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INITIATION REPORT

February 25, 2011

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

Management	
HP Jin, Chairman and CEO	
Douglas Miller, CFO	
Robert Rennard, CTO	
Directors	
Shawn Carolan	
Joseph Zaelit	
Samuel Chen	
Jane Chiu	
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.

Member of the Investment Industry Regulatory Organization of Canada (IIROC)
Participating Organization – Toronto Stock Exchange and Toronto Venture Exchange
Member – Canadian Investor Protection Fund (CIPF)

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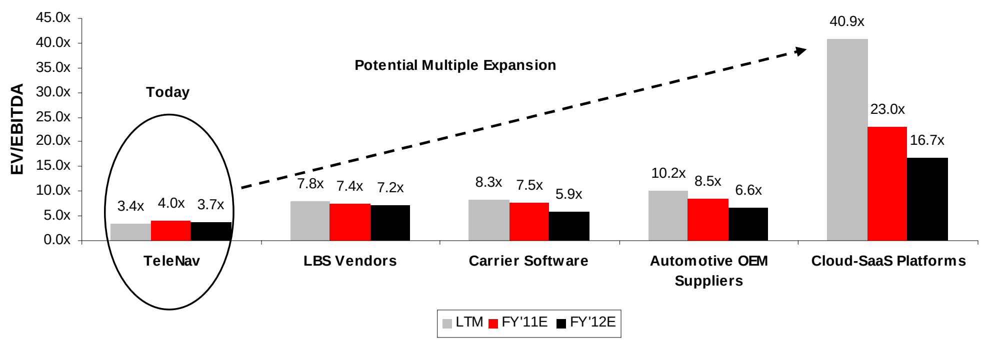
FIVE REASONS TO BUY THIS STOCK TODAY

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.

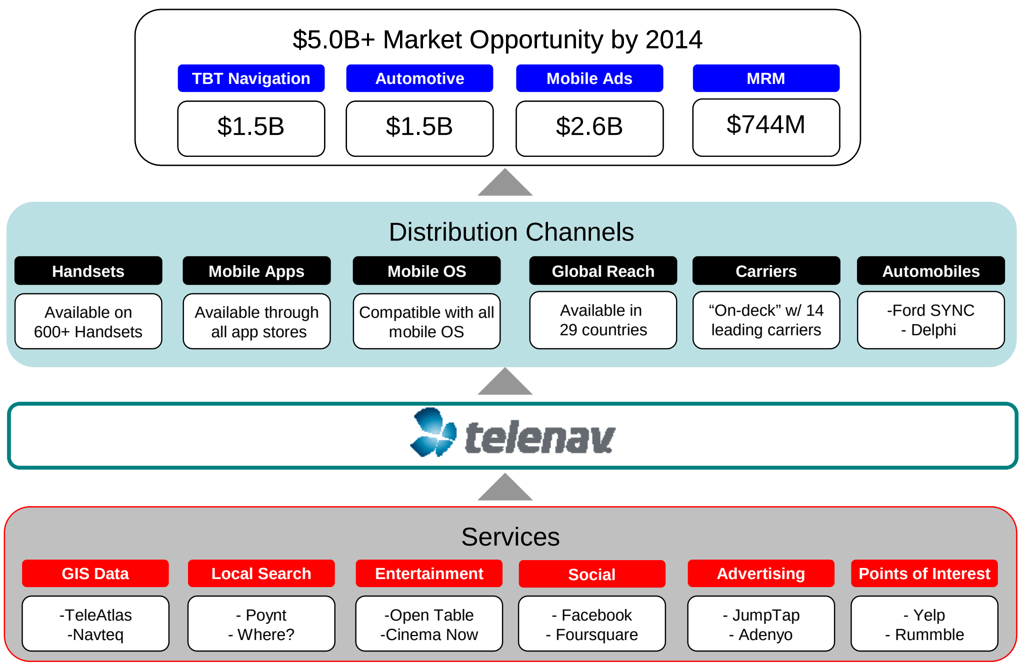
WHO IS TELENAV?

