

Intrinsyc Software Int'l Inc. (ICS-T, \$0.76)

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Rating: **SECTOR OUTPERFORM**
 Target Price: \$1.25
 Return: 64.5%
 YTD Performance: 26.7%
 Risk Profile: **SPECULATIVE**

Q. The Quanta Computer license deal continues momentum for the Soleus mobile platform. Expect more deals (at least one per quarter) as the potential of Soleus platform is realized.

Quanta Computer Licenses Soleus Platform

Event: Quanta Computer has entered into an agreement to license Intrinsyc's Soleus mobile handset platform.

Impact - Positive: The world's largest notebook original design manufacturer (ODM) selects Soleus as platform for handsets.

- **Forecasts** – Unchanged, model accounts for one software license agreement (SLA) per quarter.
- **Target Price, Ratings** – Our DCF-based target remains unchanged at \$1.25, with a SECTOR OUTPERFORM rating.

Issues:

- **Quanta enters license agreement to use Soleus platform**
 Choice of Soleus turnkey technology provides flexibility Quanta requires.
- **Intrinsyc's wireless engineering services to support development**
 Additional services contract increases confidence in timeline for shipments.
- **Handsets expected to be available Q3/08**
 Product availability increases revenue visibility in 2009.

Valuation: From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2008 target estimates (EV/Sales: 2.2x versus 3.6x). The situation should remedy itself throughout 2008 as the Company's customers start shipping devices with the Soleus platform integrated.

Catalysts: 1) *Software License Agreements* – More Soleus design wins expected throughout Asia; 2) *Engineering Agreements* – Additional service contracts supplement existing revenue.

Investment Brief: *Quanta Computer, a Fortune Global 500 company selects Intrinsyc's Soleus as platform of choice, expect momentum to continue with at least one design win announced per quarter.*

Forecast Risk **High**
 Financial Risk **High**
 Valuation Risk **High**

52-Week High / Low \$0.77/\$0.38
 Dividend / Yield 0.00%
 Shares O/S 120 (basic) / 149 (F/D)
 Market Capitalization \$91 M
 Daily Volume 163 K

Financial Forecasts			
FY-end Aug-31	2006A	2007E	2008E
Revenues (M)	19	20	23
EBITDA (M)	(14)	(15)	(13)
EPS (FD)	(0.24)	(0.14)	(0.11)
CFPS (FD)	(0.19)	(0.10)	(0.02)

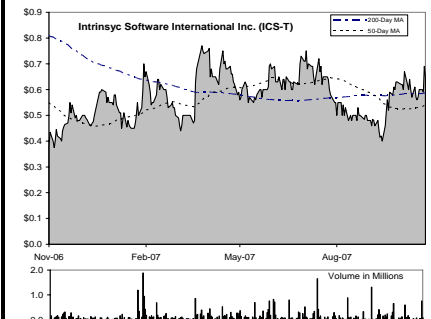
Valuation			
	2006A	2007E	2008E
P/E	NM	NM	NM
EV/SALES	3.2x	3.2x	7.5x
EV/EBITDA	NM	NM	NM
DCF	\$ 1.20	\$ 1.15	

Company Profile - www.intrinsyc.com
 Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Company CEO - Glenda M. Dorchak

Revisions, Date of Record
 Rating - Initiation.
 Target - Initiation.

Price Performance



Source: Bloomberg



Intrinsyc Software International Inc.
Rating: Sector Outperform
Target: \$1.25

Price: \$0.76
Market Cap. (\$M): \$91
Ticker: ICS-T

Company Description - Intrinsyc 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. Intrinsyc 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.

