38.1%*	*40.5%*	*42.0%*	*42.2%*	*35.5%*	*39.9%*	*32.1%*	*29.0%*	*29.5%*	*29.7%*	*30.0%*	*29.2%*
Stock-based compensation	0.5	0.5	0.3	0.6	0.9	3.5	5.2	1.1	1.3	1.3	1.4	5.1	6.5
PF EBITDA	**6.7**	**45.2**	**15.9**	**18.8**	**21.2**	**21.5**	**77.4**	**18.4**	**17.4**	**18.7**	**20.3**	**74.7**	**96.2**
EBITDA Margin	*14.0%*	*40.7%*	*44.2%*	*46.4%*	*46.9%*	*45.8%*	*45.9%*	*37.2%*	*34.8%*	*34.9%*	*35.5%*	*35.6%*	*36.8%*
Interest income				0.0									
Other income (expense), net	0.0	(0.9)	(0.5)	0.2	(0.0)	(0.0)	(0.4)	0.1	0.1	0.1	0.1	0.2	0.2
GAAP Income (loss) before taxes	**4.8**	**41.4**	**14.1**	**17.2**	**19.0**	**16.7**	**66.9**	**15.9**	**14.5**	**15.8**	**17.0**	**63.3**	**76.6**
Provision for income taxes	0.2	11.9	6.0	7.1	6.5	6.7	26.2	6.7	6.1	6.6	7.2	26.6	31.4
tax rate (%)	*3.9%*	*28.7%*	*42.3%*	*41.2%*	*34.0%*	*40.0%*	*39.1%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*	*41.0%*
PF Income (loss) before taxes	**5.2**	**42.0**	**14.4**	**17.8**	**19.9**	**20.1**	**72.2**	**17.0**	**15.8**	**17.2**	**18.5**	**68.4**	**83.1**
Provision for income taxes	0.2	12.0	6.1	7.3	6.8	8.5	28.6	7.1	6.6	7.2	7.8	28.7	34.1
tax rate (%)	*3.9%*	*28.7%*	*42.3%*	*41.2%*	*34.0%*	*42.0%*	*39.7%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*	*42.0%*	*41.0%*
GAAP Net Income	**4.6**	**29.5**	**8.1**	**10.1**	**12.5**	**10.0**	**40.8**	**9.2**	**8.4**	**9.2**	**9.9**	**36.7**	**45.2**
GAAP Net Margin	*9.6%*	*26.6%*	*22.5%*	*25.0%*	*27.8%*	*21.3%*	*24.2%*	*18.7%*	*16.9%*	*17.1%*	*17.3%*	*17.5%*	*17.3%*
PF Net Income	**5.1**	**30.0**	**8.3**	**10.5**	**13.1**	**11.7**	**43.6**	**9.8**	**9.2**	**10.0**	**10.7**	**39.7**	**49.1**
Net Margin	*10.5%*	*27.0%*	*23.0%*	*25.9%*	*29.0%*	*24.9%*	*25.8%*	*19.9%*	*18.3%*	*18.6%*	*18.7%*	*18.9%*	*18.8%*
GAAP EPS - Diluted	**$0.16**	**$1.02**	**$0.22**	**$0.27**	**$0.33**	**$0.24**	**$1.05**	**$0.20**	**$0.18**	**$0.20**	**$0.21**	**$0.79**	**$0.96**
PF EPS - Diluted	**$0.18**	**$1.04**	**$0.22**	**$0.28**	**$0.34**	**$0.28**	**$1.12**	**$0.21**	**$0.20**	**$0.21**	**$0.23**	**$0.86**	**$1.04**
Diluted shares outstanding	28.833	28.833	37.521	38.001	38.028	42.300	38.962	46.000	46.200	46.400	46.600	46.300	47.185

Source: Company reports and J.P. Morgan estimates.