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

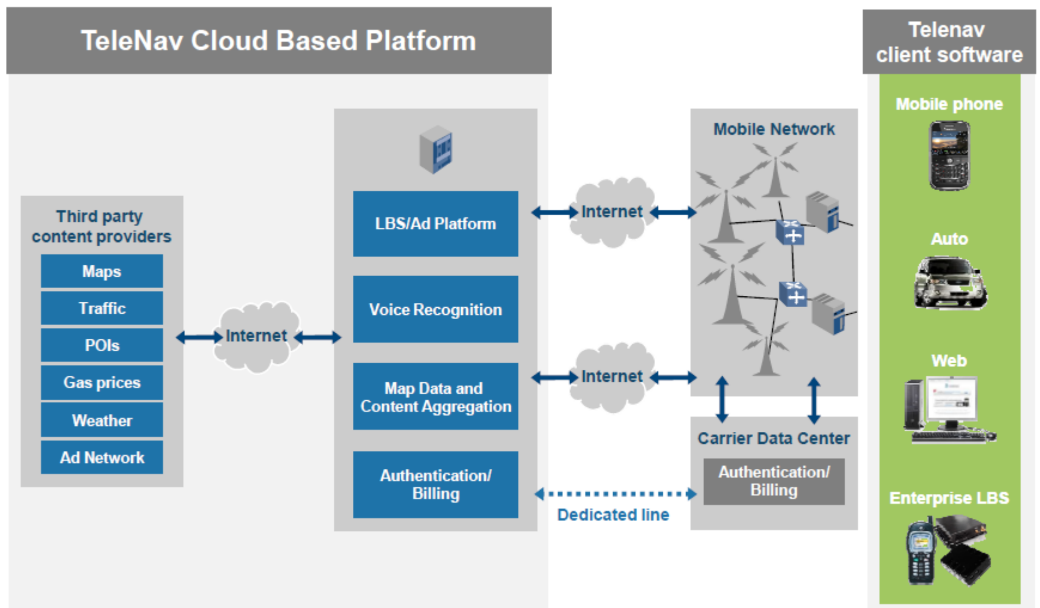
The TeleNav navigation solution is implemented on a cloud-based architecture, which allows a multitude of navigation services to be delivered to almost all the mobile handsets in the market. The mobile-phone-based navigation application takes basic location readings from GPS signals and cell-tower triangulation 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

REVENUE PERFORMANCE

Customer concentration should decline with fastest growth coming from new segments

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.

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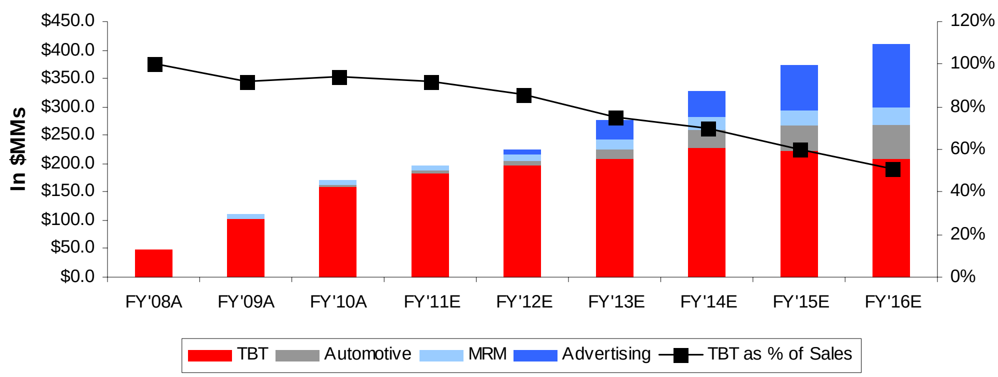
REVENUE FORECAST ASSUMPTIONS

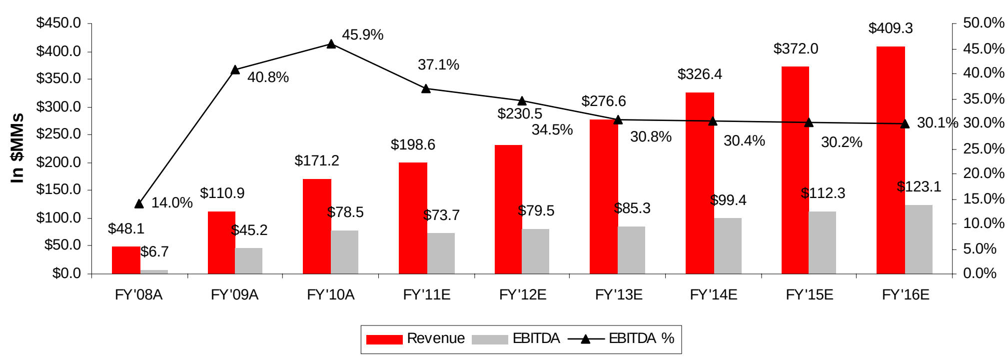
- **Carrier TBT Navigation**: We believe that Sprint currently pays about $20M per quarter in its fixed fee contract with TeleNav until December 2012. We expect Sprint to rollover the agreement but at lower successive rates. Our forecast also assumes that a majority of TeleNav's US carrier partners will 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