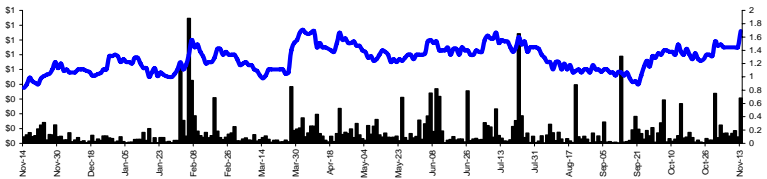
Financial Forecasts									
FY end Aug-31	2005A	2006A	2007E	2008E	2009E	Q3/2007A	Q4/2007A	Q1/2008E	Q2/2008E
Revenues (\$mlns)	18	19	20	23	47	5.1	4.5	7.2	5.5
Rev. Growth %	16%	6%	6%	17%	105%		-11%	59%	-24%
Consensus Revenue Est. (\$mlns)	-	20	25	46	59	4.3	4.8	5.3	5.9
3 months ago	-	-	20	26	47	4.4	4.9	5.5	6.1
EBITDA (\$mlns)	(4)	(14)	(15)	(13)	(6)	(3.7)	(3.9)	4.1	(3.1)
EBITDA Growth %	-146%	-259%	-7%	13%	53%		-4%	205%	-176%
Consensus EBITDA Est. (\$mlns)	-	(14)	(14)	(7)	6	(4.0)	(3.9)	(3.9)	(3.7)
3 months ago	-	-	(15)	(15)	(9)	(4.5)	(3.9)	(3.9)	(3.7)
EPS (FD) (\$)	(0.09)	(0.24)	(0.14)	(0.11)	(0.05)	(0.05)	(0.03)	(0.03)	(0.03)
EPS Growth %	-23%	-165%	42%	23%	49%		38%	-13%	23%
Consensus EPS Est. (\$)	-	(0.17)	(0.12)	(0.04)	0.04	(0.04)	(0.04)	(0.04)	(0.04)
3 months ago	-	-	(0.18)	(0.12)	(0.03)	(0.04)	(0.04)	(0.04)	(0.03)
Net Profit (\$mlns)	(5)	(16)	(17)	(13)	(7)	(4.4)	(4.1)	(4.1)	(3.1)
Net Profit Growth %	-61%	-229%	-4%	24%	49%		6%	0%	23%
Consensus Net Profit Est. (\$mlns)	-	(17)	(15)	(10)	5	(4.3)	(4.4)	(4.4)	(4.1)
3 months ago	-	-	(18)	(16)	(11)	(4.7)	(4.4)	(4.3)	(4.0)

*All consensus numbers are from Capital IQ.

Valuation Metrics	2005	2006	2007	2008
Trailing EV/EBITDA	5.0x	2.5x		
Est. Fwd EV/Sales	3.2x	3.2x	3.2x	1.6x
Trailing P/E	NM	NM		
Est. Fwd P/E		NM	NM	NM
Current, 1-Year, 2-Year				
DCF Target	\$1.20	\$1.15	\$1.32	

Analyst Ratings: Capital IQ	Potential Upside
Average Target	\$1.28 68%
Median Target	\$1.20 58%
Sector Outperform	4
Sector Perform	0
Sector Underperform	0
# of Analysts	4

Key Statistics	
Current Price	\$0.76
1-Yr. Expected Total Return	64.5%
52wk Hi / Lo	\$0.77 / \$0.38
Shares O/S (mlns)	
Basic	120
F.D.	149
Float	117
Options (2006 Fiscal Year-End)	
Avg. Strike / Basic	\$0.97 / 4.73 M
Warrants (2006 Fiscal Year-End)	
Avg. Strike / Basic	\$0.95 / 0.10 M
Dividend Yield	0.0%
Short Interest	0.0%
Short Interest % of Float	0.0%
Daily Volume (3-Mth. Avg. mlns)	0.16
Market Cap. (mlns)	91
Enterprise Value (mlns)	69
Cash (mlns)	21
Debt (mlns)	0
Net Cash / Share	\$0.18
Tang. Book Value / Share	\$0.19
Company CEO	Glenda M. Dorchak
Company Website	www.intrinsyc.com
Top Holders:	
1) Gruber & McBaine Cap.	4.18%
2) Sprott Asset Management	3.23%
3) Northwest Mutual	1.29%
Ownership:	
Management Control (Proxy/Bloomberg)	1.66 M / 1.39%
Last Financing:	
Equity Offering	May 2007 - 33.3M @ \$0.60
Prior Equity Offering	March 2006 - 24.2M @ \$0.90

