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At the Opening
July 10, 2008

Intrinsyc Software Inc.^{1,7}

BUY

ICS C\$0.49

Target: C\$1.25

What's Changed

	New	Old
Recommendation	nc	BUY
Target	nc	C\$1.25
Revenue 2007A (mm)	nc	\$17.6
Revenue 2008E (mm)	\$27.7	\$22.2
Revenue 2009E (mm)	\$51.0	\$39.0
EPS 2007A	nc	(\$0.16)
EPS 2008E	(\$0.13)	(\$0.11)
EPS 2009E	(\$0.08)	(\$0.03)

Share Data

Shares – mm (basic/f.d.)	161.9/161.9
52-week high/low	C\$1.30/C\$0.39
Market capitalization (mm)	\$78
Enterprise value (mm)	\$52
Cash (mm)	\$26.7
Total projected return	155%

Financial Data

YE Dec. 31	07A	08E	09E
Revenue (mm)	\$17.6	\$27.7	\$51.0
EV/Revenue	2.9x	1.9x	1.0x
EPS	(\$0.16)	(\$0.13)	(\$0.08)
P/E	nm	nm	nm
EBITDA (mm)	(\$13.5)	(\$18.9)	(\$10.1)

Note: All figures in US\$ unless otherwise stated.

Note: F07 has Aug YE; all others reflect Dec YE

Resuming coverage subsequent to Destinator acquisition; attention continues to focus on Soleus

- We are resuming research coverage subsequent to completion of the Destinator acquisition
- Acquisition immediately expands ICS's software business adding navigation software, and boosts its development capabilities in lower-cost region
- ICS provided 2008 revenue guidance of \$26-29 mm and overall gross margins of 49-55% reflecting a more favorable mix and transition towards software
- Investment thesis continues to focus on Soleus, for which developments are tracking to plan
- Maintaining BUY rating and target price of \$1.25

RESUMING RESEARCH COVERAGE SUBSEQUENT TO DESTINATOR ACQUISITION

Event: We are resuming coverage of Intrinsyc Software ("Intrinsyc") subsequent to the acquisition of Destinator Technologies ("Destinator"), which was announced on May 20, 2008. Yesterday after the market close, Intrinsyc announced the closing of the Destinator transaction. The purchase price is approximately US\$16 mm, which was comprised of C\$8.5 mm in cash and the issuance of 11 mm common shares. Intrinsyc will start to generate revenue from Destinator products beginning July 10, 2008.

Impact: Positive. We believe the acquisition of Destinator's assets makes strategic sense for Intrinsyc as it provides the following benefits: 1) access to a high-calibre development team in China at a low cost to support the development of new Soleus products; 2) the addition of navigation software (which is growing in popularity and increasingly being demanded by Soleus customers) to its mobile software offering; and 3) immediate revenue contribution from recognized handset makers (i.e., Motorola, LG, AsusTek) that could potentially become future Soleus customers.

Our attention continues to center around Intrinsyc's ability to transition from an engineering services business to a higher-margin, more scalable royalty-based mobile software company. During the

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See important disclosures at end of this report.

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conference call, management reiterated its ability to announce three new design wins by the end of this year and indicated that existing Soleus devices are tracking to plan to launch during H2/08.

DESTINATOR TRANSACTION DETAILS

On May 20, 2008, Intrinsic announced that it will purchase certain Destinator assets at distressed prices as a result of Destinator's filing for bankruptcy. Specifically, the assets acquired included:

- an 80-person wireless software development center in Beijing, China;
- a 25-person development center in Herzliya, Israel;
- navigation and wireless software products; and
- 17 patents granted or pending.

The transaction closed with a purchase price of approximately US\$16.0 mm, of which C\$8.5 mm was in cash (or assumption of liabilities pertaining to the China and Israel subsidiaries) and C\$7.5 mm was in stock (11 mm shares at C\$0.68 per share subject to a six-month lock-up agreement). Management indicated that the purchase price reflects a revenue multiple of roughly 1.4x based on Destinator's historical net revenue (excluding third-party pass through map data revenue).

We like this acquisition because Intrinsic acquired only the assets they wanted. More specifically, Intrinsic is not assuming Destinator's financial liabilities except those that pertain to the acquired subsidiaries in China and Israel. In addition, Intrinsic is not taking on Destinator's management nor the higher-cost European operation.