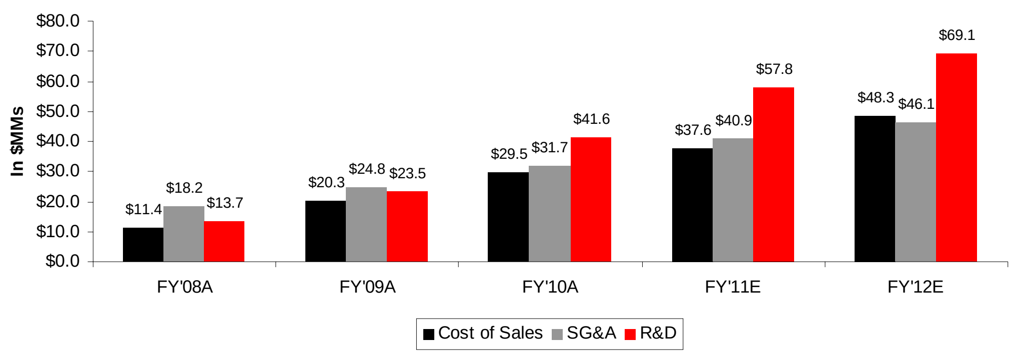
Source: M Partners, Company Reports

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

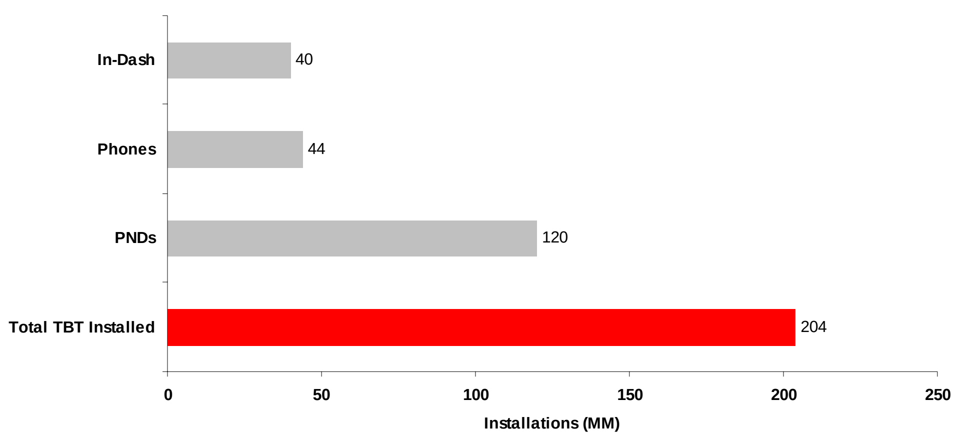
ON-DECK MOBILE NAVIGATION

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

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.

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

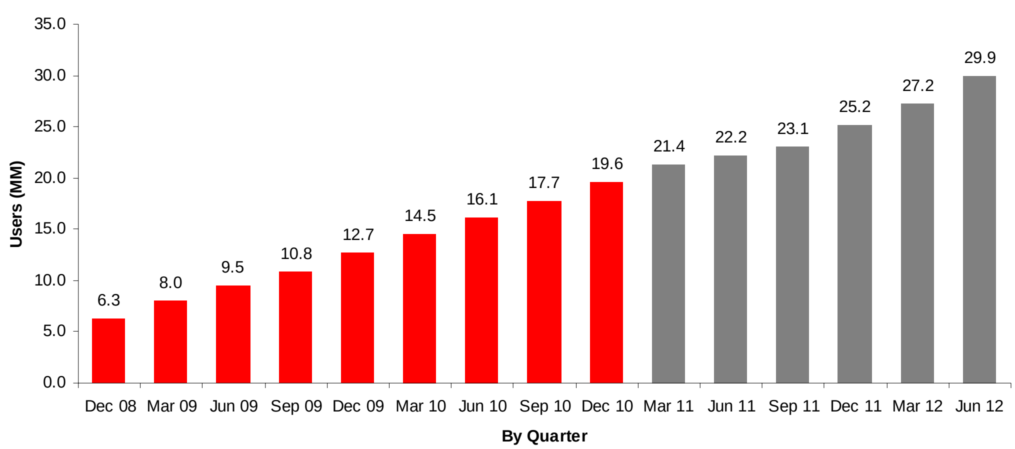
Canada	SUBSCRIBERS
Bell	7M
ROGERS	9M

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

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".