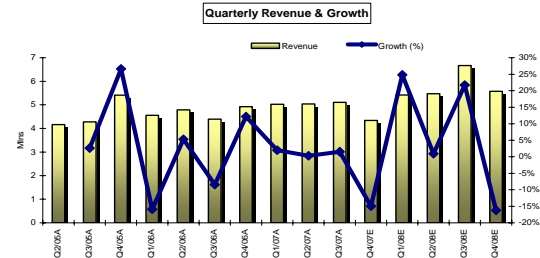
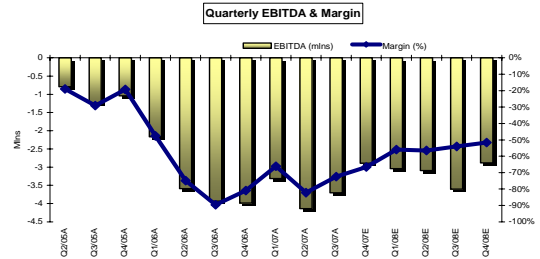
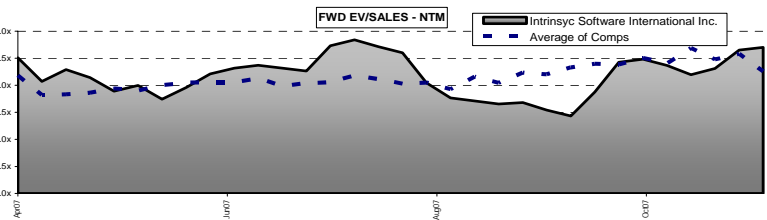


Comparables	Stock Price		PoI.	EV/EBITDA		EBITDA Margin		P/E		EV/Sales	
	Nov 13	Target		Return	2007	2008	2007	2008	2007	2008	2007
Intrinsyc Software Internation	0.76	1.25	64%	NM	NM	-70%	-55%	NM	NM	3.2x	3.2x
Research In Motion Ltd.	112.55	128.31	14%	39.8x	24.7x	31%	31%	61.4x	37.8x	12.3x	7.8x
Infowave Software Inc.	0.09	0.00	NM	NM	NM	NM	NM	NM	NM	NM	NM
Enghouse Systems Ltd.	7.38	8.73	20%	5.5x	NM	26%	NM	23.0x	NM	1.4x	NM
OceanLake Commerce Inc.	0.24	0.00	NM	NM	NM	NM	NM	NM	NM	NM	NM
Digital Dispatch Systems Inc.	2.70	2.25	-17%	18.1x	12.5x	6%	8%	NM	33.7x	1.1x	1.0x
AirIQ Inc.	0.10	0.27	184%	NM	4.2x	-12%	11%	NM	NM	0.4x	0.5x
Palm, Inc.	9.14	9.30	2%	3.3x	4.5x	5%	4%	22.3x	102.1x	0.2x	0.2x
Average				16.6x	11.4x	-2%	0%	35.6x	57.9x	3.1x	2.5x

*All consensus numbers are from Capital IQ.

