

North America United States

TMT Wireless Equipment

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COMPANY ALERT

TeleNav

Telenav signs up US Cellular for bundled navigation

Breaking News

Buy

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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