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Table 23: Balance Sheet

$ in millions

	FY08A	FY09A	1Q10A	2Q10A	3Q10A	4Q10E	FY10E	1Q11E	2Q11E	3Q11E	4Q11E	FY11E	FY12E
ASSETS													
Current assets:													
Cash and cash equivalents	16.8	33.1	44.0	50.4	46.1	115.0	115.0	121.1	131.1	139.2	148.8	148.8	197.5
Restricted cash	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, net	14.6	23.9	23.8	24.9	38.6	33.4	33.4	37.9	38.4	41.1	43.9	43.9	53.6
Inventories	0.0	0.0	0.0	-	-	0.1	0.1	0.0	-	-	0.1	0.1	0.1
Deferred tax asset, current	-	2.1	1.5	1.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Prepaid expenses and other current assets	0.6	2.8	1.7	2.9	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
Total current assets	**32.1**	**62.0**	**71.1**	**79.7**	**92.0**	**155.8**	**155.8**	**166.4**	**176.8**	**187.6**	**200.1**	**200.1**	**258.6**
Long term assets:													
Property and equipment, net	2.9	6.6	8.2	8.4	9.5	11.6	11.6	12.1	12.3	13.2	13.2	13.2	11.3
Deferred tax asset, long-term	-	0.4	0.4	-	-	-	-	-	-	-	-	-	-
Deposits and other assets	1.1	3.2	5.3	7.4	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Total assets	**36.0**	**72.2**	**85.0**	**95.5**	**110.1**	**176.0**	**176.0**	**187.1**	**197.8**	**209.4**	**221.9**	**221.9**	**278.4**
LIABILITIES & SHAREHOLDER'S EQUITY													
Current liabilities:													
Accounts payable	1.2	2.1	1.9	1.5	2.8	4.4	4.4	4.3	4.8	5.4	5.9	5.9	8.2
Accrued compensation	2.1	3.8	3.3	4.7	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Accrued royalties	1.9	3.3	3.3	3.1	2.3	2.7	2.7	3.0	3.2	3.4	3.6	3.6	4.5
Other accrued expenses	1.8	1.9	3.5	3.3	3.1	4.9	4.9	5.4	5.7	6.1	6.5	6.5	8.1
Income taxes payable	-	-	2.7	-	-	-	-	-	-	-	-	-	-
Deferred revenue	2.4	3.5	3.9	4.5	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Warrant liabilities, current	-	-	3.1	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	**9.4**	**14.6**	**21.7**	**17.1**	**17.5**	**21.2**	**21.2**	**22.0**	**23.0**	**24.1**	**25.3**	**25.3**	**30.1**
Convertible preferred stock	50.2	51.4	51.7	55.7	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0
Other non-current liabilities	2.2	2.9	1.1	1.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Total Liabilities	**61.8**	**68.8**	**74.4**	**74.2**	**75.8**	**79.6**	**79.6**	**80.4**	**81.4**	**82.5**	**83.6**	**83.6**	**88.5**
Stockholders' equity:													
Common stock	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings	(28.9)	(0.5)	7.3	16.1	28.3	41.8	41.8	52.1	61.8	72.3	83.6	83.6	135.3
Additional paid in capital	2.8	3.4	2.8	4.8	5.5	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
Accumulated other comprehensive income (loss)	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total stockholders' equity	(25.8)	3.4	10.6	21.3	34.2	96.4	96.4	106.7	116.4	126.9	138.2	138.2	190.0
Total liab. & equity	**36.0**	**72.2**	**85.0**	**95.5**	**110.1**	**176.0**	**176.0**	**187.1**	**197.8**	**209.4**	**221.9**	**221.9**	**278.4**

Source: Company reports and J.P. Morgan estimates.