Historical Multiple Averages	Returns %		EPS Growth		Sales Growth			
	3-Yr Avg.	NTM EV/EBITDA	Last 3mths.	YTD	2007	2008	2007	2008
Intrinsyc Software Internation	-3.1x	-8.3x	52%	23%	-42%	-23%	6%	17%
Research In Motion Ltd.	19.6x	28.5x	64%	128%	37%	130%	40%	89%
Infowave Software Inc.	NM	-1.9x	-59%	-84%	-64%	-84%	117%	NM
Enghouse Systems Ltd.	7.3x	7.1x	-2%	-8%	31%	-13%	11%	-3%
OceanLake Commerce Inc.	NM	-9.7x	-38%	-56%	5%	NM	NM	NM
Digital Dispatch Systems Inc.	9.2x	-5.1x	13%	5%	15%	-105%	-13%	-1%
AirIQ Inc.	-27.6x	-11.0x	-44%	-34%	-52%	-47%	1%	-30%
Palm, Inc.	7.8x	6.9x	-36%	-41%	-72%	-53%	9%	-1%
Average	2.2x	0.8x	-6%	-9%	-18%	-2%	24%	12%

*All consensus numbers are from Capital IQ.



Source: Haywood Securities





Investment Thesis

Intrinsyc Software operates primarily as two businesses: the wireless systems engineering group, and the mobility software business that has been responsible for the development of Soleus, a consumer software product for wireless and handheld devices since 2004.

Soleus is a comprehensive software platform (based on Windows CE) and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack, and sophisticated user interface-generation tools. Soleus' modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials. Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the biggest segment, and in 2006, contributed approximately 60% of the global sales (587 million units). We expect feature phones to continue to be 60% to 65% of global shipments going forward.

Quanta Computer Licenses Soleus Mobile Handset Platform

Intrinsyc Software announced that they have reached an agreement with Quanta Computers, the world's largest notebook computer original design manufacturer (ODM), to use Soleus as the platform for 3G/High-Speed Downlink Packet Access (HSDPA) mobile devices. The agreement is coupled with an engineering services agreement to employ Intrinsyc's wireless engineers in the development of the Quanta products. The products are expected to begin shipping in Q3/08.

Financially, the details were undisclosed. Our projections are unaffected by this agreement as we have accounted for one design win/software license agreement (SLA) per quarter. At this point of CY2007, Intrinsyc has signed four software license agreements for Soleus.

Quanta Computer is the world's largest notebook computer original design manufacturer (ODM) and a Fortune 500 company. They operate worldwide, and design products ranging from notebooks, home entertainment, mobile communication, automotive electronics, to enterprise network systems. Currently they have approximately 30% market share in the notebook computer market, and have a stated strategy of increasing their non-notebook PC business to approximately 25% of 2008 revenue. This is where Intrinsyc's Soleus fits in, as mobile phones based on Windows CE is one of their targeted growth areas.





Examples of Quanta Products



Source: Company website

Valuation

From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2008 target estimates (EV/Sales: 2.2x versus 3.6x). The situation should remedy itself throughout 2008 as the Company's customers start shipping devices with the Soleus platform integrated.

