

July 2, 2008

## Intrinsyc Software International Inc. (ICS-T, \$0.54)

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**Rating:** SECTOR OUTPERFORM; 12-Month Target: \$1.50; Risk: SPECULATIVE

**Impact:** Positive

**Event:** Destinator Carve-Out Goes to Courts Week of July 7<sup>th</sup>

- Intrinsyc made the only qualified bid on the auctioned Destinator assets.
- Destinator will make motions in the State of Delaware and Province of Ontario courts during the week of July 7<sup>th</sup>, 2008, seeking vesting orders to approve the Intrinsyc offer.
- The closing of the Destinator asset carve-out is subject to certain conditions, we expect the transaction to close in mid-July, 2008. We believe Destinator could add \$8-10M in revenues to our FY2009 estimates, from customers like Microstar (MSI), Motorola, ASUSTeK, and LG Electronics.

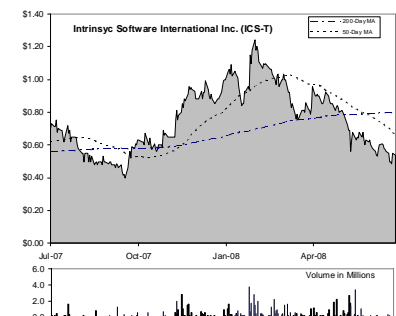
**Implications:** Positive; provides visibility on the Destinator asset carve-out. Destinator's mobile GPS technology represents an accretive opportunity for Intrinsyc, enabling synergistic contracts and royalties from existing and new customers.

**Valuation:** From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Mobility Software Universe based on our CY2009/CY2010 estimates ('09: EV/Sales: 1.3x versus 2.7x, '10: EV/Sales: 0.9x versus 2.3x). Our DCF based target is derived using a 7.2% discount rate and a terminal EV/Sales multiple of 3.0x. The situation should remedy itself throughout 2008 as the Company's customers start shipping Soleus-based devices. Our DCF-based target of \$1.50 yields a CY2009 valuation of 3.8x EV/Sales.

Last Research: June 27, 2008

Target Price	\$1.50	52-Week High / Low	\$1.30 / \$0.39
Current Price	\$0.54	Shares O/S	151 million (basic)
Return (incl. dist'n)	178%		180 million (F/D)
YTD Performance	-41%	Market Capitalization	\$81.5 million
Dividend / Yield	0.0%	Enterprise Value	\$46.3 million
		Daily Volume	
		(3 mo avg)	460K
Risk Profile:	Speculative	Currency	C\$ unless noted
Forecast Risk	High	Company Web Site	www.intrinsyc.com
Financial Risk	High	CEO	Glenda M. Dorchak
Valuation Risk	High		

### Price Performance



Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 3-5 of this report.





<b>Intrinsic Software International Inc.</b>	<b>Ticker</b> Shares O/S (M)	<b>ICS-T</b> 180.0	<b>Price</b> Market Cap. (\$M):	<b>\$0.54</b> \$81	<b>Rating: Sector Outperform</b> Target: \$1.50
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Alpha: Product delivery in Taiwan, China and EMEA will provide positive synergy and momentum to future licensing deals.

**Investment Highlights**

**Company Description** - Intrinsic is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices.

**Investment Brief** - The company's mobile software products, engineering services, and years of expertise help OEMs, service providers, and silicon providers deliver compelling wireless products with faster time-to-market and improved development cost. Intrinsic is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

**Catalysts** - Continued design wins, two have been announced so far, should drive royalty revs.

**Risks** - Handset mfrs and OEMs decide not to go with Windows CE platform; slow shipments delay royalty stream.

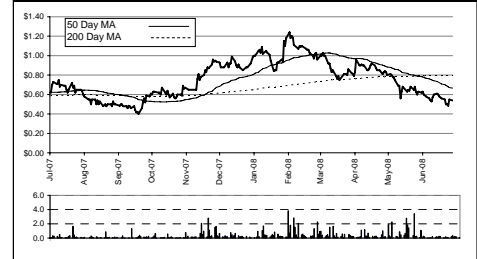
**Recent Financings:**

Equity Offering May 2007 - 33.3M @ \$0.60  
Past Equity Offering March 2006 - 24.2M @ \$0.90