Since Intrinsic announced this acquisition, management has worked aggressively to ensure a seamless transition. Intrinsic has hired roughly 130 people from Destinator, which will be reporting into the senior executive team at Intrinsic and some of whom will relocate to one of Intrinsic's facilities.

WHO IS DESTINATOR TECHNOLOGIES?

Destinator is a navigation software provider headquartered in Toronto. The company's navigation software is instrumental in enabling navigation functionality such as routing and 3-D mapping on personal navigation devices (PNDs) and smartphones – two markets that are in a high-growth phase of their product lifecycle. Among Tier 1 vendors, Destinator is an exclusive provider of onboard GPS technology to Motorola, and also has supply contracts with ASUSTek and LG Electronics.

The Destinator software is compatible with all major operating systems such as Windows Mobile, WinCE, Symbian, and Linux. In addition, the software can be customized to work on any hardware vendor's platform, which provides a large addressable market for the software. To further capitalize on the opportunities in location-based services, Destinator has been developing core functionality to enable content delivery based on user's location, destination, and preferences, which coincides with what Intrinsic has been envisioning for Soleus.

FINANCIAL IMPACT

As a result of this transaction, we have made preliminary adjustments to our model. We will revisit our model with more detailed financial disclosure following the next quarterly conference call on August 12, 2008.

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For F2008, we expect revenue of \$27.7 mm (from \$22.2 mm) to reflect \$5.5 mm in incremental revenue for Destinator. On the bottom line, we expect a loss of (\$20.4 mm), or a loss of (\$0.13) per share. This compares to our previous loss estimate of (\$16.5) mm, or a loss of (\$0.11) per share. Our revised estimates are in line with management's guidance for \$26-29 mm in revenue and 49-55% in gross margin.

For F2009, we expect revenue of \$51.0 mm (from \$39 mm) to reflect incremental revenue of \$12 mm for Destinator. On the bottom line, we expect a loss of (\$13.7 mm), or a loss per share of (\$0.08). This compares to our previous estimate of (\$4.5 mm), or a loss of (\$0.03) per share.

In addition to the incremental revenue for Destinator, the following highlights other changes made to our model:

- The addition of roughly \$13 mm per year in incremental operating expenses to reflect additional headcount from Destinator. According to historical financial statements from Destinator, operating expenses amounted to \$25.4 mm in its fiscal year ending Jan 2008. Intrinsyc believes it can cut operating expenses by at least half immediately.
- Integration expenses of \$1.5-\$2 mm over the next 12 months.
- We have estimated amortization expenses to be \$3 mm per year (we may need to adjust after next conference call).
- We have increased the share count by 11 mm to reflect the shares issued for the transaction.

HOW DOES THIS TRANSACTION BENEFIT INTRINSYC?

Development center in China accelerates Intrinsyc's development of Soleus 2.0

The addition of Destinator's wireless software development center in Beijing, China allows Intrinsyc to add a workforce of 80 highly skilled people in a low-cost environment, effectively increasing the development capacity for Soleus while lowering the R&D expense. Management estimates that the acquisition of this development center shaves approximately six months off the company's plans to expand its operations in China as it saves Intrinsyc from having to search for a suitable location and from having to recruit qualified personnel. We believe the time-savings and expanded development capability will help Intrinsyc maintain the company's momentum and hit an important product window to launch Soleus 2.0 by the end of C2008.

Navigation software added to its mobile software offering

Intrinsyc adds navigation software products to its mobile software offering, which is an application that is growing in popularity and increasingly being demanded by Soleus customers. Industry forecasts from Berg Insight predict 560 million handsets will be GPS-enabled and over 100 million mobile subscribers will use location-based services by 2012. Since Destinator software is compatible with all the major operating systems (i.e., Windows Mobile, Linux, Symbian), we expect the Destinator software to be sold as a stand-alone offering, and be integrated with Soleus as a bundled product making it more attractive to both handset and personal navigation device (PND) manufacturers.