Haywood Global Software Universe

GLOBAL SOFTWARE	Ticker	Rating	Trdg Curr	Price 13-Nov-07	Consensus Target	Pot. Return	% of 52 week Low	High	Mkt. Cap. (US\$m)	Revenue (US\$m)	EPS (US\$)	P/E	EV/Sales	EV/EBITDA					
										CY07E	CY08E	CY07E	CY08E	CY07E	CY08E				
Microsoft Corporation	MSFT	NR	USD	34.46	39.84	16%	130%	92%	322,388	55,265	62,459	1.62	1.91	21.3	18.0	5.5	4.9	13.4	12.3
Oracle Corp.	ORCL	NR	USD	20.52	24.70	20%	128%	89%	105,089	20,103	22,489	1.13	1.30	18.2	15.8	5.2	4.6	11.7	10.2
SAP AG	SAP	NR	EUR	34.98	43.88	25%	107%	81%	61,036	14,954	16,512	2.33	2.69	21.7	18.8	3.8	3.5	12.9	11.4
VMware, Inc.	VMW	NR	USD	90.68	108.33	19%	189%	72%	34,725	1,329	2,039	0.79	1.14	NMF	NMF	NMF	NMF	NMF	NMF
Adobe Systems Inc.	ADBE	NR	USD	40.86	50.50	24%	110%	84%	23,445	3,131	3,526	1.59	1.81	25.7	22.6	6.9	6.1	17.3	15.5
Symantec Corporation	SYMC	NR	USD	17.53	23.34	33%	108%	80%	15,203	5,665	6,009	1.11	1.24	15.8	14.1	2.7	2.5	9.1	8.2
CA, Inc.	CA	NR	USD	25.40	28.79	13%	119%	89%	13,096	4,130	4,292	1.03	1.15	24.7	22.1	3.3	3.2	12.6	10.4
Autodesk Inc.	ADSK	NR	USD	47.99	52.11	9%	139%	94%	11,118	2,151	2,455	1.89	2.24	25.4	21.4	4.8	4.2	16.2	13.6
VeriSign Inc.	VERIS	NR	USD	33.15	33.93	2%	151%	94%	7,324	1,494	1,646	1.04	1.37	31.9	24.2	5.0	4.6	15.3	12.9
Dassault Systemes SA	ENXTPA:DSY	NR	EUR	39.15	47.58	22%	105%	78%	6,613	1,860	2,033	2.89	3.23	19.6	17.6	3.4	3.1	11.7	10.4
Citrix Systems, Inc.	CTXS	NR	USD	39.48	46.05	17%	151%	90%	7,490	1,373	1,615	1.53	1.62	25.8	24.4	4.9	4.2	17.7	15.6
Sage Group plc	LSE:SGE	NR	GBP	2.17	2.70	24%	102%	78%	5,889	2,467	2,618	0.29	0.33	15.5	13.6	2.8	2.7	10.8	9.9
BMC Software Inc.	BMC	NR	USD	33.27	38.00	14%	134%	90%	6,515	1,666	1,748	1.74	1.96	19.1	17.0	3.1	3.0	9.7	9.0
McAfee Inc.	MFE	NR	USD	37.01	42.14	14%	134%	89%	5,904	1,292	1,419	1.73	1.88	21.4	19.7	3.9	3.6	13.1	11.9
BEA Systems Inc.	BEAS	NR	USD	16.89	16.75	-1%	161%	89%	6,621	1,503	1,638	0.57	0.64	29.6	26.0	3.9	3.5	19.7	16.9
Salesforce.com	CRM	NR	USD	52.00	56.48	9%	146%	90%	6,074	737	1,018	0.10	0.29	NMF	NMF	7.8	5.7	NMF	NMF
