

TECHNOLOGY

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RATING & TARGET

RATING	OUTPERFORM 2 =
Target Price (6-12 mths)	1.00 =
Closing Price	0.63
Total Return to Target	59%

MARKET DATA

Market Capitalization (\$mln)	94
Current Net Debt (\$mln)	(35)
Enterprise Value (\$mln)	58
Shares Outstanding (mln)	149
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	\$0.39 - \$1.30

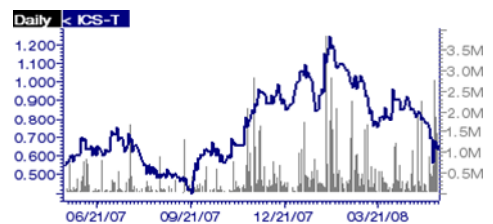
KEY FINANCIAL METRICS

FY-Dec 31	2008E	2009E	2010E
EPS (C\$)	-0.11	-0.03	0.01
P/E	n.m.	n.m.	n.m.
EPS - 1Q	-0.03	-0.02	-0.01
EPS - 2Q	-0.03	-0.01	0.00
EPS - 3Q	-0.03	0.00	0.01
EPS - 4Q	-0.02	-0.01	0.00
EBITDA	-16.2	-4.8	1.7
EV/EBITDA	n.m.	n.m.	n.m.
Revenue (\$mln)	21.7	37.5	47.4
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

Plans to Acquire Destinator Assets

Event

Intrinsyc yesterday announced plans to acquire certain Destinator Technologies' assets. Destinator is a provider of navigation software for devices/handsets. The acquisition is subject to court administered restructuring proceedings in Canada and the US. If approved the transaction would be worth around \$16 mln and is expected to close in July 2008.

Action

We reiterate our OUTPERFORM rating and \$1.00 target.

Analysis

We view the transaction positively but are not changing our estimates pending the outcome of the auction/approval process. The transaction structure (at most \$8.5 mln in cash) leaves Intrinsyc with another \$26.5 mln in cash for future acquisitions to fill out its product stack further. Benefits to Intrinsyc include: 1) Revenues and customers. Destinator's revenues are \$10+ mln/year and customers include the likes of Motorola and ASUSTeK; 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 3rd parties; 3) Intrinsyc immediately gains a low cost development centre in China and an advanced R&D team in Israel (would have cost Intrinsyc \$3 mln and 1 year lead time to build) and a portfolio of 17 patents granted and pending. These enhance Intrinsyc's capabilities beyond Windows Mobile and accelerate implementing Soleus' road map; and 4) Intrinsyc is not assuming Destinator's financial liabilities outside of the Chinese and Israeli operations which reduces some of the financial risk.

Valuation

Intrinsyc currently trades at 1.6x C2009E revenues. Comparable mobile software companies trade at 2.2x C2009E revenues.

Overview

Yesterday Intrinsic announced that it was bidding on certain assets of Destinator Technologies as part of the court administered restructuring of Destinator and its affiliates in Canada and the US. If Intrinsic's auction bid is successful it will pay \$8.5 mln in cash or assume liabilities of Destinator and issue 11 mln Intrinsic shares from treasury (subject to a six month lock-up period) for acquired assets. The transaction is structured to minimize costs and contingent liabilities. Intrinsic is retaining Destinator's product management and development teams but not the executive leadership.

While Destinator's revenues have averaged ~\$25 mln/year for the past 3 years we note that ~\$10 mln are software revenues (similar to what Intrinsic is targeting with Soleus). The rest are passed through mapping data revenues. The development centre in China employs ~80 highly qualified engineers who possess expertise in platforms such as Symbian, Linux and Microsoft technologies who can accelerate the evolution of the Soleus platform. The team in Israel employs ~20 highly qualified scientists with advanced GPS R&D and architecture skills. The Destinator sales team has deep experience in branded OEM customer sales and support, and the IP portfolio consists of 17 patents granted and pending which include advanced route calculation and map rendering. With these assets, Intrinsic improves on its ability to execute on its Soleus based strategy by growing platform capabilities, increasing its market opportunity and strengthening its core development team. We reiterate our OUTPERFORM rating and \$1.00 target.

Exhibit 1: Comparables

Intrinsic Software

Company	Ticker Symbol	FYE	Price 20-May-08	Mkt. Cap. (\$ mlns)	EV/Sales			EV/EBITDA			P/E		
					C07A	C08E	C09E	C07A	C08E	C09E	C07A	C08E	C09E
Mobile Software													
Access	4813-JP	Jul	JPY 300	JPY 117	n.a.	2.7x	2.3x	n.a.	31.4x	19.5x	n.a.	100+	58.9x
BSQUARE Corporation	BSQR-O	Dec	\$4.90	\$50	0.7x	n.a.	n.a.	n.a.	n.a.	n.a.	18.1x	n.a.	n.a.
Esmertec	ESMN-SWX	Dec	SFr. 9.05	SFr. 154	4.1x	2.5x	2.1x	n.m.	10.3x	7.1x	n.m.	36.7x	14.5x
Opera Software	OPERA-OS	Dec	NOK 16	NOK 1,946	4.7x	3.4x	2.5x	85.1x	29.0x	15.0x	100+	45.7x	25.5x
Trolltech	TROLL-OS	Dec	NOK 16	NOK 843	3.4x	2.5x	1.9x	n.m.	32.4x	10.4x	n.m.	100+	25.1x
Wind River Systems	WIND-Q	Jan	\$8.27	\$723	1.7x	1.3x	1.2x	18.4x	11.7x	7.6x	25.1x	18.6x	15.2x
Red Hat	RHT-N	Feb	\$23.58	\$5,196	n.a.	7.0x	5.6x	n.a.	27.0x	20.4x	n.a.	30.2x	25.8x
Group Average (exc High/Low)					3.0x	2.8x	2.2x	n.a.	24.8x	13.1x	n.a.	33.5x	22.9x
Intrinsic Software	ICS-T	Dec	\$0.63	\$94	2.9x	2.7x	1.6x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Raymond James Ltd.

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.

Analyst Certification

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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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Company	Symbol	Exchange	Disclosures
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