

INTRINSYC SOFTWARE INTERNATIONAL INC.

July 12, 2006

TSX: ICS **\$0.75**

Recommendation: SPECULATIVE BUY

12-Month Target: \$1.75

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Fiscal Q3-06 Results

Event:

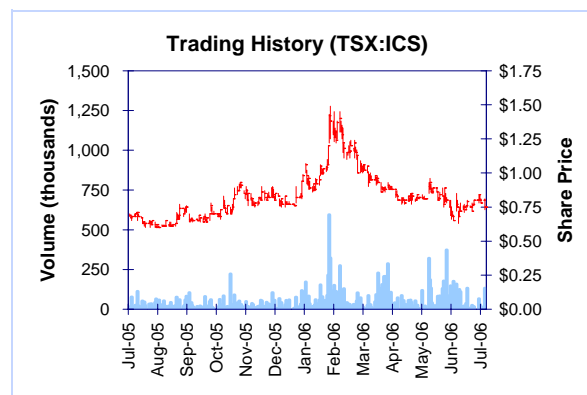
- Intrinsyc Software released Q3-06 results yesterday.

Highlights:

- Q3-06 revenues of \$4.4 million were up 3% year-over-year, and essentially unchanged from the prior quarter.** As Northern Securities is the only firm with coverage of Intrinsyc, there were no consensus estimates. The Company did not recognize \$400,000 of revenues from a customer undergoing restructuring – we expect this amount to be captured in future quarters.
- Revenues are mostly from the mature contract engineering business.** We expect the breakout growth to come from the *Soleus* product line, beginning late 2006 or early 2007.
- Gross Margin recovered slightly in the quarter.** Gross Margin came in at 35%, versus 34% in Q2. Costs associated with the non-recognized revenues were incurred in the quarter; otherwise, we believe that gross margins would have been in the Company's target range of 35% to 40%.
- Net loss for Q3-06 was \$4.7 million, up slightly from the net loss of \$4.5 in Q2-06. Loss per share was \$0.07,** compared to a loss of \$0.08 in Q2-06, and loss of \$0.02 in the same period one year ago. Losses should narrow once the Company begins to recognize revenues from *Soleus*.
- Intrinsyc's balance sheet remains strong, with \$26.4 million in cash offset by an \$8 million debenture due Oct 3, 2007.** With a burn rate of \$3 million per quarter, the Company has sufficient funding to see *Soleus* into the revenue stage.
- No changes to estimates.** With the Q3-06 report largely as expected, we are leaving our estimates unchanged at this time. We will be monitoring the Canada/US exchange rate, and revenue recognition from some customers as areas that may cause us to adjust our short-term outlook.

52-week High-Low	\$1.49–\$0.60
Shares outstanding	
- Basic	83.0 million
- Fully diluted	106.0 million
Market capitalization	\$62.2 million
Fiscal Year End	August 31
Major shareholders	Management & Insiders: 5%

(millions, except EPS)	2005A	2006E	2007E	2008E
Revenue	\$17,539	\$19,989	\$28,870	\$47,824
Gross Margin	\$8,458	\$7,894	\$14,435	\$28,695
Gross Margin	48%	39%	50%	60%
EBITDA	(\$3,809)	(\$11,577)	(\$9,715)	(\$1,401)
Net Income	(\$4,980)	(\$13,819)	(\$11,640)	(\$3,002)
EPS (basic)	(\$0.09)	(\$0.21)	(\$0.14)	(\$0.04)
EPS (FD)	(\$0.08)	(\$0.18)	(\$0.11)	(\$0.03)



Source: Bloomberg

Company Description

Intrinsyc Software International, Inc. is a mobility software and services company. The Company's principal business units are Mobile Software Products (MSP) and Mobile and Embedded Solutions (MES). The MSP group is responsible for the development of the *Soleus* feature phone operating system and the MES group provides systems integration services to handset manufacturers.

Investment Conclusion:

- *Intrinsyc's* Q3-06 results largely mirrored those of Q2-06 as the Company continues to leverage its core contract engineering business to build out its *Soleus* division. *Soleus*, which has yet to contribute revenue, will be the main growth driver for the Company and the catalyst for the shares going forward. We believe that moderate success in obtaining design-ins for *Soleus* could cause the share price to more than double. **We continue to recommend Intrinsyc as a SPECULATIVE BUY with a 12-month price target of \$1.75.**

Investment Opinion Definition	
STRONG BUY:	NSI expects the share price to appreciate 30% or more over the next 12 months.
BUY:	NSI expects the share price to appreciate 10% to 30% over the next 12 months.
HOLD:	NSI expects the share price to appreciate 10% or less over the next 12 months.
SELL:	NSI expects the share price to have a negative rate of return over the next 12 months.
SPECULATIVE BUY:	NSI expects the share price to appreciate substantially over the next 12 months, but with a high level of inherent risk.
<i>Note: Percentages are approximate and ratings are at the analyst's discretion.</i>	

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