Business Objects SA	BOBJ	NR	USD	60.54	56.22	-7%	180%	99%	5,915	1,495	1,703	1.95	2.35	31.0	25.8	3.8	3.3	19.1	15.9
Cognos Inc.	COGN	NR	USD	57.14	51.35	-10%	161%	99%	4,760	1,051	1,177	1.95	2.33	29.3	24.5	4.1	3.7	20.1	17.3
Autonomy Corp. plc	LSE:AU	NR	GBP	8.78	19.53	122%	179%	81%	3,868	707	984	0.79	1.14	23.1	16.0	NMF	8.1	NMF	21.0
Misys plc	LSE:MSY	NR	GBP	2.32	2.31	0%	118%	87%	2,324	1,415	1,090	0.27	0.27	17.8	17.8	1.9	2.4	13.0	13.5
Sybase, Inc.	SY	NR	USD	26.04	31.92	23%	119%	91%	2,335	1,017	1,084	1.65	1.84	15.8	14.2	2.1	1.9	7.1	6.6
Ansys, Inc.	ANSS	NR	USD	39.26	42.86	9%	183%	94%	3,073	379	436	1.24	1.43	31.7	27.5	7.9	6.9	18.0	16.0
Parametric Technology Corp.	PMTI	NR	USD	18.42	23.13	26%	118%	84%	2,116	959	1,036	1.03	1.15	17.9	16.0	1.9	1.8	10.4	7.7
Tibco Software Inc.	TIBX	NR	USD	7.57	8.83	17%	109%	72%	1,443	566	636	0.35	0.42	21.6	18.0	2.2	2.0	10.8	9.4
Lawson Software, Inc.	LWSN	NR	USD	10.02	12.93	29%	152%	88%	1,786	804	865	0.29	0.42	34.6	23.9	1.9	1.8	14.0	11.1
Informatica Corp.	INFA	NR	USD	16.49	18.40	12%	140%	95%	1,446	386	445	0.72	0.74	22.9	22.3	3.2	2.8	19.8	15.0
MicroStrategy Inc.	MSTR	NR	USD	106.22	108.33	2%	175%	80%	1,789	357	399	4.84	5.89	21.9	18.0	4.8	4.3	17.1	15.3
Open Text Corp.	OTEX	NR	USD	35.00	33.55	-4%	200%	96%	1,772	668	709	1.75	1.99	20.0	17.6	3.0	2.8	12.0	10.5
Concur Technologies, Inc.	CNCR	NR	USD	31.72	35.09	11%	221%	88%	1,358	143	204	0.37	0.51	NMF	NMF	NMF	6.6	NMF	NMF
Epicor Software Corp.	EPIC	NR	USD	11.04	15.33	39%	101%	71%	645	421	459	0.84	0.97	13.1	11.4	1.6	1.4	8.4	7.2
Manhattan Associates, Inc.	MANH	NR	USD	27.89	33.70	21%	119%	88%	713	341	372	1.33	1.51	21.0	18.5	1.9	1.7	10.9	9.3
MSC Software Corp.	MSCS	NR	USD	12.91	14.00	8%	113%	81%	569	238	255	-0.04	0.24	NMF	NMF	1.9	1.8	NMF	12.8
JDA Software Group Inc.	JDAS	NR	USD	21.59	27.00	25%	162%	85%	651	367	384	1.34	1.49	16.1	14.5	2.0	1.9	8.1	7.7
										130,434	145,754	Mean	22.5x	19.3x	3.7x	3.6x	13.6x	12.2x	
												Median	21.6x	18.0x	3.3x	3.3x	13.0x	11.6x	

