

**TECHNOLOGY**

**Steven Li, CFA**  
 steven.li@raymondjames.ca  
 416.777.4918

**Nikhil Thadani (Associate)**  
 nikhil.thadani@raymondjames.ca  
 416.777.7042

**RATING & TARGET**

<b>RATING</b>	<b>OUTPERFORM 2 =</b>
Target Price (6-12 mths)	0.65 =
Closing Price	0.49
Total Return to Target	33%

**MARKET DATA**

Market Capitalization (\$mln)	79
Current Net Debt (\$mln)	(22)
Enterprise Value (\$mln)	57
Shares Outstanding (mln)	161
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	\$0.39 - \$1.30

**KEY FINANCIAL METRICS**

FY-Dec 31	2008E	2009E	2010E
EPS (C\$)	-0.12	-0.08	-0.04
P/E	n.m.	n.m.	n.m.
EPS - 1Q	-0.03	-0.03	n.a.
EPS - 2Q	-0.03	-0.02	n.a.
EPS - 3Q	-0.03	-0.01	n.a.
EPS - 4Q	-0.03	-0.02	n.a.
EBITDA	-18.8	-10.0	-3.6
EV/EBITDA	n.m.	n.m.	n.m.
Revenue (\$mln)	27.5	50.0	59.0
Yield (%)			

EBITDA in C\$ mln

**COMPANY DESCRIPTION**

Intrinsyc is a mobile software and engineering services company that provides systems integration for wireless handsets. The company has leveraged its expertise to develop a high-level operating system (HLOS) called Soleus, to enable handset manufacturers and telecommunications operators to deliver feature phones more rapidly, at a lower cost, and with customizable options and design.



All figures in C\$, unless otherwise noted.

Sources: Raymond James Ltd., ThomsonOne, CapIQ

# Intrinsyc Software International Inc.

ICS-TSX

## Closes Destinator Acquisition

### Event

Yesterday, Intrinsyc closed the acquisition of Destinator assets.

### Action

We are maintaining our \$0.65 target and OUTPERFORM rating.

### Analysis

The transaction (Intrinsyc paid \$16 mln with \$8.5 mln in cash) is closing as scheduled. We estimate Destinator will bring in an additional ~\$11.5 mln in software revenues annually and are adjusting our model accordingly. Destinator also brings: 1) **Customers**. Destinator customers include the likes of Motorola (MOT-NYSE), ASUSTeK (23571-TWO) and LG (LPL-NYSE); ASUSTeK and LG; 2) **Improved cross-selling and up-selling opportunities**. For example, silicon vendors are interested in Intrinsyc's Soleus with navigation applications. Intrinsyc no longer needs to license these applications from third parties; and 3) **A low cost development centre in China and an advanced R&D team in Israel and a portfolio of 17 patents granted and pending**. These enhance Intrinsyc's capabilities beyond Windows Mobile and accelerate implementing Soleus' road map. The transaction leaves Intrinsyc with \$22 mln in cash. As a result of the transaction we estimate that Intrinsyc's cash burn has now increased to about \$6 mln per quarter.

### Valuation

Intrinsyc trades at 1.2x C2009E revenues vs. comparables at 2.6x.

### CHANGES

FY-Dec-31	Revenue F2008E	Revenue F2009E	Revenue F2010E	EPS F2008E	EPS F2009E	EPS F2010E
OLD	21.7	37.5	47.4	-0.11	-0.03	0.01
NEW	27.5	50.0	59.0	-0.12	-0.08	-0.04

### Risks

Risk of design wins not translating into material revenue due to failed device launches. Heightened competition from competing OS providers. Exposure to currency fluctuations. Lumpiness inherent in Engineering services business.

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STRONG BUY 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. OUTPERFORM 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. MARKET PERFORM 3: the stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. UNDERPERFORM 4: the stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Some of the general risk factors that pertain to the projected 6-12 month stock price targets included with our research are as follows: i) changes in industry fundamentals with respect to customer demand or product/service pricing could adversely impact expected revenues and earnings, ii) issues relating to major competitors, customers, suppliers and new product expectations could change investor attitudes toward the sector or this stock, iii) unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation, or iv) external factors that affect global and/or regional economies, interest rates, exchange rates or major segments of the economy could alter investor confidence and investment prospects.

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Company	Symbol	Exchange	Disclosures
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