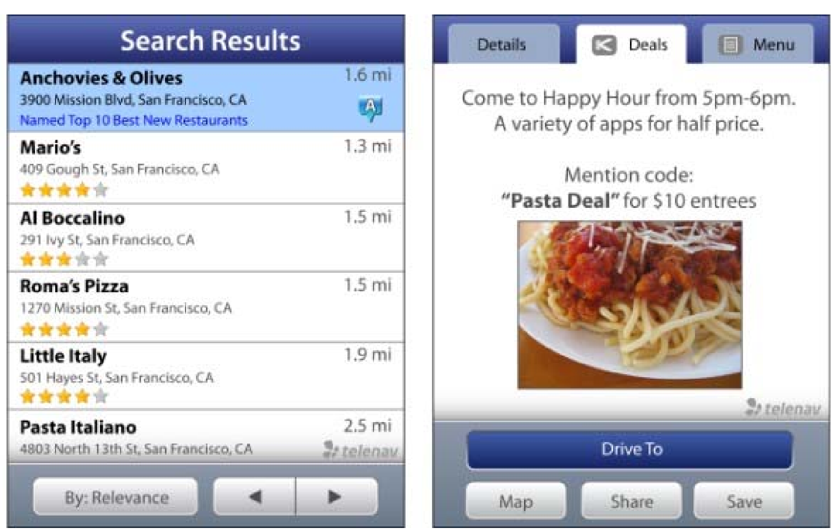
We believe that some per-unit licensees are likely to migrate to a similar licensing model as Sprint, which promotes more users, and revenue sharing for incremental services layered on top of the TBT platform.

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".



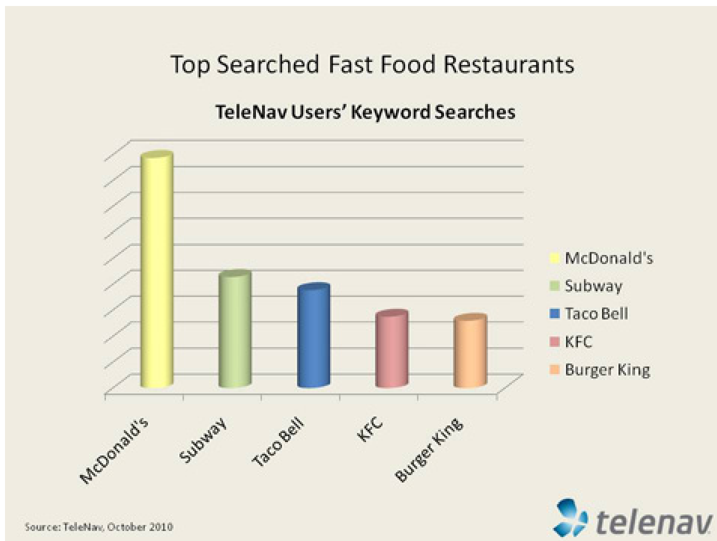
Source: Company Website

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

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 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%.

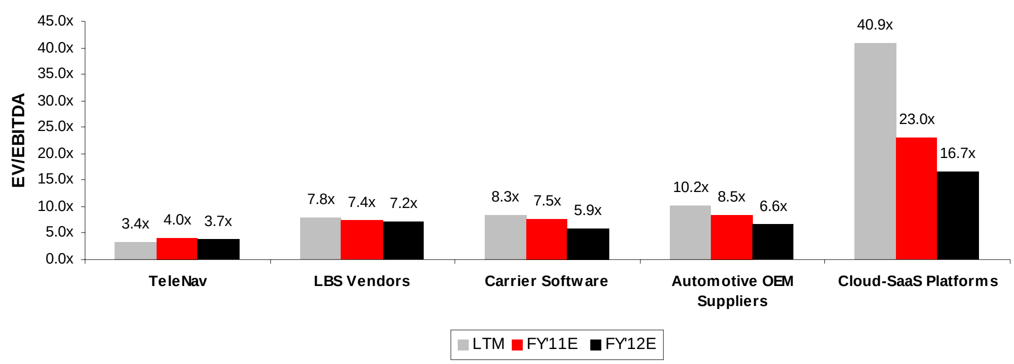
At 3.7x, TNAV trades at 48% discount to peers on a F'12 EV/EBITDA basis. We think it should be closer to the LBS median of 7.2x.

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.

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APPENDIX A – COMP SET

Company Name	Market Cap (mm)	Ent. Value (mm)	LTM Revenues (mm)	Cash & Equiv. (mm)	LTM EBITDA (mm)	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)	$1,377.0	$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**

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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%

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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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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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