

Intrinsyc Software International Inc.

ICS : TSX : C\$0.58

SPECULATIVE BUY

Target: C\$1.40

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COMPANY STATISTICS:

52-week Range: C\$0.39 - 1.30
 Avg. Daily Vol. (000s): 562.5
 Market Cap (M): C\$87.5
 Shares Out (M) basic: 150.9
 Shares Out (M) diluted: 150.9

EARNINGS SUMMARY:

| FYE Dec | 2005A | 2006A | 2007A | 2008E | 2009E |
|---------------|------------|------------|------------|------------|----------|
| Revenue (M): | US\$17.5 | US\$18.7 | US\$19.7 | US\$25.6 | US\$63.2 |
| EV/Sales (x): | 3.3 | 3.1 | 2.9 | 2.2 | 0.9 |
| EPS: | US\$(0.11) | US\$(0.24) | US\$(0.18) | US\$(0.11) | US\$0.05 |
| P/E (x): | NM | NM | NM | NM | 12.4 |

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

Intrinsyc Software is a mobility software and services company, based in Vancouver, BC. The company's technologies and services enable companies to identify and create solutions to make mobile devices connect and work. Intrinsyc creates and licenses mobile and embedded software products to OEMs, as well as a suite of server-based interoperability solutions. Additionally, the company provides engineering services to support these products.

All amounts in C\$ unless otherwise noted.

Technology -- Software -- Software and Services

LAUNCH OF FIRST SOLEUS-BASED DEVICE

Event

Intrinsyc announced the launch of the first Soleus-based device, the Mio Moov 380 connected PND, from MiTAC International. The product will generally be available in Taiwan this month with broader release in Q3.

Impact

Positive. Although the launch is not a surprise given that management had committed to earning its first Soleus royalty revenues in Q2, we are nevertheless pleased that Intrinsyc has crossed this milestone. Management had previously suggested that deals of this nature could be worth roughly 500,000 annual units at a per unit royalty of US\$3.00-4.00, which would imply incremental sales of US\$1.5-2.0 million. This projection could be conservative in our view, given that MiTAC's CEO recently stated he expects the company to ship a total of 8 million Mio branded devices in 2008. With about eight of the relatively new Moov devices in the market and the 380 being one of the first connected PNDs available, it could attain very healthy market acceptance, in our opinion.

Action

Today's announcement represents an important milestone as Intrinsyc aims to monetize on the significant opportunity we see in front of the company. We continue to believe that additional launches are imminent, which supports our view that 2009 will see a material revenue jump. With the stock now trading at 0.8x our F09 sales and with 40% of the market cap in cash, we maintain our bullish outlook on the stock. We reiterate our SPECULATIVE BUY rating and our C\$1.40 target based on our DCF.

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Figure 1: Mio Moov 380



Source: www.navigadget.com

Investment risks

The main risks to our outlook include the competitive environment intensifying, design wins taking longer than expected to close, design wins not translating into material revenue due to failed device launches, ESG division revenue erosion, and key management leaving the firm. Other risks include litigation, adverse F/X trends, slower-than-expected growth in the mobile device market, faster-than-expected ASP erosion at handset OEM/ODMs pressuring Intrinsic's ASPs down significantly, and broader macroeconomic forces impacting the market.

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Site Visit: An analyst has visited Intrinsyc’s material operations in Vancouver, BC, Canada. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



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

Distribution of Ratings:

Global Stock Ratings
(as of 1 May 2008)

| Rating | Coverage Universe | | IB Clients | |
|-----------------|-------------------|--------|------------|-------|
| | # | % | # | % |
| Buy | 330 | 61.6% | 40 | 40.0% |
| Speculative Buy | 61 | 11.4% | 35 | 59.0% |
| Hold | 129 | 24.1% | 12 | 19.4% |
| Sell | 16 | 3.0% | 1 | 6.3% |
| | 536 | 100.0% | | |

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| Company | Disclosure |
|---------------------------------------|-------------|
| Intrinsyc Software International Inc. | 1A, 2, 3, 7 |

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