Table 24: Cash Flow Statement

$ in millions

	FY08A	FY09A	1Q10A	2Q10A	3Q10A	4Q10E	FY10E	1Q11E	2Q11E	3Q11E	4Q11E	FY11E	FY
Net Income (loss)	4.6	29.5	8.1	10.1	12.5	10.0	40.8	9.2	8.4	9.2	9.9	36.7	
Net cash provided by operating activities:													
Depreciation and amortization	1.5	2.4	1.0	1.2	1.3	1.3	4.8	1.5	1.6	1.6	1.9	6.5	
Stock-based compensation	0.5	0.5	0.3	0.5	0.6	3.5	4.9	1.1	1.3	1.3	1.4	5.1	
Revaluation of preferred stock warrants	0.7	0.8	0.5	(0.4)	0.6		0.7					-	
Changes in assets and liabilities:													
Accounts receivable	(10.8)	(9.4)	0.2	(0.2)	(14.6)	5.1	(9.5)	(4.5)	(0.5)	(2.7)	(2.8)	(10.4)	
Deferred tax asset	-	(2.5)	0.5	(0.5)	0.8	-	0.8	-	-	-	-	-	
Prepaid expenses and other current assets	0.0	(2.2)	1.1	(1.1)	(2.7)	-	(2.7)	-	-	-	-	-	
Other assets	(0.1)	(0.1)	(1.1)	2.1	(4.0)	(0.1)	(3.0)	0.0	0.0	-	(0.1)	(0.0)	
Accounts payable	0.3	0.5	(0.3)	0.3	(0.0)	1.6	1.5	(0.1)	0.5	0.6	0.5	1.5	
Accrued compensation	1.2	1.7	(0.5)	0.5	0.2	-	0.2	-	-	-	-	-	
Accrued royalties	0.9	1.4	(0.0)	0.0	(1.0)	0.4	(0.6)	0.3	0.2	0.2	0.2	0.9	
Accrued expenses and other	(0.1)	0.1	2.3	(2.3)	2.4	1.8	4.3	0.5	0.3	0.4	0.4	1.6	
Income taxes payable	0.2	(0.2)	2.7	(2.7)	0.0	-	0.0	-	-	-	-	-	
Deferred revenue	0.9	1.1	0.5	(0.5)	2.0	-	2.0	-	-	-	-	-	
NET CASH PROVIDED BY OPERATING ACTIVITIES	**(0.3)**	**23.8**	**15.4**	**7.1**	**(2.0)**	**23.6**	**44.2**	**8.1**	**11.9**	**10.5**	**11.4**	**42.0**	
Capital expenditures	(1.7)	(7.8)	(3.7)	(1.9)	(1.8)	(3.5)	(10.9)	(2.0)	(1.9)	(2.4)	(1.8)	(8.1)	
NET CASH USED IN INVESTING ACTIVITIES	**(1.7)**	**(7.8)**	**(3.7)**	**(1.9)**	**(1.8)**	**(3.5)**	**(10.9)**	**(2.0)**	**(1.9)**	**(2.4)**	**(1.8)**	**(8.1)**	
Proceeds from exercise of Series E preferred stock warrants	0.0	-	-	0.9	(0.0)		0.9					-	
Proceeds from exercise of stock options	0.0	0.2	0.3	0.1	0.0		0.4					-	
Proceeds from (Repurchase of) common stock	-	-	(1.2)	-	-	48.7	47.5	-	-	-	-	-	
Settlement of stock options	(0.2)	-	-	0.2	(0.5)		(0.2)					-	
NET CASH PROVIDED BY FINANCING ACTIVITIES	**(0.0)**	**0.2**	**(0.9)**	**1.2**	**(0.4)**	**48.7**	**48.6**	**-**	**-**	**-**	**-**	**-**	
Effect of exchange rate on cash	0.2	0.2	(0.0)	(0.0)	(0.0)		(0.1)					-	
Change in cash and cash equivalents	**(1.9)**	**16.3**	**10.9**	**6.4**	**(4.3)**	**68.9**	**81.8**	**6.2**	**10.0**	**8.1**	**9.6**	**33.9**	

Source: Company reports and J.P. Morgan estimates.

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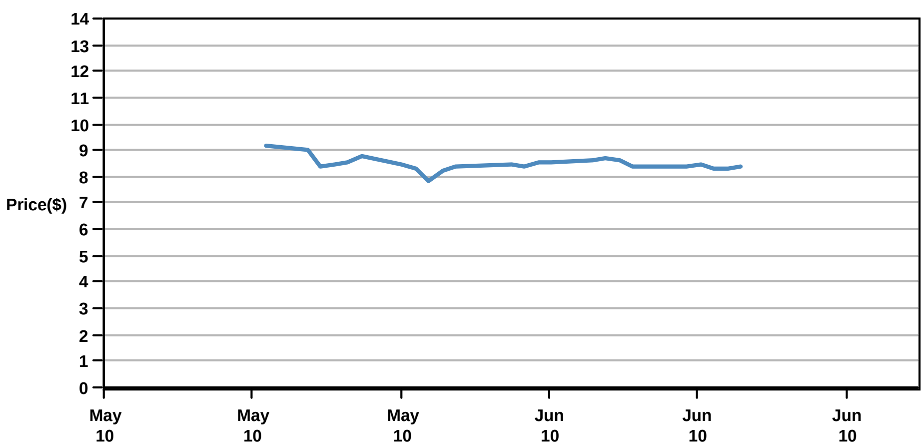

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
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2-June-2010

TeleNav (TNAV)

Leading provider of mobile navigation services on the Sprint and AT&T networks.

