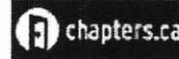




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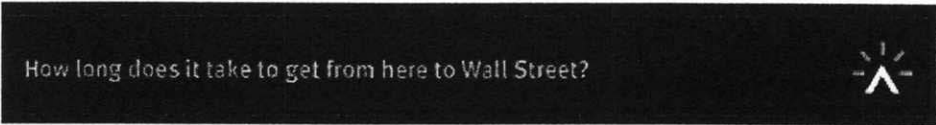
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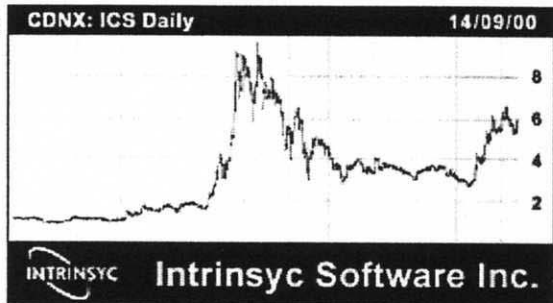
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September 19, 2000  
 StockHouse News Desk  
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## Embedded Systems: Intrinsic Lands Major Contracts, Execution Key

Vancouver, BC September 19 /SHfn/ -- **Intrinsic Software's [V.ICS]** technology and expertise were deemed sufficiently impressive to attract new contracts in August from industrial leviathans **Siemens [SMAWY]** and **Ford [F]**. With these endorsements in hand, the company must now prove to investors and potential clients that it can execute on the operations side in a market estimated to be worth US\$4.8 billion by next year.



The company has been the subject of optimistic appraisals from at least two sources since a February StockHouse **feature**. In April, Wayne Phipps of Loewen, Ondaatje McCutcheon initiated coverage of the company with a "strong buy" rating and a 12-month price target of \$9.

Fund manager Marc Jackson of Transamerica Life Canada recently **told** StockHouse that he believes the company could again reach its February 24 closing high of \$9.10, after consolidating recent gains.

*"We have got the money in the bank that we need to be able to expand. We have got the cultural imperative to expand."*

After revealing its **agreements** with Siemens and Ford, and announcing a \$13.5 million financing, which closed September 13, the share price of Intrinsic took off late last month. The stock rose 25% in 12 trading sessions between August 22 and September 6. Subsequently, however, the stock skidded briefly lower, and may have found a new level of support at the September 12 closing price of \$5.25.

Chief executive officer Derek Spratt sees the next year as a pivotal period for Intrinsic. Writing in a July **article** for EETimes.com, Spratt says, "The value of the Internet lies not with the end-points or devices themselves, but with the transactional data that flows through the network itself." Embedded networking, such as Intrinsic provides, will be the key to manage the immense growth of those Internet-enabled and inter-networked devices, from smart phones and smart buildings to automated machinery.

To capitalize on the opportunities represented by the two August engagements, Intrinsic must shift into operational high gear. "So ICS's whole make-up is really defined over the 12 months as this execution game," says Spratt. "We have got the money in the bank that we need to be able to expand. We have got the cultural imperative to expand." The company's payroll has surpassed 60, and the ICS executives say that there is an argument in favour of geographic expansion to accommodate their large global partners. Acquisitions aren't out of the question, though CFO Rod Campbell says that purchases would be evaluated on a case-by-case basis.

On September 5, the company announced Neil McDonnell's appointment as president and chief operating officer. Campbell says that McDonnell will be charged with building, "the operational and sales and marketing excellence that [one] needs to grow to be a gorilla in the industry," Spratt will steer Intrinsic's strategic and technical focus, and Campbell will concentrate on, among other items, an application to trade on the TSE. As to the progress of that application, Campbell would say only that it is "ongoing."

Both executives who spoke with StockHouse maintain that Intrinsic's competitive advantage in a sector bound to attract a host of new players--from start-ups to established names--during this crucial next year is its customer-centric focus. While the company has demonstrated expertise in both hardware and software for embedded systems, CEO Spratt says that the company's solutions offering will always be a part of the business. Campbell agrees, and asserts that it is Intrinsic's attentiveness that will keep even large companies at bay.

Competition in the sphere is already substantial, with a number of firms as rivals for each of their products. Hardware opponents include Embedded Planet, Stellcom and Advantech, while software making competitors are Go Ahead Software and **BSQUARE [BSQR]**.

*"We've ended up with way more traction and way more potential to be an industry standard than we had back in February."*

Intrinsic derives revenues about equally from three different verticals: handheld devices such as wireless PDAs, cell phones and industrial or medical appliances; building and industrial automation; and kiosk or point-of-sale applications. Figures for the year ended August 31 are due in early October. Third-quarter revenues for the period ending May 31 totaled \$1,011,672, with a net loss of \$733,688, or \$0.03 a share.

The company does not expect to show operating profits over the next 12 months. It has received board approval to aggressively pursue increased market share. "We've ended up with way more traction and way more potential to be an industry standard than we had back in February."

The firm's most recent financing was, like the February offering, oversubscribed. With lead underwriter Loewen Ondaatje, McCutcheon, ICS has this year raised \$19.5 million in two separate placements. The CFO says that based on budget projections made at year-end, "We're comfortable that we will not need to seek additional financing for working capital needs."

Intrinsic appears to have stellar technology, and the ability to build on its relationships with global manufacturers Siemens and Ford. Building the operation will require careful coaching during the next year. Still, this bantamweight contender looks to be in the fight to challenge its larger competition for a share in a burgeoning market.

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