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

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.

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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

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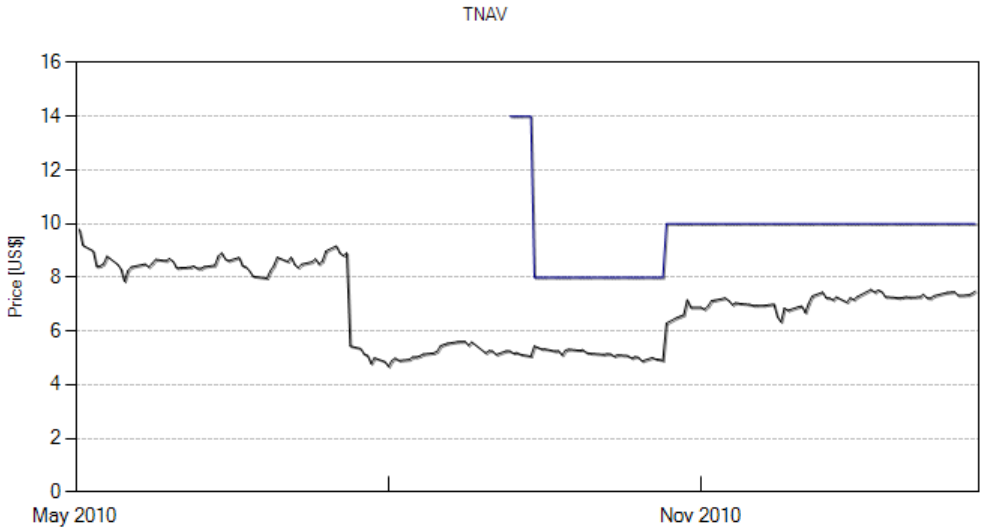
Price Chart:*



	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					

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

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