Beyond the general statement that offering navigation functionality is becoming more of a requirement than an option, adding Destinator software to the Soleus offering should help Intrinsyc in two ways:



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- Intrinsic no longer needs to look at paying a third-party license fee to include navigation capability into Soleus devices. By adding Destinator's navigation software to its Soleus offering, we believe the company will be able to increase its software bill-of-materials component in a device.
- With built-in navigation software, Soleus will be more marketable as a package (particularly given rising demand for navigation and location-based services), which could result in a higher win-rate.

Intrinsic gains access to an \$11 mm+ existing revenue stream

Destinator has averaged revenue between \$25-\$30 mm per annum. Excluding the third-party pass through map data revenue, we estimate the incremental revenue contribution for Intrinsic will be more than \$11 mm (based on the revenue multiple and purchase price) with gross margins of 75%-80%. As a result, Intrinsic expects software revenues (including Soleus, Destinator, and a minor component of legacy software) to represent 32-37% of overall revenue in 2008 (from just 10% in F2007), helping the company to accelerate its transition to a mobile software business model.

Opportunities for cross-selling

Destinator has a number of customers that Intrinsic's management believes to be prospective customers of Soleus, including Motorola, LG, and AsusTek. A look at the court filings reveals other notable customer names such as Acer, Sony Ericsson, HP, and "several Asian ODMs". A business executive has already been appointed to address these accounts. Working with these accounts will give Intrinsic insight on their future device requirements.

Similarly, some of Intrinsic's existing customers are interested in adding GPS functionality to Soleus-enabled devices. For example, we believe MSI is already using Destinator software in the 5608 device, which is expected to be launched imminently. Furthermore, because the Destinator software will be compatible with the major operating systems (i.e., Windows Mobile, Linux, Symbian), the software's large addressable market could be attractive to Intrinsic's silicon vendor customers.

Conclusion: Merging the two companies with complementary products and similar customer needs should drive cross-selling synergies, something that neither company could do alone.

SOLEUS UPDATE

Intrinsic currently has 6 design wins, including two silicon vendor wins. During the conference call, management reiterated its ability to announce four design wins for 2008, which implies that the company expects to announce three new wins between now and the end of the year. In addition, management indicated that the Soleus devices that were expected to launch in H2/08 are tracking to plan.

Mitac – Last month, Intrinsic announced the launch of the Mio Moov 380 PND (see Exhibit 1) as the first Soleus-based device to hit the market. This device is expected to be released in July 2008 with volume shipments to occur in Q4/08. The Mio Moov 380 is the lightest and slimmest PND on the market with expanded functionality such as desktop connectivity, touchscreen functionality, and route planning.

Mitac also has plans to launch 3G GPS products in H1/09 and given that Soleus now has an available 3G telephony stack, we believe the prospects that one of the devices could be based on the Soleus platform are high. Moreover, given Mitac's experience with the Soleus platform, we believe future product releases could be faster, which means faster ramp of Soleus royalty revenues.

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Exhibit 1: The Mio Moov 380 PND



Source: www.navigadget.com

MSI 5608 – The MSI 5608 device (pictured in Exhibit 2) has been in field trials since March and we expect initial shipments to start imminently. This product features mobile television and it was hoped that this product would be ready for the Olympics in Beijing.

Exhibit 2: MSI's 5608 Device



Source: www.windowsfordevices.com

Quanta – We believe the Quanta design win is Polymer Vision's Radius device (pictured in Exhibit 3), whereby Quanta will manufacture the device for Polymer Vision. The Radius device has a rollable display that folds up to be the size of a cell phone, and uses 3G connectivity to download material. This device is based on a Windows CE operating system, and we believe it is using Soleus including the 3G telephony stack. Based on our due diligence, this device will be launched in late Q3/08.

Exhibit 3: Polymer Vision's RADIUS



Source: www.polymervision.com

Silicon vendors – During the conference call, management indicated that existing Soleus design wins are tracking to plan. Samsung LSI's first Soleus-based device is expected to begin shipping by late 2008. Recall, silicon wins have the potential for high volumes as the software is marketed with a chipset that can be incorporated into multiple products. We are forecasting initial shipments to begin in Q4/08. Again, it is important to note that despite estimated timelines, actual results could vary depending on their customers' timelines. The other un-named silicon vendor appears to be on track with expectations to release a Soleus-based device in H2/F08.

