



Intrinsyc Software International Inc.

(ICS-T \$0.75)

Poor Results Overshadowed by Recent Design Wins

Financial Summary (all figures in C\$ unless otherwise noted)

(end-Dec)	Revenue (\$m)	Price/Revenue (x)	EPS (\$)	P/E (x)
FY07	19.7	6.6	(\$0.18)	NA
FY08e	20.3	6.5	(\$0.10)	NA
FY09e	34.5	3.8	(\$0.04)	NA
FY10e	55.0	2.4	\$0.05	17.1

- Intrinsyc announced 4 month stub period Q4 results of \$5.2m and a loss of \$7.3m or \$0.06 per share.
- The company continues to invest aggressively on its new Soleus cellphone software ahead of revenue generation.
- Royalty revenues from Soleus are expected to ramp in Q2 FY08.

Stub Period Q4 Results

Thursday night, Intrinsyc reported four month stub period Q4 revenues of \$5.2m and EPS loss of \$0.06. The Company reported a stub period to change switched its year end from August to December.

The vast majority of the Company's revenues came from its wireless design consulting business, with just \$0.14m of revenues from its flag ship Soleus product. Material royalty revenues from Soleus are expected in Q2 and could scale quickly with recent design wins like Samsung. Generally, the Company appears to be on track with our earlier assumptions and we are maintaining our estimates for FY08, FY09 and FY10. We are modelling \$20m in revenues (unchanged) with EPS of (\$0.10) (unchanged) for FY08, \$35m and (\$0.04) for FY09 (unchanged) and \$55m and \$0.05 for FY10.

Overall, the results are pretty poor but are also pretty meaningless given Soleus is still pre-revenues with significant development and marketing expenses. Some major design wins in the quarter should overshadow these results. We look for the stock to trade off new design wins going forward. As a result we are maintaining our Buy rating and our target price of \$2.00 based on 5x FY10 sales.

Stock Rating:

Buy

12-month target	\$2.00
Potential ROR	167%

Company Profile

Sector	Wireless
Ticker	ICS-T

Shares O/S (m)	156.0
Free Float (m)	155.0
Mkt cap (\$m)	117
Mkt float (\$m)	116
Free float (%)	99.4%
Next event	

Q1 Results
May 2008

Key Metrics

Cash/sh (\$)	0.08
Book Value/sh (\$)	0.18
Debt (\$ m)	Nil

Analyst

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Sales

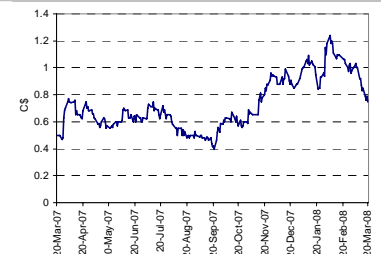
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ICS: 1-Year Price Chart



02/08/08 Initiating target price (\$2.00)

Source: Bloomberg, Paradigm Capital



Income Statement:

