

June 20, 2006

### INTRINSYC SOFTWARE INTERNATIONAL INC.

**TSX: ICS** **\$0.75**  
**Recommendation:** **SPECULATIVE BUY**  
**12-Month Target:** **\$1.75**

**Dennis dos Santos, P. Eng.**  
 (416) 644-8124 [ddossantos@northernsi.com](mailto:ddossantos@northernsi.com)  
**Massimo Voci, Associate**  
 (416) 644-8129 [mvoci@northernsi.com](mailto:mvoci@northernsi.com)

### Potential EMS/ODM Partners

#### Event:

- Analysis of potential EMS and ODM customers for *Soleus*.

#### Highlights:

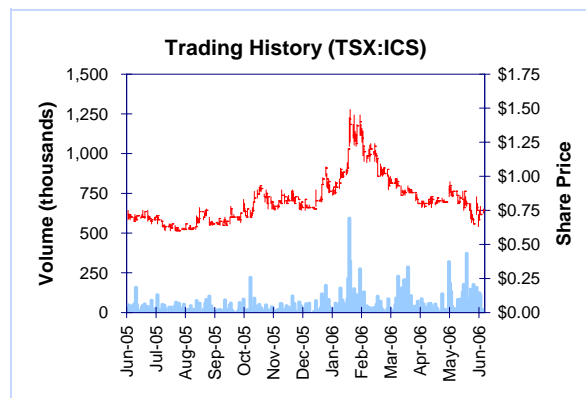
- Intrinsyc announced last week that Taiwan-based ODM Wistron was the first to license Intrinsyc's *Soleus* platform for the development of mobile phones.
- Table 1 (see page 2) outlines a list of major electronics manufacturing services companies (EMS) as well as original device manufacturers (ODM), such as Wistron. These companies represent one potential list of licensees for *Soleus*.
- Wistron is in the middle of the pack in size (measure by sales) with trailing 12 month sales of US\$5.1 billion and a market cap of US\$1.3 billion.
- The largest ODM in terms of market cap is High Tech Computer Corporation (HTC). HTC is familiar with the platform upon which *Soleus* is built, as it is an ODM of Windows CE and Windows mobile-based phones and PDA's. HTC's products are branded under and sold for the likes of T-Mobile, Orange, Vodafone, Dell, HP/Compaq and Fujitsu-Siemens, amongst others.
- Our model currently does not account for a new customer until the quarter ending February 28, 2007. Any new customer agreements prior to this would in our opinion be favorable, and would push forward the timetable for *Soleus* making an impact to Intrinsyc's operating results.

#### Investment Conclusion:

- Soleus*, which has yet to contribute revenue, will be the main growth driver for the Company and the catalyst for the shares going forward. We believe that moderate success in obtaining design-ins for *Soleus* could cause the share price to more than double. **We continue to recommend Intrinsyc as a SPECULATIVE BUY with a 12-month price target of \$1.75.**

52-week High-Low	\$1.49-\$0.60
Shares outstanding	
- Basic	83.0 million
- Fully diluted	106.0 million
Market capitalization	\$59.8 million
Fiscal Year End	August 31
Major shareholders	Management & Insiders: 5%

(millions, except EPS)	2005A	2006E	2007E	2008E
Revenue	\$17,539	\$19,989	\$28,870	\$47,824
Gross Margin	\$8,458	\$7,894	\$14,435	\$28,695
Gross Margin	48%	39%	50%	60%
EBITDA	(\$3,809)	(\$11,577)	(\$9,715)	(\$1,401)
Net Income	(\$4,980)	(\$13,819)	(\$11,640)	(\$3,002)
EPS (basic)	(\$0.09)	(\$0.21)	(\$0.14)	(\$0.04)
EPS (FD)	(\$0.08)	(\$0.18)	(\$0.11)	(\$0.03)



Source: Bloomberg

#### Company Description

Intrinsyc Software International, Inc. is a mobility software and services company. The Company's principal business units are Mobile Software Products (MSP) and Mobile and Embedded Solutions (MES). The MSP group is responsible for the development of the *Soleus* feature phone operating system and the MES group provides systems integration services to handset manufacturers.

**Table 1: EMS and ODM Companies, Adjusted to US\$ millions**

Symbol	Company	Market Cap	Trailing 12 Month		
			Sales	EBITDA	Net Income
<b>Electronic Manufacturing Services (EMS)</b>					
2317	Hon Hai Precision Industry	\$25,667	\$27,981	\$1,855	\$1,252
FLEX	Flextronics	5,861	15,500	842	141
ARW	Arrow Electronics	3,783	11,630	585	278
SANM	Sanmina-SCI Corp	2,387	11,127	418	-74
SLR	Solectron Corp	2,954	9,951	271	2
JBL	Jabil Circuit Inc.	5,434	8,694	538	276
CLS	Celestica Inc	1,998	8,254	282	-53
ELQAV	Elcoteq SE	375	3,449	123	31
BHE	Benchmark	1,465	2,399	132	90
PLXS	Plexus Corp	1,474	1,302	74	21
<b>Original Design Manufacturers</b>					
2382	Quanta Computer Inc.	\$5,040	\$14,706	\$628	\$335
AVT	Avtnet Inc.	2,929	13,467	495	193
2357	Asustek Computer Inc.	7,090	10,981	711	530
2324	Compal Electronics	3,460	8,147	426	258
2301	Lite-On Technology Corp.	3,997	6,982	408	268
2356	Inventec Co. Ltd.	1,421	6,099	112	100
2352	BenQ Corp.	1,567	5,425	-212	-160
<b>3231</b>	<b>Wistron Corp*</b>	<b>1,307</b>	<b>5,055</b>	<b>173</b>	<b>98</b>
2498	High Tech Computer Corp	8,447	2,245	394	362
2376	Gigabyte Technology Co Ltd.	408	1,422	60	42
ECS	ECS Holdings Ltd.	68	1,335	20	11
1304	USI Corp	213	1,300	39	21
3005	Mitac Technology Corp.	123	1,179	18	24
8101	Arima Communication	355	931	23	0
025930	Pantech Co. Ltd.	431	681	-16	-23

\*Soleus licensee as of June 12, 2006

Source: Bloomberg & NSI Estimates

### Investment Opinion Definition

<b>STRONG BUY:</b>	NSI expects the share price to appreciate 30% or more over the next 12 months.
<b>BUY:</b>	NSI expects the share price to appreciate 10% to 30% over the next 12 months.
<b>HOLD:</b>	NSI expects the share price to appreciate 10% or less over the next 12 months.
<b>SELL:</b>	NSI expects the share price to have a negative rate of return over the next 12 months.
<b>SPECULATIVE BUY:</b>	NSI expects the share price to appreciate substantially over the next 12 months, but with a high level of inherent risk.

*Note: Percentages are approximate and ratings are at the analyst's discretion.*

### Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst in this report.

### Dissemination of Research

Northern Securities Inc. endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients via email. Additional distribution may be done by sales personnel via email, fax or regular mail. Please contact your investment advisor or institutional salesperson for more information regarding Northern Securities' research.

### Material Disclosures

The analyst responsible for preparing this research report receives compensation that is based upon various factors, including investment banking revenues of Northern Securities Inc.

Northern Securities Inc. may receive or may seek compensation for investment banking services from all companies under research coverage within the next three months.