

INTRINSYC SOFTWARE INTERNATIONAL INC.

Equity Research | Technology

Ticker

Recommendation

12-month Target

Please see important disclosures at the end of this document

TSX: ICS
\$0.485

SPEC. BUY
(unchanged)

\$1.75
(unchanged)

With Tax-Loss Selling Over, Positive Catalysts Move To The Forefront

December 18, 2006

Market Data

52-week High-Low	\$1.49 -\$0.335
Shares Outstanding	
– Basic	83.0 million
– Fully diluted	108.2 million
Market Capitalization	\$40.2 million
Cash and Securities ¹	\$22.5 million
Total Debt ¹	\$8.0 million
Fiscal Year End	August 31
Major shareholders	Insiders: 1% Institutions: 6%

Financial Data

(000, except EPS)	FY05A	FY06A	FY07E
Revenue	\$17,539	\$23,355	\$28,870
Gross Margin	48%	39%	50%
Net Income	(\$4,980)	(16,393)	(\$11,640)
EPS – fully diluted	(\$0.09)	(\$0.24)	(\$0.11)

¹As at Aug 31, 2006

Investor Risk Tolerance Scale



Company Description

Intrinsyc Software International Inc. is a mobility software and services company. The Company's principal business units are the Customer Programs group and the Mobile Products Group. The Customer Programs team develops mobility solutions for a variety of operating systems. The Mobile Products Group is charged with bringing Soleus and other forward-looking opportunities to market.

Event

Positive near-term share-price catalysts are on the horizon.

Highlights

We are expecting the majority of announcements from Intrinsyc over the next few months to be around *Soleus*, the Company's high-level operating system for the feature-phone segment of the mobile handset market. Three distinct catalysts are possible between now and the middle of February. They are:

- 1. The official release of version 1.0 of Soleus.** This would indicate that the product has "left the lab" and is now considered worthy of being used in commercial products without further work. We expect this announcement any day now, as the company has been in beta test mode with several customers since last spring.
- 2. Following the release of Soleus 1.0, we expect that one or more customers will be announced for the product.** Since July, the Company has installed Intel veterans Glenda Dorchak (Chief Executive Officer) and Mark W. Johnston (Vice President and General Manager, Worldwide Sales and Technical Marketing) in senior positions. Their extensive relationships with potential customers should lead to customer announcements shortly after the product achieves production status.
- 3. A number of handset manufacturers should be showing products built on Soleus 1.0 at the 3GSM 2007 show in Barcelona (Feb 12-15, 2007).** We believe that the buzz from these demonstrations will position Intrinsyc as a significant partner to the handset industry.

Shipping of Handsets with *Soleus* should begin in early to mid 2007, with a major ramp up in the 2nd half of 2007.

Investment Conclusion

We continue to recommend Intrinsyc as a SPECULATIVE BUY with a 12-month target of \$1.75. The Company's *Soleus* project fills a clear need in the cell-phone handset market, and we expect that it will gain market traction in 2007.

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