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INTRINSYC SOFTWARE (ICS-T, C\$0.85)

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Announces a 5th Design Win for Soleus

Stock Price	\$0.85
= Stock Rating	OUTPERFORM 2
= 6-12 Month Target	\$1.15
Dividend Yield	N/A
Target Total Return	35%
Market Capitalization (mln)	\$102

	<u>EPS</u>	<u>P/E</u>
08/07A	-\$0.18	NM
= 12/08E	-\$0.12	NM
= 12/09E	-\$0.04	NM

Enterprise Value \$82

	<u>Sales</u>	<u>EV/S</u>
08/07A	\$19.7	4.2x
= 12/08E	\$24.6	3.3x
= 12/09E	\$40.2	2.0x

• 5th design win. Yesterday, Intrinsic announced a 5th design win for Soleus, its Windows CE-based operating system for mass market mobile phones. This is the first design win with a semiconductor company. The previous four design wins for Soleus have been with three Taiwanese ODMs, one of which has been disclosed as Quanta Computer. During its latest conference call (on Nov. 8/07), Intrinsic did provide some foreshadowing of potential deals with silicon vendors. Intrinsic's customer intends to bundle Soleus with its mobile application chipsets to provide a full high-level operating system (HLOS) solution. With the bundled solution, the silicon provider will enable handset manufacturers to achieve a faster time-to-market with their devices. As part of the deal, Intrinsic will also provide engineering services to the silicon vendor to assist in technology integration. Cellular semiconductor companies that have either partnered with Intrinsic or engaged the company for its engineering services in the past include Freescale, Marvell Technology, and Texas Instruments.

• A slightly different channel model from past design wins. Unlike past design wins, Intrinsic will have an indirect relationship with ODMs using this chipset solution, as the silicon vendor will effectively act as a reseller. As such, we believe that royalty payments could be lower relative to direct engagements with ODMs, but still view this as positive as it serves to expand Intrinsic's addressable market. We believe that the silicon vendor already has an initial ODM handset customer, and that volume sales of the chipset could begin in mid-to-late 2008.

• Additional design wins should provide support for the stock. This marks the 3rd consecutive week in which Intrinsic has announced a design win for Soleus. While we do not expect this pace to be sustained - management is only targeting one design win per quarter - we do expect additional design wins to be catalysts for the share price.

• Our view. We remain encouraged with Intrinsic's rate and number of design wins. This provides the platform with validation through the ability to reference an increasing number of customer engagements. We reiterate our OUTPERFORM rating and 6 to 12 month target price of \$1.15.

All figures in C\$ unless otherwise noted.

Note: Estimates reflect change in fiscal year-end from August to December as of F2008.

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Strong Buy 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.

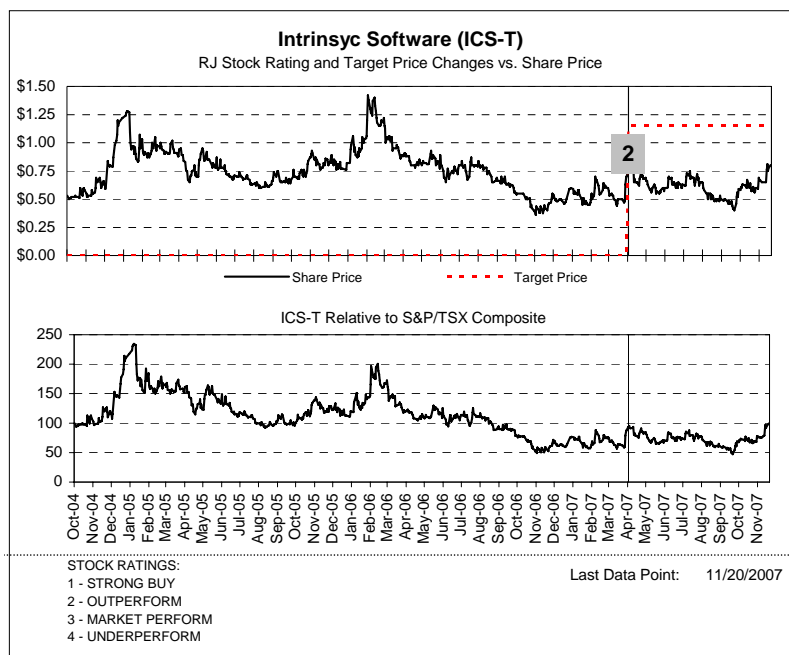
Outperform 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.

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