**Management:**

Glenda Dorchak, Chairman & CEO; George Reznik, CFO; Randy Kath, CTO

**Intrinsic Software International Inc. - Chart**



**Financial Forecasts**

FY-end Dec-31	Annual					Quarterly				
	2006A	2007A	2008E	2009E	2010E	Q1/2008A	Q2/2008E	Q3/2008E	Q4/2008E	Q1/2009E
Revenues (\$mlns)	19.1	18.2	27.4	51.8	64.4	5.6	6.2	6.8	8.8	11.8
Rev. Growth %		-5%	50%	89%	24%		12%	9%	31%	33%
Consensus Revenue Est. (\$mlns)	0.0	19.5	23.7	45.2	56.4	4.9	5.4	5.8	5.8	7.4
3 months ago.	-	19.5	23.6	49.0	59.7	4.8	5.4	5.4	6.1	8.4
EBITDA (\$mlns)	(14.8)	(16.6)	(10.7)	(2.9)	8.4	(3.7)	(2.8)	(3.1)	(1.1)	(1.3)
EBITDA Growth %		-12%	36%	73%	390%		23%	-8%	64%	-20%
Consensus EBITDA Est. (\$mlns)	-	(14.2)	(14.4)	(3.9)	6.0	(3.6)	(3.7)	(3.7)	(3.5)	(2.7)
3 months ago.	-	(14.2)	(14.0)	(0.3)	9.9	(3.6)	(3.7)	(3.7)	(3.5)	(2.7)
EPS (FD) (\$)	(0.24)	(0.16)	(0.09)	(0.03)	0.06	(0.03)	(0.02)	(0.02)	(0.01)	(0.01)
EPS Growth %		35%	45%	69%	331%		23%	-6%	61%	-19%
Consensus EPS Est. (\$)	-	(0.17)	(0.10)	(0.04)	0.04	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)
3 months ago.	-	(0.17)	(0.10)	0.00	0.06	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)
CFPS (FD) (\$)	-	-	(0.08)	0.01	0.06	(0.04)	(0.01)	(0.02)	(0.01)	(0.01)
CFPS Growth %		n/m	n/m	117%	384%		73%	-125%	73%	13%
Consensus CFPS Est. (\$)	-	-	(0.08)	-	0.07	(0.02)	(0.01)	(0.02)	-	-
3 months ago.	-	-	(0.07)	0.02	0.08	(0.02)	(0.03)	-	-	-

\*All consensus numbers are from Capital IQ

**Valuation Metrics**

	2006	2007	2008	2009
EV/EBITDA - Current	NM	NM	NM	NM
Est. EV/EBITDA - Target				
EV/SALES - Current	1.9x	NM	2.5x	1.3x
Est. EV/SALES - Target				
Current, 1-Year, 2-Year				
DCF Target	\$1.33	\$1.55	\$1.65	

**Analyst Ratings: Capital IQ**

	Potential Upside
Average Target	\$1.16
Median Target	\$1.25
Sector Outperform	5
Sector Perform	0
Sector Underperform	0
# of Analysts	5

\*Source: CapitalIQ, Bloomberg

**Comparables**

Comparables	Stock Price		Pot. Return	EV/Sales			EBITDA Margin		P/E		EV/EBITDA	
	Today	Target		2008	2009	2010	2008	2009	2008	2009	2008	2009
Intrinsic Software International Inc.	0.54	1.50	178%	2.5x	1.3x	0.9x	-39%	-6%	NM	NM	NM	NM
Esmertec AG	10.00	9.50	-5%	4.5x	3.5x	3.1x	9%	14%	NM	NM	NM	24.8x
Access Company, Ltd.	204,000	381,667	87%	2.0x	1.7x	1.4x	6%	9%	NM	NM	NM	18.3x
Opera Software ASA	23.00	25.21	10%	5.0x	3.7x	2.9x	12%	18%	NM	NM	NM	20.7x
BSQUARE Corp.	4.83	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Smith Micro Software Inc.	5.63	13.79	145%	1.4x	1.2x	1.1x	16%	22%	8.9x	6.8x	8.9x	5.4x
Infrared Inc.	14,100	27,000	91%	3.7x	3.1x	2.7x	34%	42%	15.8x	10.0x	11.0x	7.3x
Acrodea Inc.	254,000	425,000	67%	NM	3.0x	2.4x	NM	0%	NM	NM	NM	NM
Average				3.3x	2.7x	2.3x	16%	18%	12.3x	24.3x	10.0x	15.3x

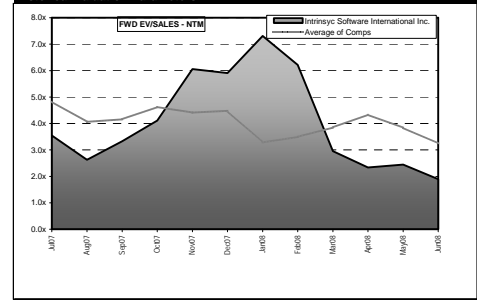
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**Historical Valuation Parameters**

