

# THE WAKE UP CALL

# Software, Electronic Commerce

#### February 15, 2002

58.000

\$3.34-\$1.12

37.0 million

\$93 million

36.4 million

\$91 million

November 2000

None

Previous Day's Volume

12-Month High-Low

Shares Outstanding

Market Capitalization

Index Member

Full Report Issued

Float Float Value

## INTRINSYC SOFTWARE INC. (ICS \$2.51, TSE)

Recommendation:	2-BUY
12-Month Target:	\$3.60

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### Company Signs \$5 million Deal – Largest Ever

**EVENT:** Intrinsyc Software (Intrinsyc) announced that it has signed a deal in excess of \$5 million with a North Americanbased health solution company for its Cerf-Pod reference design platform. The revenue will be realized over the next 12 months and is spread across software, hardware and service. Cerf-Pod is a developers kit for designing PDAs, web tablets, in-vehicle computers and point of sale devices.

**COMMENT:** We view this deal as a positive step for the firm's entrance into the healthcare vertical. We estimate that the margins in this deal would be lower than recently reported margins given the hardware component. We have forecast strong revenue growth for 2002 and 2003, at 51% and 63%, respectively. In a recent report issued by IDC, US Handheld adoption within the healthcare industry is forecast to grow from 575,000 users in 2001 to 2.2 million by 2005, representing a compound annual growth rate of 39.8%. The Intrinsyc contract demonstrates the trend toward the use of handheld devices in the healthcare vertical.

**CONCLUSION:** We may adjust our gross margin estimates going forward depending on how and when revenue is recognized over the upcoming quarters. We are maintaining our 2-Buy Recommendation and \$3.60 target on Intrinsyc.

Intrinsyc Software Inc. Selected Summary				
	Year-end August 31			
	2000	2001	2002E	2003E
Revenue (mm) Price / revenue	\$3.0	10.9	16.5 6x	27.0 3x
Earnings (loss) per share	(0.16)	(0.12)	0.00	0.10
P/E			N/A	25x

Intrinsyc develops and markets advanced networking software for embedded devices and enterprise development software.

Yorkton Securities has acted as agent for financing of or financial advisor to Intrinsyc Software within the past three years. Yorkton Securities Inc. holds options or compensation shares related to Intrinsyc Software.

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