Source: Haywood Securities, Capital IQ





Canada Technology – Small Cap Software and IT Services

CANADA TECHNOLOGY Small Cap - Software/Services		Ticker	Rating	Trdg Curr	Price 13-Nov-07	Consensus Target	Pot. Return	% of 52 week		Mkt. Cap. (US\$m)	Revenue (US\$m)		EPS (US\$)		P/E		EV/Sales		EV/EBITDA	
								Low	High		CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E
Absolute Software Corp.	TSX:ABT	NR	CAD	37.35	43.13	15%	537%	92%		877	30	51	-0.27	-0.22	NMF	NMF	28.1	16.5	NA	NA
Constellation Software Inc.	TSX:CSU	NR	CAD	24.00	27.16	13%	119%	86%		509	239	276	1.57	1.78	15.3	13.5	2.1	1.8	11.9	10.2
SXC Health Solutions, Corp.	TSX:SXC	NR	CAD	12.04	25.50	112%	101%	40%		251	96	113	0.65	0.85	18.5	14.2	1.8	1.6	7.7	5.7
Corel Corporation	TSX:CRE	NR	CAD	12.25	15.60	27%	114%	73%		332	0	0	0.00	0.00	NMF	NMF	NMF	NA	NA	NA
Intermap Technologies Corp.	TSX:IMP	NR	CAD	10.90	11.34	4%	216%	96%		477	31	35	-0.28	-0.27	NMF	NMF	14.2	12.7	NA	NA
Points International Ltd.	TSX:PTS	NR	CAD	2.42	2.88	19%	378%	99%		290	32	73	-0.03	0.02	NMF	NMF	8.7	3.8	389.1	41.8
Resolve Business Outsourcing Inc	TSX:RBO.UN	NR	CAD	8.15	9.25	13%	139%	86%		192	334	372	0.12	0.36	67.9	22.6	1.1	1.0	10.2	7.9
20-20 Technologies Inc.	TSX:TWT	NR	CAD	6.15	8.50	38%	132%	79%		116	73	0	0.28	0.00	22.0	NMF	1.1	NA	7.1	NA
Gemcom Software International	TSX:GCM	SO	CAD	2.19	3.25	48%	197%	91%		116	47	55	0.10	0.14	21.9	15.6	2.1	1.8	9.9	7.6
Immersive Media Corp.	CDNX:IMC	NR	CAD	1.80	4.00	122%	124%	31%		58	0	13	-0.14	-0.04	NMF	NMF	NMF	3.6	NA	NA
Matrikon Inc.	TSX:MTK	NR	CAD	2.50	3.67	47%	109%	67%		81	76	86	0.03	0.16	83.3	15.6	0.8	0.7	12.0	NA
MKS Inc.	TSX:MKX	NR	CAD	1.42	1.63	15%	108%	65%		77	57	61	0.04	0.00	35.5	NMF	1.1	1.1	43.2	14.5
Intrinsyc Software International	TSX:ICS	SO	CAD	0.76	1.25	64%	200%	99%		91	21	32	-0.16	-0.09	NMF	NMF	3.2	2.2	NA	NA
Brainhunter Inc.	TSX:BH	NR	CAD	0.64	NA	NA	142%	77%		28	0	0	0.00	0.00	NMF	NMF	NMF	NA	NA	NA
Grey Island Systems International	CDNX:GIS	NR	CAD	0.39	0.75	92%	115%	57%		35	0	0	0.01	0.00	39.0	NMF	1.3	NA	9.8	NA
iseemediia Inc.	CDNX:IEE	NR	CAD	0.48	1.20	150%	185%	51%		19	2	0	-0.12	0.00	NMF	NMF	10.9	NA	NA	NA
											1,039	1,167		Mean	37.9x	16.3x	5.9x	4.3x	55.6x	14.6x
												12.3%		Median	28.7x	15.6x	2.1x	1.8x	10.2x	9.0x

Source: Haywood Securities, Capital IQ





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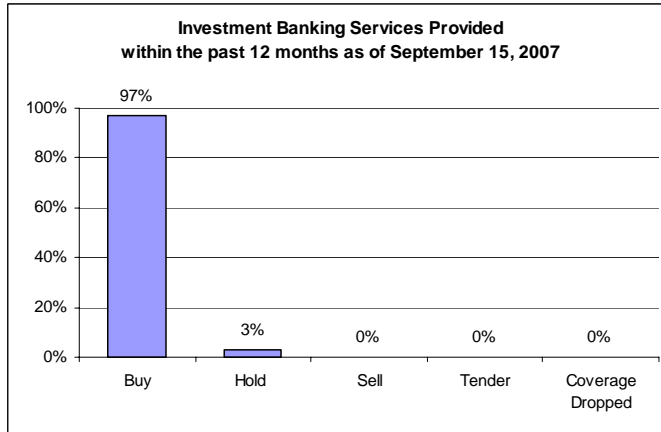
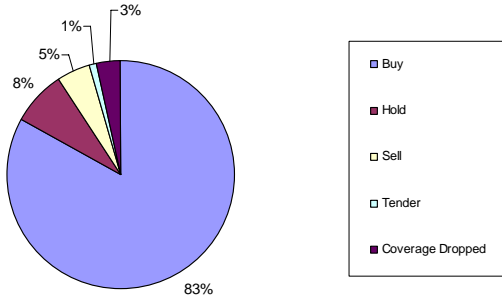




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