Investment Rating: Marketperform

Pricing Update

Stock Data *(in mil, except per share)*

Current Price (2-Jun-2010)	$8.39
Shares Outstanding	45.7
Market Capitalization	$383.1
Enterprise Value	$292.3

IPO Data

Offer Date	5/12/2010
Offer Price	$8.00
Price Range	$11.00 - $13.00
Shares Offered (% insider)	7.0 (21%)
Deal Size	$56.0
Use of Proceeds	Working capital

IPO Underwriters *(*bookrunner)*

J.P. Morgan*	Deutsche Bank Securities*
Baird	Canaccord Genuity
Piper Jaffray	Pacific Crest

Key Financial Data

Income Model			*FY Ended Jun*
($ in mil)	**2009A**	**2010E**	**2011E**
Sales	$110.9	$170.3	$212.7
EBITDA	45.2	76.8	72.7
Adj. EPS	**0.85**	**1.08**	**0.89**
EBITDA Margin	*40.8%*	*45.1%*	*34.2%*
Net Margin	*27.0%*	*25.8%*	*19.3%*

Balance Sheet	*As of 3/31/10 (adj. for IPO)*
Cash	$90.8
Total Assets	154.8
Total Debt	0.0
Shareholders' Equity	134.9

Corporate Data

Employees	878
Year Founded	1999
Headquarters	Sunnyvale, CA
Phone Number	408-245-3800
Web Address	www.telenav.com

Rating Analysis Very Weak Neutral Very Strong

Long-Term

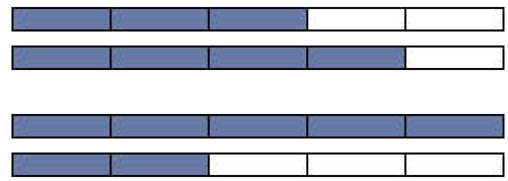
Company Fundamentals

Corporate Governance

Short-Term

Relative Valuation

Technical Strength



Telenav prices -33% below the midpoint of its original range, fills overallotment. TeleNav, raised $56 million on May 12 by offering 7 million shares at $8, 33% below the midpoint of its original $11-$13 range. In a May 11 filing, the company lowered its proposed range to $9-$10, and indicated that key VC backer Menlo Ventures planned to buy $7 million worth of shares on the IPO. Though the company posted a solid 23% first day return and filled the 100% primary, $8.4 million overallotment, the stock has given back 14% in aftermarket trading.

Valuation suggests at least 40% upside. At 3.7x EV/CY11 EBITDA, Telenav is trading at a 28% implied discount (40% upside) to the 5.6x average multiple of its telecom systems/navigation peer group. Admittedly, peer multiples have contracted since our pre-IPO report, punctuated by a 18% selloff for mobile navigation competitor TeleCommunication Systems. However, the lack of a pure-play comparable should compel investors to apply a greater weight to our perpetuity DCF approach, which implies nearly 50% upside.

Intriguing growth story at an attractive valuation; Waiting for technical headwinds to ease. TeleNav has leveraged exclusive relationships with Sprint and AT&T to drive strong adoption of its core mobile navigation services. This rapid user growth, coupled with its scalable, web-based platform has driven impressive profitability and cash flow. Looking forward, however, management expects the downward trend in ARPU and platform upgrades to pressure margins. Additionally, the company faces stiff competition from major software providers and OEMs, such as Google and Nokia, which are offering free navigation services to gain a foothold in the potentially lucrative mobile advertising business. While an attractive valuation should compensate investors for these competitive risks, lackluster deal demand and weak aftermarket trading lead us to initiate coverage with a high-end marketperform rating.

Bull Insights

- Highly profitable and grew sales at a 100% CAGR from FY07-FY09
- Is only ~10% penetrated in its core partners' combined subscriber base
- US mobile navigation market is expected to exceed $2B by 2012 (52% CAGR)
- Perpetuity DCF analysis suggests 49% valuation upside

Bear Insights

- Free services from Nokia and Google may intensify margin pressures
- ARPU fell by 16% in the fiscal 3Q10 and gross margins are projected to fall
- Operates in a litigious industry and is party to multiple infringement claims
- Key peer TSYS has traded poorly after a disappointing 1Q outlook

Company Fundamentals

Rating: Neutral

Overview:

TeleNav is the leading provider of location based services (LBS) for mobile devices, including the carrier-branded navigation applications offered by Sprint and AT&T. Its scalable, web-based platform integrates third party map, point of interest and traffic data, delivering voice guided directions on more than 500 types of mobile phones. The company has grown revenues rapidly by tapping into its carriers' vast distribution networks, and hopes to leverage its 14.5 million installed user base to gain a foothold in the nascent-but-promising mobile advertising market.