(in C\$ 000s) CAN GAAP Fiscal year end December 31st	Actual FY06	Actual FY07	Stub Dec-31	Estimate Mar-08	Estimate Jun-08	Estimate Sep-08	Estimate Dec-08	Estimate FY08	Estimate FY09	Estimate FY10
Revenue	18,658	19,706	5,221	4,500	5,000	5,250	5,500	20,250	34,500	55,000
Y/Y Change	6.4%	5.6%		-10.4%	-0.7%	2.7%	21.2%	2.8%	70.4%	59.4%
Q/Q Change				-0.8%	11.1%	5.0%	4.8%			
COGS	11,318	10,034	3,319	2,160	2,250	2,100	1,925	8,435	8,638	5,500
Gross Profit	7,340	9,672	1,902	2,340	2,750	3,150	3,575	11,815	25,863	49,500
Gross Margin	39.3%	49.1%	36.4%	52.0%	55.0%	60.0%	65.0%	58.3%	75.0%	90.0%
R&D	11,107	12,026	3,346	2,500	2,800	3,000	3,250	11,550	13,750	18,000
% of Revenue	59.5%	61.0%		55.6%	56.0%	57.1%	59.1%	57.0%	39.9%	32.7%
S,G&A	8,865	11,810	4,525	3,600	3,550	3,650	3,750	14,550	17,500	22,000
% of Revenue	47.5%	59.9%		80.0%	71.0%	69.5%	68.2%	71.9%	50.7%	40.0%
Operating Expenses	19,971	23,836	7,871	6,100	6,350	6,650	7,000	26,100	31,250	40,000
% of Revenue	107.0%	121.0%	150.8%	135.6%	127.0%	126.7%	127.3%	128.9%	90.6%	72.7%
Operating Income	-12,632	-14,164	-5,969	-3,760	-3,600	-3,500	-3,425	-14,285	-5,388	9,500
% of Revenue				-83.6%	-72.0%	-66.7%	-62.3%	-70.5%	-15.6%	17.3%
Interest Expense	692	609	-195	-375	-350	-325	-300	-1,350	-1,000	-800
Depreciation	1,471	821	284	223	275	300	325	1,123	1,335	1,600
Writedowns	1	0	659	0	0	0	0	0	0	0
FX Loss	428	126	289	0	0	0	0	0	0	0
Stock Based Compensation	915	669	230	204	204	204	204	818	800	1,000
Other Expense	124	294	0	0	125	125	135	0	0	0
Pretax Income	-14,920	-16,682	-7,237	-3,812.0	-3,854	-3,804	-3,789	-14,875	-6,523	7,700
% of Revenue	-80.0%	-84.7%	-138.6%	-84.7%	-77.1%	-72.5%	-68.9%	-73.5%	-18.9%	14.0%
Income Tax	131	316	58	0	0	0	0	0	0	0
Tax Rate	-0.9%	-1.9%	-0.8%	1.3%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	-16,394	-16,998	-7,294	-3,812	-3,854	-3,804	-3,789	-15,260	-6,651	7,700
				-84.7%	-77.1%	-72.5%	-68.9%	-75.4%	-19.3%	14.0%
Shares	67,618	94,182	119,493	152,593	152,718	152,843	152,968	152,781	153,256	154,000
Fully Diluted Shares	67,618	94,182	119,493	152,593	152,843	153,093	153,343	152,968	153,443	155,000
Proforma EPS (Ex Special Items)	(\$0.24)	(\$0.18)	(\$0.06)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.10)	(\$0.04)	\$0.05
	(\$0.24)	(\$0.18)	(\$0.06)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.10)	(\$0.04)	\$0.05
Y/Y Change	165.2%	-25.6%		-51.3%	-50.7%	-52.8%	-28.0%	-44.7%	-56.6%	-314.2%
Q/Q Change				-27.4%	1.0%	-1.4%	-0.5%			

Source: Paradigm Capital



Intrinsyc Software International Inc.					
March 20, 2008					
Balance Sheet	2004	2005	2006	2007	2007*
(in C\$ 000s)	Q4	Q4	Q4	Q4	Stub
Fiscal year end August 31st	Aug-04	Aug-05	Aug-06	Aug-07	Dec-07
Cash & Equivalents	4,601	7,318	22,487	19,629	12,048
Short-Term Investments	0	0	0	0	0
Accounts Receivable	4,329	3,910	3,790	3,081	3,564
Inventory	278	134	111	16	103
Prepaid Expenses	335	346	386	541	693
Total Current Assets	9,542	11,708	26,774	23,267	16,407
PP&E, Net	838	981	1,361	1,479	1,398
Goodwill	14,190	14,190	14,190	14,190	14,190
Intangible & Other	1,443	1,213	1,134	397	411
Total Assets	26,013	28,091	43,458	39,333	32,406
Accounts Payable	2,032	2,790	4,011	3,563	3,339
Income Tax Payable	95	263	219	423	244
Notes Payable	0	0	0	0	0
Deferred Revenue	646	837	543	703	1,164
Other	0	0	0	15	16
Total Current Liabilities	2,772	3,890	4,772	4,704	4,763
Other Long Term Liabilities	261	261	230	184	137
Note Payable	0	0	7,618	0	0
Total Long Term Liabilities	261	261	7,848	184	137
Total Liabilities	3,034	4,152	12,620	4,889	4,901
Total Equity	22,979	23,939	30,839	34,444	27,505
Total Liabilities & Equity	26,012	28,091	43,458	39,333	32,406

Source: Paradigm Capital



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Strong Buy – Analysts' top sector picks, with expected returns of 10% or more over the next 6-12 months. (1% of Paradigm's coverage list consists of Strong Buy recommendations).

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