RECENT INDUSTRY DEVELOPMENTS

WSJ reported that Google's cell phones (based on Android) are proceeding slower than planned

On June 23, 2008, the Wall Street Journal reported that Google's cell phones (based on the Android OS) are proceeding slower-than-planned. Initial expectations were to release devices by H2/08 but the article suggested that a more realistic scenario is to see a Google-powered phone in Q4/08 and into early 2009. Key issues cited in the article were challenges related to: 1) integrating the software into the cell phones; and 2) customizing the Android software and building custom user interfaces to meet carrier specifications.

In contrast, we note that Intrinsic's Soleus platform has been proven to work well. MSI was able to come out with a prototype of its 5608 device within 6 months of obtaining the Soleus license, and the product has been in field trials and will soon be ready for commercial launch. While it appears difficult to customize Android software and build custom user interfaces, recall, Soleus (based on a very familiar Windows platform) is easier. In addition, Soleus' tool chain, which we view as a competitive differentiator, makes it easier for handset developers to design cell phones, customize, and easily add features. In addition, while many software developers are waiting for Google's cell phones to gain more traction, we note that there are lots of Windows Mobile software available today, which can be easily ported to Soleus (i.e. 75-90% of the code is re-usable).

Nokia announces the purchase of remaining 52% interest in Symbian

On June 24, 2008, Nokia announced that it will purchase the remaining 52% interest of Symbian it did not already own for \$410 million, which we estimate values Symbian at roughly 2.3x based on last quarter annualized revenue.



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Nokia and partners to form the Symbian Foundation

Also on June 24, 2008, Nokia, Sony Ericsson, Motorola, and NTT DOCOMO announced their intent to unite the Symbian OS, S60, UIQ and MOAP to create one open mobile software platform, and will establish the Symbian Foundation together with partners including AT&T, LG Electronics, Samsung Electronics, STMicroelectronics, Texas Instruments and Vodafone.

The aim of the Symbian Foundation, a non-profit organization, is to make the mobile software platform available royalty-free to its members starting in Q1/09. Contributions from the Foundation partners through open collaboration should enhance the platform, which should be made available over the next two years.

Implications for Intrinsic

- In our view, the Foundation's plans to offer the OS royalty-free does not affect Soleus' business model as there will still be a need for third party licenses to provide value-added functionality. In its last conference call, Nokia said that although the Symbian OS itself will be open-source and the license would be free, many of the value-add options will still require a license from third parties. The true value to handset manufacturers is the higher level platform that provides much of the device's feature functionality, which also supports Intrinsic's decision to purchase Destinator. The key for investors to remember is that Soleus is not itself an operating system – it is a software layer that sits on top of the operating system, in this case WinCE. In addition, Soleus comes with a unique tool chain, which helps handset designers to easily build new designs. We believe the recent moves by Google and Nokia to create an open source mobile OS opens doors for Intrinsic longer term. To this end, we believe Intrinsic will port Soleus to support these OS, which would increase Soleus' addressable market.
- Symbian engineering services likely to increase – although engineering services is not the focal point of our investment thesis, as an experienced Symbian development center and as the only Symbian Competence Center based in North America, Intrinsic's engineering services business stands to benefit if more OEM manufacturers choose to use Symbian.
- Mounting pressure on Microsoft to react to Google and Nokia's recent moves – While Android and Symbian have gone the route of open-source to support flexibility and innovation, Windows Mobile, though it has a large developer community, is not flexible. With handset trends pointing towards greater customization requirements by operators, we believe there is mounting pressure for Microsoft to at least partner with a company like Intrinsic (who is already deeply familiar with Windows) to more aggressively address the demands of the consumer market. A partnership with Intrinsic would allow Microsoft to keep its Windows Mobile OS for higher-end smartphones, and market Soleus for mass market phones with lots of flexibility in designing innovative phones. Moreover, it would provide Microsoft with a competitive edge relative to Google and Nokia's efforts for an open source mobile platform because Microsoft's OS is tried and tested, is stable, has a large developer community, and has a broad range of third party applications. Soleus is ready today and has proven to help developers come out with new devices faster. In contrast, Google has had issues integrating the software into mobile phones, delaying product launches. And Nokia's Symbian Foundation will take time for it to get up and running (Q1/09) with the platform availability over the next two years.