Rating Rationale:

TeleNav's hosted service model drives recurring, subscription-based revenues and strong cash flows. The company has rapidly and profitably grown sales of its core navigation product by leveraging the marketing and distribution infrastructure of key carrier partners, though maintaining exclusivity is a key concern given the high levels of revenue concentration. Overall, its large installed user base provides a first mover advantage, but pressure from OEMs and OS providers with free navigation applications could intensify anticipated margin pressures.

Business:

Provides voice guided navigation services for GPS-enabled mobile phones (94%), including the turn-by-turn navigation applications offered by leading US wireless carriers Sprint (55% of revenues) and AT&T (34%). In total, has 14.5 million end users and partners with 15 wireless carriers in 29 countries. US is 97% of sales. Integrates third party content to provide 3D moving maps, points of interest (POIs), traffic alerts, gas prices and weather updates. TeleNav's web-based delivery platform supports more than 500 types of handsets and all major operating systems. Client software is typically pre-installed on mobile phones, allowing users to access updated information and routing services without using device memory for map and POI storage. End users are generally billed on a monthly basis through their wireless carrier, which offer services on a bundled (Sprint) or stand-alone basis ($10/month for AT&T). Carriers pay TeleNav monthly fees on a per-subscriber or revenue sharing basis. Other 6% of revenue is generated from mobile phone-based workforce management/tracking systems (Xerox) and in-dash navigation systems (Ford). Also targets mobile/location based advertising. Relies on the marketing and distribution channels of its wireless network partners to drive adoption; also sells directly to end users through its website and mobile phone application stores (iTunes App Store). R&D team consists of 670 employees, primarily located in China. Leases data center space in Sunnyvale, Sacramento and Santa Clara.

Competition:

Has roughly a 20-25% share of the US mobile navigation market based on calendar 2009 revenues. The LBS market is highly competitive, with free services available from Nokia and Google. Other competitors include Navigon, TeleCommunication Systems (which supports Verizon's "VZ Navigator" application) and Telmap, as well as personal navigation device providers Garmin and TomTom.

Key Issues:

Free mobile phone-based navigation services from OEMs (Nokia) and OS providers (Google) may pose a significant threat. Relies on Sprint (55%) and AT&T (34%) for a substantial portion of revenues, though exclusivity rights roll off on Dec. 31, 2010 and March 19, 2011, respectively. ARPU has declined sequentially for 8 consecutive quarters, and fell 16% y/y in the fiscal 3Q10. Gross margins will continue to decline due to bundling and investments in new products. Faces multiple unresolved infringement claims and may be forced to defend carrier partners from similar IP litigation. Relies on third-party data and content from Tele Atlas and NAVTEQ, which are owned by competitors TomTom and Nokia, respectively. YTD cash flow has trailed net income due to a spike in receivables. Has a lengthy and complex sales process for new wireless carriers, particularly in new geographic markets which have language and regulatory hurdles. The company receives a fixed fee or revenue share per user, regardless of usage.

Income Statement Data

FY Jun ($ in mil)	**2007**	**2008**	**2009**	**YTD**
Sales	$27.7	$48.1	$110.9	$121.7
Gross Profit	19.8	36.7	90.6	100.5
EBITDA	-9.3	6.7	45.2	55.6
Operating Income	-10.4	4.8	42.3	50.6
Adjusted Net Income†	-9.5	5.0	30.0	32.2
Adjusted EPS†	**-0.88**	**0.14**	**0.85**	**$1.12**
Margins				
Gross Margin	71.3%	76.4%	81.7%	82.6%
EBITDA Margin	-33.7%	14.0%	40.8%	45.7%
Operating Margin	-37.4%	9.9%	38.1%	41.6%
Adjusted Net Margin†	-34.8%	9.6%	26.7%	26.5%
Cash Flow Data				
CFFO	-$6.6	-$0.3	$23.9	$19.9
Less: Capex	2.5	1.7	7.8	7.2
Free Cash Flow	-9.1	-2.0	16.0	12.7
Additional Data				
Monthly ARPU	$5.21	$3.58	$1.28	$1.05
Avg. end users *(in mil)*	0.4	1.1	7.1	12.7
Sprint *(% of sales)*	90%	62%	61%	55%
AT&T *(% of sales)*	2%	26%	29%	34%

†Adjusted net income excludes tax adjusted stock compensation.

