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Intrinsic unveils handset development platform at 3GSM in Spain

A small Canadian company says that its most recent handset development platform will save device makers such as **Nokia Corp.**, **Samsung** and **Motorola Inc.** time and money in coming to market with new handsets. **Intrinsic Software International Inc.** unveiled Soleus at the *3GSM World Congress* in Barcelona earlier this month, saying that handset makers can gain a competitive advantage by using its software to develop feature-laden devices inexpensively.

In an interview prior to the introduction of Soleus, Intrinsic CEO Derek Spratt tells *Report on Wireless* that the platform allows handset manufacturers to significantly decrease the time-to-market for device development. Whereas in the traditional handset-making world it could

take upwards of 18 months, Soleus can reduce this time to anywhere from three to four months.

Soleus is based on **Microsoft Corp.**'s Windows Mobile operating system, but is described by Spratt as a stripped down version. "We take the kernel of Windows Mobile, which is only about 10% of the Windows Mobile software stack and we actually shave that down by another two-thirds. [Then] we build all of our software on top of that," he explains.

The result is that feature phones – devices with integrated cameras, MP3 players and other multimedia functionality – don't require as much memory or processing power. This, says Spratt, means devices can be produced at much lower costs and in a shorter time frame.

"Now instead of having to do hand-to-hand combat to bring every new phone to market with tons of R&D effort, [handset manufacturers] have got

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Handset Shipments by Device Maker

Company	2004 Shipments	2005 shipments	YoY Growth	2005 Share
Nokia	208 million	265 million	27.6%	32.6%
Motorola	105 million	146 million	39.7%	18%
Samsung	87 million	103 million	18.8%	12.7%
LG Electronics	44 million	55 million	23.6%	6.8%
Sony Ericsson	43 million	51 million	20.2%	6.3%
BenQ-Siemens	49 million	38 million	-22.8%	4.7%

Nokia continues to own almost double the market share of its nearest rival Motorola, the maker of the hugely popular RAZR, which experienced a nearly 40% year-over-year growth in handset shipments. BenQ-Siemens suffered a huge loss of market share.

Source: iSuppli Corp., February 2006

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a platform that takes them from the low-cost feature phone to a high-end smart-phone using all the same raw materials," he says. Device makers can now produce 20 to 30 models with very little incremental R&D costs, Spratt adds.

The development of Soleus comes at a time when traditional handset development platforms are about 20 years old and as Spratt says, "that approach has really broken down." He adds the industry is looking for an open platform and Soleus is in a lead position to take advantage of this move.

Spratt notes that older operating systems have been given new life in the form of software such as Java that allows today's processor-hungry applications to run. "There's just a performance penalty that comes about from using an interpretive language like Java. It ends up working against you in that feature phone market, [which] is all about saving money," Spratt says. "As soon as you start using things like Java you burden the phone and it has limitations to the power consumption and power management, and it has limitations on how cheap you can make [the handset]."

Intrinsyc already has about 70 potential customers in its sales funnel, and this month's 3GSM conference is going to be a key for future revenue opportunities. The company announced at the annual event that it has inked agreements with several companies demonstrating seven different examples of its Soleus platform at work.

The Vancouver-based firm is showcasing its Soleus platform with four different chip manufacturers including **Texas Instruments Inc., Freescale Semiconductor Inc., Intel Corp.** and **Agere Systems Inc.** "By working with them through the last year to pre-integrate Soleus with their leading chipsets we are able to speed new feature phone handset designs to market. Almost all of the technology integration challenges traditionally faced by original equipment manufacturers (OEMs) and original device manufacturers (ODMs) are eliminated by Intrinsyc's approach to delivering new hardware and software technologies

to the mobile handset market," Spratt noted in a February 13 news release.

As well, Intrinsyc inked an agreement with **Wistron Corp.**, an ODM that will incorporate the Soleus platform into its devices.

"So, we are not that far away from traction – we are in the negotiating phase," Spratt says. The company will make money from handset makers licensing its Soleus platform to develop their own respective devices.

The market opportunity, if it comes to fruition for the Vancouver firm, is substantial. According to some estimates, mobile handset shipments could top the 850 million mark by the end of this year (see chart on page 1 for 2005 shipments by company).

"We get paid a number of dollars per unit and we expect to ship the first two customer handsets to market and be paid volume licensing [fees] by the end of this calendar year. We expect to add one new customer each quarter thereafter and each customer will themselves introduce a second, third and fourth handset one quarter apart. That scales in our models to 35 to 40 handsets by Christmas 2008," Spratt says. "That spits out \$100 million in licensing [fee revenue]."

Market ripe for new technology

A confluence of factors and events has allowed Intrinsyc to take advantage of its Windows Mobile development expertise and transform that into a new cell phone platform. With each manufacturer trying to outdo its rivals by producing more feature-rich devices, the margins to develop the handsets began to drop to single-digit levels.

Spratt says concurrent to this was a handset industry looking for a new approach to mobile device operating systems that would help alleviate this margin squeeze. At the same time, the market for feature-rich handsets is set to rapidly increase, according to Spratt. He notes that last year 500 million of these devices shipped and that number is expected to increase to about 850 million by 2009. ■