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MAINTAINING BUY RATING AND TARGET PRICE OF C1.25

We are maintaining our BUY rating and target price of C\$1.25. Our target price is derived by using a sum-of-the-parts method valuing the different businesses. On a consolidated basis, this implies a target C2009 EV/S multiple of 3.5x. At current levels, we believe the shares are undervalued, trading at a C2009 EV/S of 0.9x, which is a discount to the group average of 2.8x.

Intrinsyc's share price has declined over 50% since the company completed its equity financing in February. Based on the growth opportunities ahead, continued traction on Soleus, and the ability to accelerate its mobile software offering with the addition of navigation software, we believe the shares represent an attractive entry point ahead of commercial launches of Soleus-based devices, and new design win announcements expected over the next several months.



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Income Statement (\$mm, except per share data)

Intrinsic Software	2004	2005	2006	2007	4mth stub	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	4mth stub	F1Q08	F2Q08E	F3Q08E	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E
Hardware revenue	2.7	1.9	1.9	0.9	0.6	1.2	0.1	0.0	0.4	0.3	0.1	0.1	0.6	0.6	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Software revenue - Enterprise Interop Solutions	3.1	2.7	1.8	1.8	0.4	1.3	0.5	0.0	0.4	0.4	0.4	0.5	0.4	0.5	0.3	0.3	0.2	0.2	0.2	0.1	0.1
Software revenue - Soleus/Destinator				0.2	0.1	7.8	31.4	51.4				0.1	0.1	0.2	0.2	3.2	4.2	5.4	6.9	8.8	10.2
Services revenue - Engineering services	9.4	12.9	14.9	16.8	4.1	17.5	19.0	20.6	4.2	4.3	4.5	3.8	4.1	4.3	4.3	4.4	4.5	4.6	4.7	4.8	4.9
Revenue	15.2	17.5	18.7	19.7	5.2	27.7	51.0	72.0	5.0	5.0	5.1	4.5	5.2	5.6	5.1	8.0	9.0	10.3	11.8	13.7	15.2
% Q/Q change					n/a	40.5%	84.1%	41.2%	2%	0%	1%	-11%	n/a	n/a	-8%	57%	12%	15%	14%	17%	11%
% YY change	9.3%	15.6%	6.4%	5.6%	n/a	40.5%	84.1%	41.2%	10%	5%	16%	-8%	n/a	n/a	n/a	n/a	n/a	85%	129%	71%	70%
Cost of sales	8.4	9.1	11.3	10.0	3.2	12.6	16.3	19.6	2.7	2.6	2.5	2.3	3.3	3.0	2.9	3.3	3.4	3.7	3.9	4.2	4.5
Gross profit	6.8	8.5	7.3	9.7	2.0	15.1	34.6	52.4	2.3	2.5	2.6	2.2	1.9	2.5	2.3	4.7	5.5	6.6	7.9	9.5	10.7
Gross margin %	44.6%	48.2%	39.3%	49.1%	39.0%	54.5%	68.0%	72.8%	46.1%	49.3%	51.8%	49.1%	36.4%	45.7%	44.4%	59.1%	61.8%	64.1%	66.8%	69.1%	70.4%
Administration	3.2	4.2	5.4	5.2	2.2	7.6	10.0	8.2	1.1	1.4	1.4	1.3	2.2	1.8	1.8	2.0	2.0	2.0	2.0	3.0	3.0
Marketing & sales	3.0	3.0	3.5	6.6	2.4	9.4	12.2	12.7	1.3	1.7	1.7	1.8	2.4	1.8	1.8	2.8	3.0	3.1	3.0	3.0	3.1
Research & development	1.7	4.0	11.0	12.0	3.3	14.0	18.0	18.3	3.0	3.3	3.0	2.8	3.3	2.5	2.5	4.5	4.5	4.5	4.5	4.5	4.5
Amortization	1.1	0.8	1.1	0.8	0.3	2.2	4.0	4.3	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.8	1.0	1.0	1.0	1.0	1.0
