



THE WAKE UP CALL

Software, Electronic Commerce

February 15, 2002

INTRINSYC SOFTWARE INC. (ICS \$2.51, TSE)

Recommendation: **2-BUY**
12-Month Target: **\$3.60**

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Previous Day's Volume	58,000
12-Month High-Low	\$3.34- \$1.12
Shares Outstanding	37.0 million
Market Capitalization	\$93 million
Float	36.4 million
Float Value	\$91 million
Index Member	None
Full Report Issued	November 2000

Company Signs \$5 million Deal – Largest Ever

EVENT: Intrinsic Software (Intrinsic) announced that it has signed a deal in excess of \$5 million with a North American-based health solution company for its Cerf-Pod reference design platform. The revenue will be realized over the next 12 months and is spread across software, hardware and service. Cerf-Pod is a developers kit for designing PDAs, web tablets, in-vehicle computers and point of sale devices.

COMMENT: We view this deal as a positive step for the firm's entrance into the healthcare vertical. We estimate that the margins in this deal would be lower than recently reported margins given the hardware component. We have forecast strong revenue growth for 2002 and 2003, at 51% and 63%, respectively. In a recent report issued by IDC, US Handheld adoption within the healthcare industry is forecast to grow from 575,000 users in 2001 to 2.2 million by 2005, representing a compound annual growth rate of 39.8%. The Intrinsic contract demonstrates the trend toward the use of handheld devices in the healthcare vertical.

CONCLUSION: We may adjust our gross margin estimates going forward depending on how and when revenue is recognized over the upcoming quarters. We are maintaining our 2-Buy Recommendation and \$3.60 target on Intrinsic.

	Year-end August 31			
	2000	2001	2002E	2003E
Revenue (mm)	\$3.0	10.9	16.5	27.0
Price / revenue			6x	3x
Earnings (loss) per share	(0.16)	(0.12)	0.00	0.10
P/E			N/A	25x

Intrinsic develops and markets advanced networking software for embedded devices and enterprise development software.

Yorkton Securities has acted as agent for financing of or financial advisor to Intrinsic Software within the past three years. Yorkton Securities Inc. holds options or compensation shares related to Intrinsic Software.