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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.

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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)			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	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

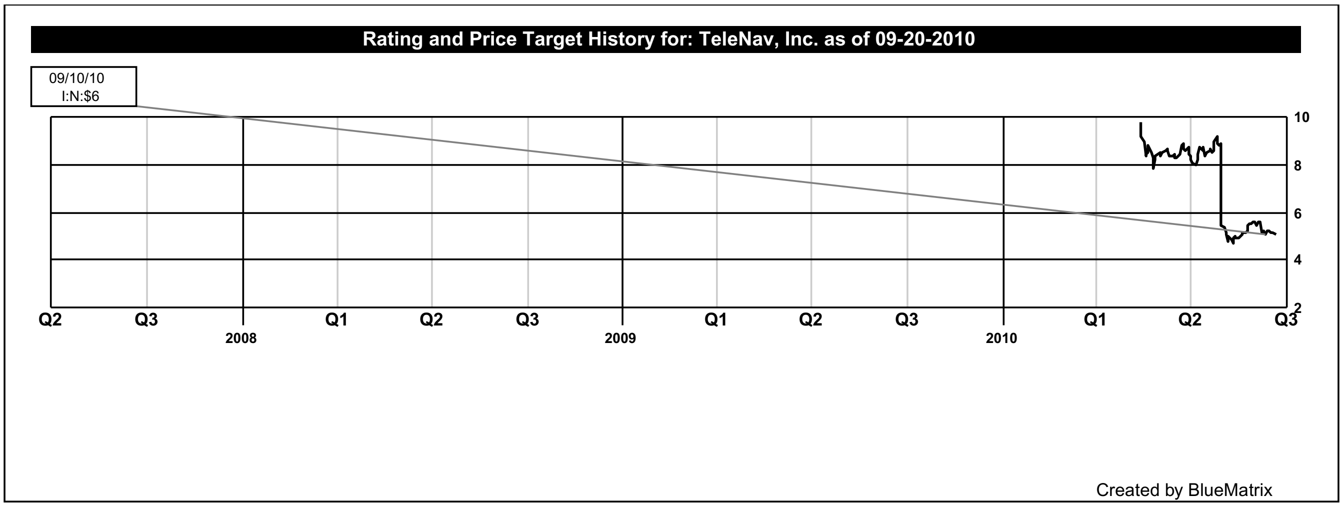
($ millions, except per share data)	FY 2009	FY 2010	Est FY 2011	Est FY 2012	Est FY 2013	Est FY 2014	Est FY 2015
EBIT	**$42**	**$68**	**$45**	**$40**	**$45**	**$50**	**$56**
Less: Tax Rate*EBIT	(15)	(24)	(16)	(14)	(16)	(18)	(19)
Plus: Depreciation	2	5	7	8	8	9	10
Less: Change in Working Capital	$8	$13	($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**

	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		**$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	$\boxed{\textbf{\$6}}$	

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**

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.

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