Stock-based compensation	0.6	0.8	0.9	0.7	0.2	1.2	1.5	1.9	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Restructuring/Integration costs	0.6	0.0	0.0	0.0	0.7	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.5	0.5	0.5	0.5	0.0	0.0
Technology Partnerships Canada Funding Investr	(0.2)	0.2	0.3	0.3	0.0	0.8	2.1	5.5	0.0	0.0	0.2	0.1	0.0	0.0	0.3	0.4	0.0	0.3	0.6	1.0	0.2
Earnings (loss) from operations	(3.3)	(4.6)	(14.7)	(15.9)	(7.0)	(21.1)	(14.1)	1.6	(3.5)	(4.4)	(3.9)	(4.2)	(7.1)	(4.2)	(4.7)	(6.5)	(5.7)	(5.1)	(4.1)	(3.5)	(1.4)
Foreign exchange (gain) loss	(0.0)	0.5	0.4	0.1	0.3	-0.2	0.0	0.0	(0.2)	(0.2)	0.5	0.1	0.3	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	(0.0)	(0.1)	(0.6)	(0.5)	(0.2)	-0.5	-0.4	-0.4	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accretion and amortization - long term debt	0.0	0.0	0.7	0.9	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense - long term debt	0.0	0.0	0.9	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income taxes	(3.2)	(5.0)	(16.3)	(16.7)	(7.1)	(20.4)	(13.7)	2.0	(4.2)	(4.1)	(4.3)	(4.1)	(7.2)	(3.8)	(4.6)	(6.4)	(5.6)	(5.0)	(4.0)	(3.4)	(1.3)
Income tax expense (recovery) - current	0.0	0.1	0.20	0.39	0.09	0.1	0.0	0.2	0.1	0.2	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income tax expense (recovery) - future	(0.1)	(0.1)	-0.07	-0.08	-0.04	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(3.1)	(5.0)	(16.4)	(17.0)	(7.2)	(20.4)	(13.7)	1.8	(4.3)	(4.2)	(4.4)	(4.1)	(7.3)	(3.9)	(4.6)	(6.4)	(5.6)	(5.0)	(4.0)	(3.4)	(1.3)
Basic EPS	(\$0.07)	(\$0.09)	(\$0.24)	(\$0.18)	(\$0.06)	(\$0.13)	(\$0.08)	\$0.01	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.03)	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.01)
FD EPS	(\$0.07)	(\$0.09)	(\$0.24)	(\$0.18)	(\$0.06)	(\$0.13)	(\$0.08)	\$0.01	(\$0.05)	(\$0.05)	(\$0.05)	(\$0.03)	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.01)
Weighted average basic shares outstanding	41.6	54.5	67.6	94.2	119.5	151.5	161.9	161.9	83.0	83.0	91.0	119.3	119.5	131.1	150.9	161.9	161.9	161.9	161.9	161.9	161.9
Weighted Average fully diluted shares outstanding	41.6	54.5	67.6	94.2	119.5	151.5	161.9	161.9	83.0	83.0	91.0	119.3	119.5	131.1	150.9	161.9	161.9	161.9	161.9	161.9	161.9
Depreciation and Amortization	1.1	0.8	1.8	1.7	0.3	2.2	4.0	4.3	1.1	0.2	0.2	0.2	0.3	0.2	0.2	0.8	1.0	1.0	1.0	1.0	0.3
EBITDA	(2.2)	(3.8)	(12.9)	(14.2)	(6.7)	(18.9)	(10.1)	5.9	(2.4)	(4.1)	(3.7)	(4.0)	(6.9)	(4.0)	(4.5)	(5.7)	(4.7)	(4.1)	(3.1)	(2.5)	(1.1)
Margin Analysis/Forecast Assumptions:																					
Engineering Services q/q change									2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-8.3%	-1.0%	-1.0%	2.1%	-1.0%	1.0%	1.0%
Mobile Products Group q/q change									8.0%	72.8%	15.1%	-11.3%	15.1%	50.0%	10.5%	1272.6%	30.7%	29.3%	28.6%	27.4%	16.2%
Q/Q revenue growth									2.0%	0.3%	1.5%	-11.3%	15.1%	6.4%	-7.6%	56.6%	11.5%	14.7%	14.5%	16.5%	10.8%