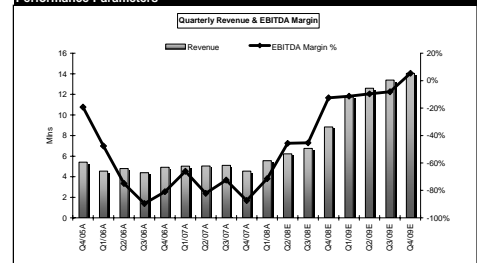
3-Yr Avg.	EV/EBITDA		P/CF		EBITDA Growth		EPS Growth		Sales Growth		Returns %	
	NTM	TTM	2008	2009	2008	2009	2008	2009	2008	2009	Last 3m/1	YTD
Intrinsic Software International Inc.	NM	NM	NM	NM	-36%	-73%	45%	69%	50%	89%	-32%	-41%
Esmertec AG	NM	NM	NM	29.4x	196%	95%	92%	151%	24%	29%	24%	-9%
Access Company, Ltd.	26.4x	27.2x	37.7x	30.4x	-32%	71%	102%	NM	4%	14%	-41%	-60%
Opera Software ASA	NM	NM	49.8x	28.8x	229%	93%	232%	88%	45%	36%	46%	78%
BSQUARE Corp.	NM	1.1x	NM	NM	NM	NM	NM	NM	NM	NM	18%	-29%
Smith Micro Software Inc.	14.5x	NM	NM	NM	120%	63%	NM	29%	37%	20%	-20%	-34%
Infrared Inc.	14.1x	NM	12.2x	8.2x	64%	52%	64%	57%	41%	21%	-8%	-12%
Acrodea Inc.	27.5x	22.3x	NM	14.1x	NM	NM	NM	NM	NM	NM	-53%	-26%
Average	20.6x	16.9x	33.2x	22.2x	115%	75%	123%	81%	30%	24%	-5%	-13%

\*All consensus numbers are from Capital IQ

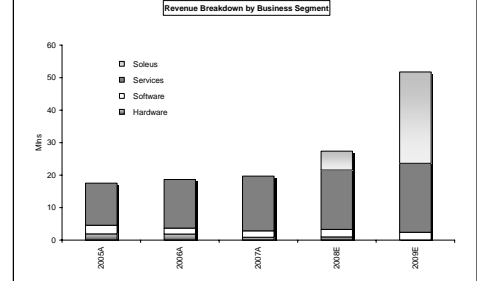
**Historical Valuation Parameters**



**Performance Parameters**



**Revenue Breakdown by Business Segment**



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Intrinsic Software					
Discounted Cash Flow Analysis (FY-End Dec. US\$)	2007	2008	2009	2010	2011
Modeled Units Shipped	25,000	1550,000	7,500,000	10,000,000	11,250,000
Revenue (\$)	19,705,794	27,377,081	51,763,756	64,444,606	74,262,316
Revenue growth	6%	39%	89%	24%	15%
EBITDA (\$)	(14,455,074)	(10,703,351)	(2,881,660)	8,353,426	15,058,481
EBITDA Margin	-73%	-39%	-6%	13%	20%
Amortization (\$)	82,1282	669,448	577,414	654,752	706,10
EBIT (\$)	(15,276,356)	(11,372,799)	(3,459,074)	7,698,674	14,352,371
NOPAT [ EBIT * (1 - effective tax rate) ]	(15,565,689)	(11,417,792)	(3,459,074)	7,698,674	14,352,371
Plus Amortization (\$)	82,1282	669,448	577,414	654,752	706,10
Less Capital Expenditures (\$)	(575,046)	(682,879)	(828,220)	(773,299)	(891,148)
Capital Intensity	0	0	0	0	0
Net Working Capital Changes	471,143	(659,396)	3,429,236	(1,359,564)	(439,710)
Terminal Value		269,314,965	269,314,965	269,314,965	
Equity Value		239,657,303	278,127,204	297,688,984	
DCF Value		133	155	165	

Source: Haywood Securities Inc., Company Reports, Target, Return and Forecasts are Consensus Based Using Capital IQ.

Source: Haywood Securities





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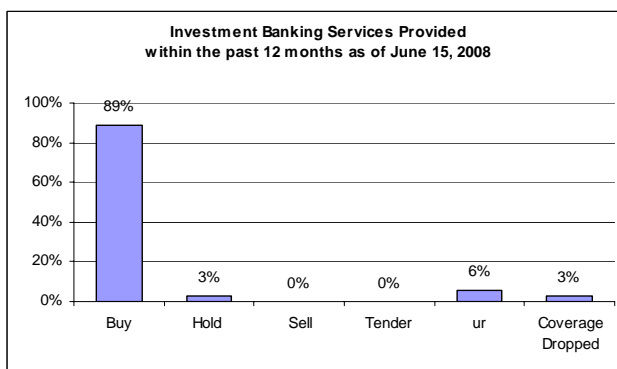
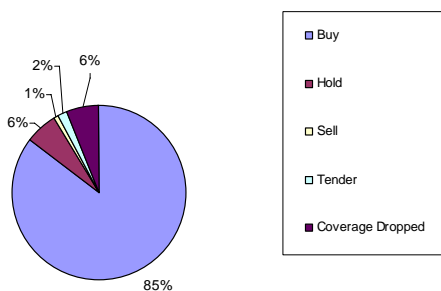
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