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Latest Results and Outlook

Recent Financial Trends:

For the nine months ended March 2010, revenue increased 59% as a result of a 102% increase in average monthly paying end users, primarily due to adoption of Sprint's bundled "Simply Everything" plans, which provide navigation services at no additional charge. The strong user growth was partly offset by a 21% decline in monthly ARPU driven by an increasing mix of carrier-branded and bundled channels, in addition to a fee reduction from key partner Sprint; in July 2009, TeleNav agreed to lower Sprint's per-user fees in exchange for an extension of its exclusive agreement through calendar 2010. Gross profit grew 60% as the result of lower content and customer support costs, which were partially offset by the decrease in ARPU and rising per-subscriber usage rates. Operating profit grew 77% due to strong leverage on sales and marketing costs, though adjusted net income grew more slowly at 64% as the result of a tax benefit in the prior stub period. Cash flow from operations declined by 9% due to a $14 million increase in receivables.

Outlook:

After impressive 51% y/y revenue growth in the March fiscal 3Q, we project 42% growth for the June 4Q, producing full-year revenue and EBITDA of $170 million (+54%) and $77 million (+70%), respectively.

Though management's target model calls for 20-25% long term revenue growth, it anticipates moderate gross margin erosion (to 72%-75%) as a result of the mix shift toward bundled mobile navigation sales, increased per-subscriber usage and investments in its platform. Consequently, the company sees long term EBITDA margins between 33%-36% and adjusted net margins in the 16%-19% range, with capex running at 5% of sales. We project 25% top line growth for FY11, at the high end of the target range, with gross margins contracting to 78%. Further, we expect near-term overhead pressure due to administrative and R&D headcount additions. As a result, we model a y/y decline in EBITDA to $73 million (34% margin), though in later years, leverage on operating costs should at least partially offset gross margin declines. With EBITDA and net margins stabilizing at 35% and 19%, respectively, the company could approach $1.50 in adjusted EPS by 2014.

Interim Results - *3 months ended*

($ in mil)	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
Sales	$29.8	$34.3	$36.0	$40.5	$45.1
Gross Margin	82.3%	81.1%	80.4%	83.0%	84.1%
EBITDA Margin	42.6%	42.5%	44.2%	46.2%	46.4%
Operating Margin	40.1%	39.8%	40.5%	42.0%	42.2%
Adjusted Net Margin	25.2%	30.6%	23.0%	25.8%	28.7%
Cash Flow Data					
CFFO	$19.4	$2.0	$15.4	$7.0	-$2.6
Less: Capex	1.7	4.0	3.7	1.8	1.7
Free Cash Flow	17.7	-2.0	11.8	5.2	-4.2
Additional Data					
Monthly ARPU	$1.21	$1.18	$1.10	$1.04	$1.02
Avg. end users (in mil)	8.0	9.5	10.8	12.7	14.5

Interim Results - *9 months ended*

($ in mil)	Mar-09	Mar-10	*% Chg*
Sales	$76.6	$121.7	*59%*
Gross Profit	62.9	100.5	*60%*
EBITDA	30.6	55.6	*81%*
Operating Income	28.7	50.6	*77%*
Adjusted Net Income	19.6	32.2	*64%*
Adjusted EPS	**0.71**	**1.12**	***58%***
Margins			
Gross Margin	82.0%	82.6%	
EBITDA Margin	40.0%	45.7%	
Operating Margin	37.4%	41.6%	
Adjusted Net Margin	25.6%	26.5%	
Cash Flow Data			
CFFO	$21.9	$19.9	
Less: Capex	3.8	7.2	
Free Cash Flow	18.1	12.7	
Additional Data			
Monthly ARPU	$1.33	$1.05	
Avg. end users (in mil)	6.3	12.7	
Sprint (% of sales)	--	55%	
AT&T (% of sales)	--	34%	

Balance Sheet Data	Actual	Post IPO
($ in mil)	3/31/10	3/31/10
Cash	$46.1	$90.8
Working Capital	74.9	119.6
Total Assets	110.1	154.8
Total Debt	0.0	0.0
Shareholders' Equity	34.2	134.9

Corporate Governance — Rating: Strong

Management has built an impressive track record of rapid-yet-profitable growth and maintains a respectable 12% ownership stake following the IPO. The CFO has public company experience and executive compensation is very reasonable. That said, only one of six board members is independent by our standards, and there was modest insider selling on the deal ($12 million). Nonetheless, management's solid execution keeps our governance rating at strong.

