



# THE WAKE UP CALL

## Software, Electronic Commerce

March 14, 2002

### INTRINSYC SOFTWARE INC. (ICS \$2.52, TSE)

Recommendation: **2-BUY (unchanged)**  
12-Month Target: **\$3.60 (unchanged)**

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|                       |                |
|-----------------------|----------------|
| Previous Day's Volume | 77,640         |
| 12-Month High-Low     | \$3.34- \$1.12 |
| Shares Outstanding    | 37.0 million   |
| Market Capitalization | \$93 million   |
| Float                 | 36.4 million   |
| Float Value           | \$92 million   |
| Index Member          | None           |
| Full Report Issued    | November 2000  |

### ***New Distribution Relationship Signed with Avnet***

**EVENT:** Intrinsyc Software (Intrinsyc) announced that Avnet Applied Computing (AAC), an operating group of Avnet, Inc. (AVT, NYSE), will become an official distribution partner for Intrinsyc's products and services.

Avnet is a global electronics components distributor with a market capitalization of US\$3 billion and US\$9 billion in annualized sales. Avnet's AAC unit provides computing technology products, sub-systems and services globally to personal computer OEMs and systems integrators to accelerate product development. We note that AAC's success drives equipment sales for its parent company.

**COMMENT:** In addition to signing larger contracts, as Intrinsyc has demonstrated recently, the company must continue to add useful channel partners. Avnet represents the second major hardware distributor to come aboard as an Intrinsyc channel partner, the first being Pioneer Electronics. We believe that this could be a positive relationship for Intrinsyc as AAC's salespeople will be motivated to drive component sales by offering Intrinsyc solutions. Additionally, AAC salespeople will be compensated for any sales made of Intrinsyc's products. AAC has already delivered at least one client to Intrinsyc. The challenge for this and any distribution alliance is consistency and scale, and we will be in a better position to assess that as time passes.

**CONCLUSION:** We have a 2-Buy Recommendation and \$3.60 target on Intrinsyc.

|                              | Year-end August 31 |          |        |        |
|------------------------------|--------------------|----------|--------|--------|
|                              | 2000               | 2001     | 2002E  | 2003E  |
| Revenue (mm)                 | \$3.0              | \$10.9   | \$16.5 | \$27.0 |
| Price / revenue              |                    |          | 5.6x   | 3.4x   |
| Earnings (loss)<br>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.