

Intrinsyc Software International Inc. (ICS-T, \$0.65) *Friday, November 9, 2007*

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 Kristian Bauer (kbauer@haywood.com)

Rating: **SECTOR OUTPERFORM**
 Target Price: \$1.25
 Return: 92.3%
 YTD Performance: 8.3%
 Risk Profile: **SPECULATIVE**

Q. Numbers inline with expectations. Future growth focused on Asia, through further development of the Soleus mobile platform, and one design win per quarter target.

Q4/07 Results Inline, Outlook Focused on Asia

Event: Intrinsyc released their Q4/07 results.

Impact - Neutral: Numbers inline with consensus, slight positive spin regarding Asian market momentum.

- **Forecasts** – No change.
- **Target Price, Ratings** – Unchanged, target remains at \$1.25, Sector Outperform.

Issues:

- **Q4/07 Inline with Expectations**
 Soleus design wins add to software revenue; transition out of legacy product hurts top line.
- **Q1/08 (stub quarter)– Expect Results similar to Q4/07**
 Financial reporting adjustment to FYE December 31, from August 31. Q1/08 expectations (a “stub” quarter): Revenue \$6.5M, EBITDA loss of \$3.7M, net income loss of \$3.7M, and EPS of (\$0.03).
- **CY08 Focus on Asian Growth**
 Continue momentum of Soleus product commercialization.

Valuation: From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2008 target estimates (EV/Sales: 1.8x versus 3.6x). The situation should remedy itself throughout 2008 as the Company’s customers start shipping devices with the Soleus platform integrated.

Catalysts: 1) *Acceptance* – Asian market accepts Soleus; 2) *Mainstream* – Soleus picked up by major Tier 1 OEM; 3) *Design Wins* – Future product design wins (target is for one design win per quarter).

Investment Brief: *Soleus’ modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer’s bill of materials. Within the mobile phone market, feature phones (Intrinsyc’s target segment) have evolved as the biggest segment, and in 2006, contributed approximately 60% of the global sales (587 million units). We expect feature phones to continue to be 60% to 65% of global shipments going forward.*

Forecast Risk **High**
 Financial Risk **High**
 Valuation Risk **High**
 52-Week High / Low 0.77 / 0.36
 Dividend / Yield 0.00%
 Shares O/S 119 M (basic) / 149 M (F/D)
 Market Capitalization 78 M
 Daily Volume 150 K

Financial Forecasts			
FY-end Aug-31	2006A	2007A	2008E
Revenues (M)	19	20	23
EBITDA (M)	(14)	(15)	(13)
EPS (FD)	(0.24)	(0.14)	(0.11)
CFPS (FD)	(0.19)	(0.12)	(0.10)

Valuation			
	2006A	2007A	2008E
P/E	NM	NM	NM
EV/SALES	2.9x	3.0x	1.5x
EV/EBITDA	NM	NM	NM
DCF	\$ 1.22	\$ 1.17	

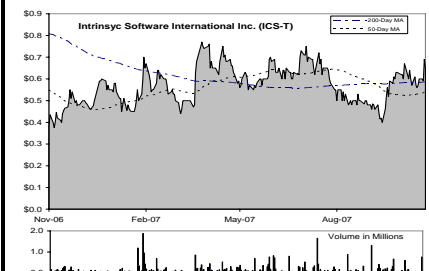
Company Profile - www.intrinsyc.com
 Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Company CEO - Glenda M. Dorchak

Revisions, Date of Record

- Rating - Initiated Coverage.
- Target - Initiated Coverage.

Price Performance



Source: Bloomberg



Intrinsyc Software International Inc.
Rating: Sector Outperform
Target: \$1.25

Price: \$0.65
Market Cap. (\$M): \$78
Ticker: ICS-T

Company Description - Intrinsyc is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices.

Investment Brief - The company's mobile software products, engineering services, and years of expertise help OEMs, service providers, and silicon providers deliver compelling wireless products with faster time-to-market and improved development cost. Intrinsyc is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

Catalysts - Continued design wins, two have been announced so far, should drive royalty revs.