Key Executive	Age	Position	Corporate Background
H.P. Jin	46	CEO & Chairman	Co-founder. Chairman and CEO since inception in 1999. Previously served in strategy consulting roles at McKenna Group and McKinsey & Co. Earlier, was technical director at LINCSS, a division of Loral Space & Communications.
Douglas Miller	52	CFO	Since 2006. From 2005 to 2006 was CFO of telecom software provider Longboard. Earlier, held various positions at Synplicity

Key Shareholder	Holdings	Additional Details
Samuel Chen	26.9%	Angel investor. Director since 2002. Invested $5.2 million in a 2004 convertible notes offering and $1.4 million in a 2006 preferred stock deal. Sold 2.2% of his holdings ($2.1 million) on the IPO.
Menlo Ventures	14.6%	Menlo Park, CA-based venture firm. Invested $16.2 million in a 2006 preferred stock deal. Includes 875,000 shares that it indicated it would purchase on the IPO. Holds one board seat.
Executives	12.0%	Includes the CEO (4.0%). Roughly half represents options at $6.12 or below. As a group, sold 71,743 shares ($574k) on the IPO.
iGlobe Partners Fund	7.5%	Singapore-based venture firm. Invested $250,000 in a 2004 convertible notes offering and $594,000 in a 2006 preferred stock deal. Sold 11.4% of its holdings ($3.3 million) on the IPO. Holds two board seats.

Relative Valuation

Rating: Very Strong

At 3.7x EV/CY11 EBITDA, Telenav is trading at a 28% implied discount (40% upside) to the 5.6x average multiple of its telecom systems/navigation peer group. Admittedly, peer multiples have contracted since our pre-IPO report, punctuated by a 18% selloff for mobile navigation competitor TeleCommunication Systems. However, the lack of a pure-play comparable should compel investors to apply a greater weight to our perpetuity DCF approach, which implies nearly 50% upside.

Valuation Methods

	DCF	Relative
Methodology	Perpetuity	5.6x 2011 EBITDA
Implied Value	$12.51	$11.71
Upside/Downside	+49%	+40%

View DCF Model at www.ipointelligence.com/iporesearch/

Comparable Financial Analysis

IPO and Key Peers	*FY*	*Sales (US$)*	*GM %*	*EBITDA %*	*EBIT %*	*Net %*	*ROE %*	*Debt-to-Capital*	*MRQ Growth*	*Capex/ Sales*
TeleNav	**Jun**	**$155.9**	**82.3%**	**45.0%**	**41.2%**	**26.4%**	**32.5%**	**0.0%**	**51%**	**7.2%**
TeleCommunication Systems	Dec	$320.5	38.1%	14.4%	10.2%	8.9%	22.7%	48.4%	29%	1.7%
Syniverse Holdings	Dec	$523.1	63.8%	40.6%	27.7%	13.4%	22.1%	44.3%	37%	8.5%
NeuStar	Dec	$496.2	76.9%	44.0%	36.1%	20.6%	26.2%	3.4%	14%	6.3%
Garmin	Dec	$2,940.8	50.3%	30.9%	27.6%	23.6%	21.6%	0.0%	-1%	1.4%
TomTom	Dec	$1,888.9	50.0%	23.9%	16.9%	8.2%	14.4%	43.5%	26%	1.0%
Openwave Systems	Jun	$187.6	59.5%	2.9%	-1.2%	-3.4%	10.4%	0.0%	-10%	1.7%
Group Average			**52.9%**	**23.6%**	**17.5%**	**11.0%**	**18.0%**	**19.9%**	**22%**	**3.1%**

Note: All dollars are in millions. All financial metrics are based on LTM data; return metrics are based on forward estimates.

