

Intrinsyc Software Inc. (CDNX - ICS \$5.30)

STRONG BUY

Target \$9.15

Intrinsyc Reports Another Record Quarter (Q4 2000) And Delivers on a Number of Strategic Objectives

52 Wk Rng	S/O (mm)	Mkt/Cap (mm)	Rev 2000A (mm)	Rev 2001E (mm)	Rev 2002E (mm)	P/Rev 2001E	P/Rev 2002E
\$0.80 - \$9.70	38.57	\$204.42	\$3.16	\$10.08	\$17.08	20x	12x

- Yesterday Intrinsyc reported its Q4 2000 results and held its quarterly conference call. The company reported revenues of \$1,320,946, representing a record quarter. Revenues grew 31% over Q3 2000 and 56% over Q4 1999. Total revenues for fiscal 2000 grew 41% from the previous year to \$3,166,423. Net loss for the quarter amounted to \$823,237 or \$0.04 per share. For the year, the company reported a per share loss of \$0.16.
- The quarter was highlighted by a number of key customer wins, the most notable of which included **Siemens Automation and Drive Group**, and **The Ford Motor Company**. Revenue growth during Q4 was driven largely by these two customers, as well as by the addition of fourteen new customers to Intrinsyc's rapidly growing customer base. Of the \$1.3 million in revenues, approximately 2/3 came from engineering services and 1/3 was recurring in nature, through run-time licensing and maintenance fees. In its quarterly conference call, the company pointed out that as of the end of fiscal 2000, no one customer represents more than 10% of total revenues.
- Sales & Marketing expense for Q4 dropped 15% from Q3 mainly as a result of fewer trade shows attended during the quarter. Research & Development costs increased by 71% from Q3 due to a significant commitment by the company to build its hardware reference capabilities and because of increased R & D staff hired during the quarter. The company reported deferred revenue of \$132,972. This is primarily composed of a deferral of customer maintenance/support fees over the term of licensing agreements.
- We are pleased with the results achieved by Intrinsyc throughout both Q4 and fiscal 2000. The company accomplished most of what it set out to do during this fiscal year. Specifically, it diversified its client base dramatically, strengthened its channel partnerships/alliances, and enhanced its market positioning through introducing innovative technologies such as its recent Linux-based solutions. During the past four quarters the greatest challenge facing Intrinsyc was managing the growth and execution phase of its business plan, and thus far it appears to be successfully handling this challenge. The company met our revenue forecast for the year, and should be able to meet our fiscal 2001 estimate of \$10 million, assuming it can sustain quarterly revenue growth in the range of 25 - 30 percent. We reiterate our **STRONG BUY** recommendation for Intrinsyc.

Loewen, Ondaatje, McCutcheon Limited has acted in an underwriting and/or financial advisory capacity for Intrinsyc Software Inc. within the past twelve months.



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