Risks - Handset mfrs and OEMs decide not to go with Windows CE platform; slow shipments delay royalty stream.

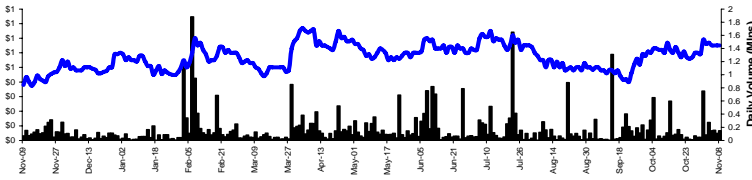
Financial Forecasts										
FY-end Aug-31	2005A	2006A	2007A	2008E	2009E	Q3/2007A	Q4/2007A	Q1/2008E	Q2/2008E	
Revenues (\$mlns)	17.5	18.7	19.7	23.1	47.4	5.1	4.5	6.5	5.5	
Rev. Growth %	16%	6%	6%	17%	105%		-11%	43%	-16%	
Consensus Revenue Est. (\$mlns)	-	-	19.5	24.8	46.2	5.1	4.3	4.8	5.4	
3 months ago.	-	-	19.6	25.7	46.7	4.4	4.9	5.5	6.1	
EBITDA (\$mlns)	(3.8)	(13.7)	(14.6)	(12.6)	(5.9)	(3.7)	(3.9)	3.7	(3.1)	
EBITDA Growth %	-146%	-259%	-7%	13%	53%		-4%	195%	-185%	
Consensus EBITDA Est. (\$mlns)	-	-	(14.2)	(14.0)	(7.4)	(3.7)	(4.0)	(3.9)	(3.9)	
3 months ago.	-	-	(14.7)	(15.3)	(8.9)	(4.5)	(3.9)	(3.9)	(3.7)	
EPS (FD) (\$)	(0.09)	(0.24)	(0.14)	(0.11)	(0.05)	(0.05)	(0.03)	(0.03)	(0.03)	
EPS Growth %	-23%	-165%	42%	23%	49%		38%	-3%	15%	
Consensus EPS Est. (\$)	-	-	(0.17)	(0.12)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	
3 months ago.	-	-	(0.18)	(0.12)	(0.03)	(0.04)	(0.04)	(0.04)	(0.03)	
Net Profit (\$mlns)	(5.0)	(16.4)	(17.0)	(12.8)	(6.6)	(4.4)	(4.1)	(3.7)	(3.1)	
Net Profit Growth %	-61%	-229%	-4%	24%	49%		6%	11%	14%	
Consensus Net Profit Est. (\$mlns)	-	-	(17.0)	(15.3)	(10.0)	(3.8)	(4.3)	(4.5)	(4.3)	
3 months ago.	-	-	(17.6)	(16.1)	(10.6)	(4.7)	(4.4)	(4.3)	(4.0)	

*All consensus numbers are from Capital IQ.

Valuation Metrics				
	2005	2006	2007	2008
Trailing EV/EBITDA	5.0x	2.5x		
Est. Fwd EV/Sales	2.9x	3.0x	1.5x	
Trailing P/E	NM	NM	NM	NM
Est. Fwd P/E	NM	NM	NM	NM
Current, 1-Year, 2-Year DCF Target	\$1.22	\$1.17	\$1.35	

Analyst Ratings: Capital IQ		Potential Upside
Average Target	\$1.28	96%
Median Target	\$1.20	85%
Sector Outperform	4	
Sector Perform	0	
Sector Underperform	0	
# of Analysts	4	