Comparable Valuation Analysis

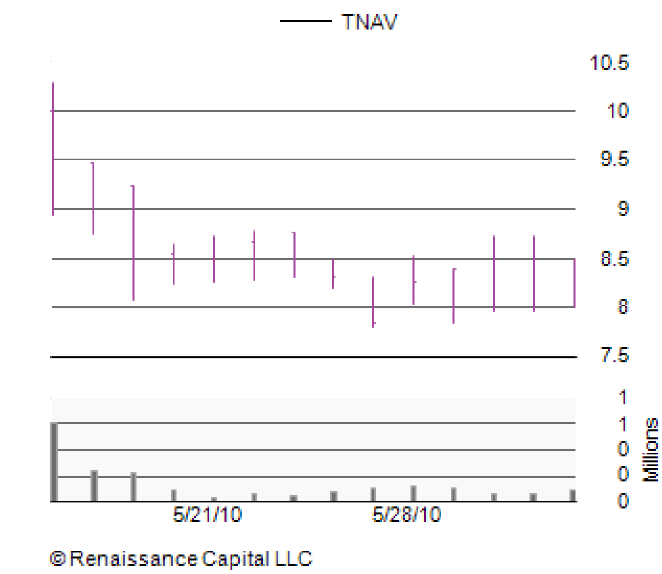
IPO and Key Peers	*Ticker*	*Price*	*Market Value*	*Enterprise Value*	*EV-to-EBITDA 2010*	*EV-to-EBITDA 2011*	*P/E 2010*	*P/E 2011*	*LT Growth*	*P/E/G 2011*	*P/CF*
TeleNav	**TNAV**	**$8.39**	**$383.1**	**$292.3**	**3.8x**	**3.7x**	**8.2x**	**8.7x**	**15%**	**0.6x**	**17.5x**
TeleCommunication Systems	TSYS	$5.12	$344.3	$451.0	5.8x	4.9x	8.1x	7.8x	14%	0.6x	4.4x
Syniverse Holdings	SVR	$19.73	$1,353.1	$1,761.1	6.9x	6.3x	10.5x	9.7x	14%	0.7x	9.4x
NeuStar	NSR	$21.03	$1,597.1	$1,261.3	5.4x	4.8x	13.2x	11.4x	14%	0.8x	10.7x
Garmin	GRMN	$33.10	$6,656.1	$5,345.1	6.9x	7.2x	11.4x	12.0x	9%	1.4x	6.7x
TomTom	TOM2 NA	€5.33	$1,456.3	$2,021.6	5.6x	5.6x	8.5x	8.0x	10%	0.8x	3.7x
Openwave Systems	OPWV	$2.11	$176.3	$67.3	6.3x	4.6x	55.5x	22.7x	20%	1.1x	n/a
Group Average					**6.2x**	**5.6x**	**17.9x**	**11.9x**	**13%**	**0.9x**	**7.0x**

Note: All dollars are in millions except for per share amounts. Multiples based on calendar year estimates. EV/EBITDA averages exclude INSP. P/E averages exclude OPWV.

Technical Strength — Rating: Weak

Stock Performance of IPO and its Peer Group

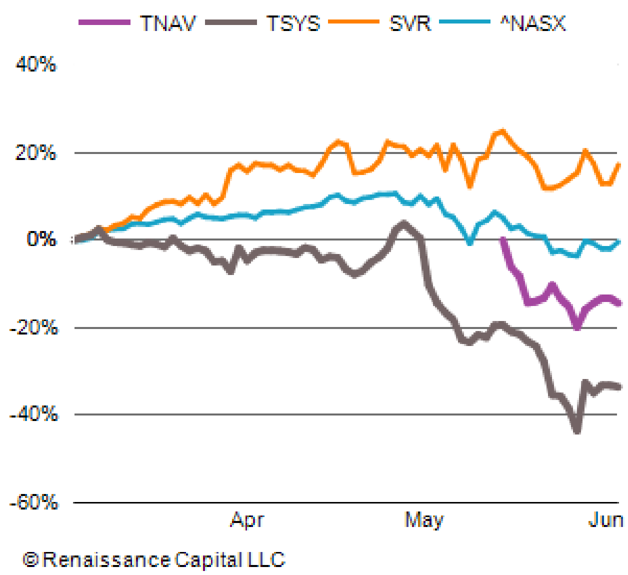
TNAV



IPO Performance Data

First Day	23%
Aftermarket	-14%
Total Return	5%
Quiet Period Release	6/22/2010
Lock-up Release	11/8/2010
Days to Lock-Up Release	159
Shares Available for Sale	34,929,220
Percent of Total Shares Outstanding	76%

TNAV vs Key Publicly-Traded Peers vs Index



Publicly - Traded Peer Group

Key Peers	*Ticker*	*Stock Price*	*1-Mo. Return*	*3-Mo. Return*	*YTD Return*
TeleCommunication Systems	TSYS	$5.12	-26%	-34%	-47%
Syniverse Holdings	SVR	$19.73	-2%	17%	13%
NeuStar	NSR	$21.03	-14%	-12%	-9%
Garmin	GRMN	$33.10	-11%	0%	8%
TomTom	TOM2 NA	€5.33	-13%	-8%	-15%
Openwave Systems	OPWV	$2.11	-5%	-22%	-7%
Indexes					
Nasdaq Composite Index	CCMP	2,281.07	-7%	0%	1%
S&P 500 Index	SPX	1,098.38	-7%	-2%	-1%
FTSE Renaissance IPO Index	IPOS	212.35	-5%	-2%	-2%

Stock prices as of 06/02/10

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Outperform	20%
Marketperform	74.9%
Underperform	5.1%

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