Engineering Services y/y change		15.6%	6.4%	4.8%	n/a	1.8%	-1.5%	5.1%	2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-8.3%	-1.0%	-1.0%	2.1%	-1.0%	1.0%	1.0%
Mobile Products Group y/y change					n/a	4891.8%	302.7%	63.8%							209.3%	3831.5%	2872.0%	2462.5%	2883.2%	176.8%	146.2%
YY revenue growth	9.3%	15.6%	6.4%	5.6%	n/a	40.5%	84.1%	41.2%	10.3%	5.1%	16.5%	-7.9%	4.0%	10.3%	0.4%	77.1%	71.6%	85.1%	129.4%	70.7%	69.6%
Gross margin %	44.6%	48.2%	39.3%	49.1%	39.0%	54.5%	68.0%	72.8%	46.1%	49.3%	51.8%	49.1%	36.4%	45.7%	44.4%	59.1%	61.8%	64.1%	66.8%	69.1%	70.4%
Administration (as % of sales)	20.9%	23.9%	29.0%	26.5%	41.4%	27.5%	19.6%	11.4%	22.4%	28.0%	27.7%	28.0%	41.4%	32.8%	35.9%	24.4%	22.2%	19.5%	17.1%	21.7%	19.6%
Marketing & sales	20.1%	17.2%	18.5%	33.4%	45.2%	33.9%	23.9%	17.6%	26.5%	33.7%	33.9%	40.3%	45.2%	32.9%	35.7%	34.2%	33.1%	29.9%	25.7%	22.2%	20.2%
Soleus Development	0.0%	17.4%	56.6%	60.6%	64.1%	50.7%	35.3%	25.4%	58.8%	65.5%	58.7%	59.5%	64.1%	45.8%	48.7%	56.0%	50.2%	43.8%	38.2%	32.8%	29.6%
Other R&D	0.0%	5.7%	2.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Research & development	11.1%	23.1%	58.8%	61.0%	64.1%	50.7%	35.3%	25.4%	59.3%	65.6%	57.8%	61.6%	64.1%	45.8%	48.7%	56.0%	50.2%	43.8%	38.2%	32.8%	29.6%
Operating expenses (as % of sales)	66.1%	74.6%	118.3%	130.0%	173.2%	130.6%	95.7%	70.6%	115.7%	135.7%	128.3%	141.4%	173.2%	120.9%	136.4%	139.5%	125.3%	113.6%	102.1%	94.5%	79.8%
EBITDA margin	-14.3%	-21.7%	-69.3%	-72.0%	-128.8%	-68.2%	-19.9%	8.2%	-47.6%	-82.2%	-72.5%	-87.4%	-131.3%	-71.4%	-87.8%	-70.7%	-52.7%	-40.0%	-26.7%	-18.0%	-7.4%
EBIT margin (excl. one-time items)	-21.5%	-26.4%	-79.0%	-80.9%	-134.2%	-76.1%	-27.7%	2.3%	-69.6%	-86.4%	-76.5%	-92.4%	-136.8%	-75.2%	-92.0%	-80.4%	-63.5%	-49.4%	-35.2%	-25.3%	-9.4%
Effective tax rate	4.2%	0.3%	-0.8%	-1.9%	-0.8%	-0.2%	0.0%	9.4%	-1.4%	-3.1%	-1.8%	-1.3%	-0.8%	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net margin	-20.4%	-28.4%	-87.9%	-86.3%	-137.1%	-73.7%	-26.9%	2.6%	-84.8%	-84.3%	-85.7%	-90.6%	-139.7%	-69.1%	-90.0%	-79.2%	-62.4%	-48.5%	-34.4%	-24.6%	-8.7%

Note: ICS changed its FYE to a calendar year, effective Jan08. As a result, ICS will report a 4-mth stub (Sept 1-Dec 31, 2007) on Mar 20/08.

Note: ICS is changing its reporting currency to US\$ (from C\$) effective Jan08. Prior to this date, figures are in C\$.

Note: Net loss for 4mth stub includes a restructuring charge of \$0.8 mln to reflect closure of UK operations.

Source: Company reports, GMP



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BUY. These stocks will have 15% or greater (small cap) or 10% or greater (large cap) total return potential.

HOLD. Small cap stocks ranked Hold will have a total return potential of 0% to 15%; large cap stocks ranked Hold will have a total return potential of 0 to 10%.

REDUCE. Companies ranked Reduce have a negative potential total return.

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