Key Statistics	
Current Price	\$0.65
1-Yr. Expected Total Return	92.3%
52wk HI / LO	\$0.77 / \$0.36
Shares O/S (mlns)	
Basic	119
F.D.	149
Float	117
Options (2006 Fiscal Year-End)	
Avg. Strike / Basic	\$0.97 / 4.73 M
Warrants (2006 Fiscal Year-End)	
Avg. Strike / Basic	\$0.95 / 0.10 M
Dividend Yield	0.0%
Short Interest	0.0%
Short Interest % of Float	0.0%
Daily Volume (3-Mth. Avg. mlns)	0.15
Market Cap. (mlns)	78
Enterprise Value (mlns)	56
Cash (mlns)	21
Debt (mlns)	0
Net Cash / Share	\$0.18
Tang. Book Value / Share	\$0.19
Company CEO	Glenda M. Dorchak
Company Website	www.intrinsyc.com
Top Holders:	
1) Gruber & McBalne Cap.	4.18%
2) Sprott Asset Management	3.23%
3) Northwest Mutual	1.29%
Ownership:	
Management Control (Proxy/Bloomberg)	1.66 M / 1.39%
Last Financing:	
Equity Offering	May 2007 - 33.3M @ \$0.60
Prior Equity Offering	March 2006 - 24.2M @ \$0.90

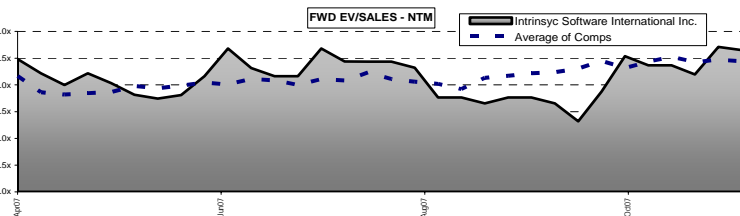


Comparables	Stock Price		Pot. Return	EV/EBITDA		EBITDA Margin		P/E		EV/Sales	
	Nov 08	Target		2007	2008	2007	2008	2007	2008	2007	2008
Intrinsyc Software International	0.45	1.25	92%	NM	NM	-70%	-55%	NM	NM	2.9x	3.0x
Research In Motion Ltd.	124.48	128.31	3%	46.9x	29.1x	31%	31%	72.2x	44.4x	14.5x	9.2x
Infowave Software Inc.	0.09	0.00	NM	NM	NM	NM	NM	NM	NM	NM	NM
Enghouse Systems Ltd.	7.40	8.73	19%	5.5x	NM	26%	NM	22.9x	NM	1.4x	NM
OceanLake Commerce Inc.	0.25	0.00	NM	NM	NM	NM	NM	NM	NM	NM	NM
Digital Dispatch Systems Inc.	2.70	2.25	-17%	18.5x	12.8x	6%	8%	NM	34.3x	1.1x	1.1x
AirIQ Inc.	0.11	0.27	157%	NM	4.9x	-12%	11%	NM	NM	0.5x	0.5x
Palm, Inc.	8.56	9.30	9%	3.9x	5.3x	5%	4%	23.5x	107.6x	0.2x	0.2x
Average				18.7x	13.0x	-2%	0%	39.5x	62.1x	3.5x	2.8x

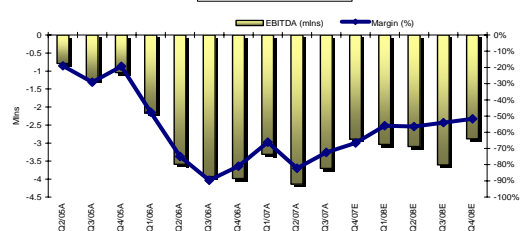
*All consensus numbers are from Capital IQ.

Historical Multiple Averages	Returns %		EPS Growth		Sales Growth	
	3-Yr Avg.	NTM EV/EBITDA	Last 3mths.	YTD	2007	2008
Intrinsyc Software International	-3.0x	-8.4x	30%	14%	-42%	-23%
Research In Motion Ltd.	19.6x	28.6x	73%	146%	37%	130%
Infowave Software Inc.	NM	-2.0x	-64%	-85%	-64%	NM
Enghouse Systems Ltd.	7.3x	7.2x	-3%	-9%	31%	-13%
OceanLake Commerce Inc.	NM	-9.6x	-38%	-31%	5%	NM
Digital Dispatch Systems Inc.	9.1x	5.3x	3%	4%	15%	-105%
AirIQ Inc.	-28.9x	-10.9x	-48%	-28%	-52%	-47%
Palm, Inc.	7.8x	6.9x	-41%	-47%	-72%	-55%
Average	2.0x	0.8x	-11%	-4%	-18%	-2%

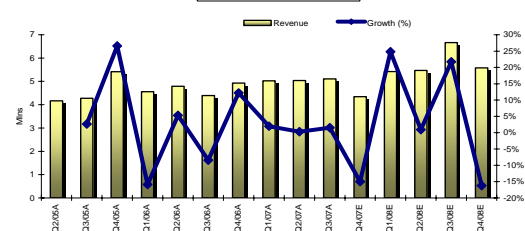
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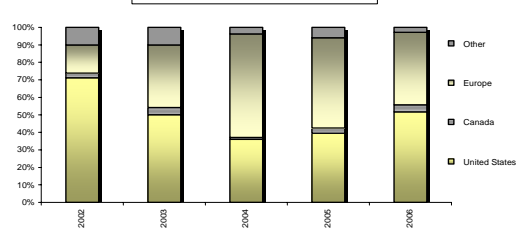
Quarterly EBITDA & Margin



Quarterly Revenue & Growth



Revenue Segmentation by Geography, Year





Investment Thesis

Intrinsyc Software operates primarily as two businesses: the wireless systems engineering group, and the mobility software business that has been responsible for the development of Soleus, a consumer software product for wireless and handheld devices since 2004.

Soleus is a comprehensive software platform (based on Windows CE) and includes a high-level operating system (HLOS), an application suite, a pre-certified telephony stack, and sophisticated user interface-generation tools. Soleus' modular architecture speeds up the development process, provides a reusable platform, allows a higher degree of customization, and lowers the manufacturer's bill of materials. Within the mobile phone market, feature phones (Intrinsyc's target segment) have evolved as the biggest segment, and in 2006, contributed approximately 60% of the global sales (587 million units). We expect feature phones to continue to be 60% to 65% of global shipments going forward.

Q4/07 Inline, Outlook Driven by Asian Market

Q4/07 numbers were inline with our expectations, with revenue of \$4.5M, down 7.9% QoQ and down 11.3% YoY. The drop is inline with company guidance and our expectations, and is mainly attributed to the transition away from legacy products. EBITDA showed a loss of \$3.9M for Q4/07 and a loss of \$14.6M for FY2007. EPS came in at (\$0.03) for Q4/07 and (\$0.14) for FY2007.

Intrinsyc is adjusting their financial reporting to be fiscal year-end Dec 31. This is to be inline with their Asian OEM/ODM customers and prospects. Q1/08 expectations (a "stub" quarter): Revenue \$6.5M, EBITDA loss of \$3.7M, net income loss of \$3.7M, and EPS of (\$0.03).

Recent quarters have yielded three design wins in Asia for the Soleus operating system. This is only the first step, as now Intrinsyc is focusing on using the momentum of the signings and recent product awards to increase their market presence in Asia. Why Asia? All mobile handheld makers release products in Asia first. It's the natural place to start.

Intrinsyc is focused on developing their Soleus product to capitalize on next-generation handset capabilities. Expect momentum to build in the Asian market as future versions of Soleus are developed.

Valuation

From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Software Universe based on our CY2008 target estimates (EV/Sales: 1.8x versus 3.6x). The situation should remedy itself throughout 2008 as the Company's customers start shipping devices with the Soleus platform integrated and Intrinsyc penetrates the Asian handheld manufactures. We maintain our SECTOR OUTPERFORM rating, with a \$1.25 target price.





Haywood Global Software Universe

GLOBAL SOFTWARE	Ticker	Trdg Rating	Price Curr	Price		Consensus Target	Pot. Return	% of 52 week		Mkt. Cap. (US\$m)	Revenue (US\$m)		EPS (US\$)		P/E		EV/Sales		EV/EBITDA	
				8-Nov-07	Target			Low	High		CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E
Microsoft Corporation	MSFT	NR	USD	34.74	39.84	15%	131%	93%		325,008	55,265	62,460	1.62	1.91	21.4	18.2	5.5	4.9	13.6	12.4
Oracle Corp.	ORCL	NR	USD	20.35	24.70	21%	127%	88%		104,219	20,103	22,489	1.13	1.30	18.0	15.7	5.1	4.6	11.6	10.1
SAP AG	SAP	NR	EUR	35.46	43.88	24%	108%	82%		61,874	14,957	16,516	2.33	2.69	22.0	19.1	3.9	3.5	13.1	11.6
VMware, Inc.	VMW	NR	USD	91.88	108.33	18%	191%	73%		35,185	1,329	2,039	0.79	1.14	NMF	NMF	NMF	NMF	NMF	NMF
Adobe Systems Inc.	ADBE	NR	USD	45.03	50.50	12%	121%	93%		25,838	3,131	3,526	1.59	1.81	28.3	24.9	7.6	6.8	19.3	17.2
Symantec Corporation	SYMC	NR	USD	17.27	23.34	35%	107%	79%		14,978	5,665	6,009	1.11	1.24	15.6	13.9	2.7	2.5	9.0	8.1
CA, Inc.	CA	NR	USD	26.10	28.79	10%	123%	92%		13,457	4,130	4,292	1.03	1.15	25.3	22.7	3.4	3.3	13.0	10.7
Autodesk Inc.	ADSK	NR	USD	47.36	52.11	10%	139%	92%		10,972	2,151	2,455	1.89	2.24	25.1	21.1	4.7	4.1	16.0	13.4
VeriSign Inc.	VRSN	NR	USD	33.04	33.93	3%	155%	93%		7,300	1,494	1,646	1.04	1.37	31.8	24.1	5.0	4.6	15.2	12.8
Dassault Systemes SA	ENXTPA:DSY	NR	EUR	41.43	47.58	15%	111%	83%		6,998	1,860	2,033	2.89	3.23	20.7	18.6	3.6	3.3	12.4	11.0
Citrix Systems, Inc.	CTXS	NR	USD	41.66	46.05	11%	160%	95%		7,903	1,373	1,615	1.54	1.63	27.1	25.6	5.2	4.4	18.7	16.6
Sage Group plc	LSE:SGE	NR	GBP	2.30	2.70	17%	105%	82%		6,241	2,467	2,618	0.29	0.33	16.4	14.4	3.0	2.8	11.3	10.4
BMC Software Inc.	BMC	NR	USD	33.62	38.00	13%	136%	91%		6,583	1,666	1,746	1.74	1.96	19.3	17.2	3.1	3.0	9.7	9.0
McAfee Inc.	MFE	NR	USD	37.87	42.14	11%	137%	91%		6,041	1,292	1,419	1.73	1.88	21.9	20.1	4.0	3.7	13.4	12.2
BEA Systems Inc.	BEAS	NR	USD	16.98	16.75	-1%	162%	90%		6,656	1,503	1,638	0.57	0.64	29.8	26.0	3.9	3.5	19.8	16.9
Salesforce.com	CRM	NR	USD	48.53	56.48	16%	137%	84%		5,668	737	1,018	0.10	0.29	NMF	NMF	7.3	5.3	NMF	NMF
Business Objects SA	BOBJ	NR	USD	60.69	56.22	-7%	180%	100%		5,918	1,495	1,703	1.95	2.35	31.1	25.8	3.7	3.3	19.0	15.9
Cognos Inc.	COGN	NR	USD	52.09	51.35	-1%	147%	99%		4,340	1,051	1,177	1.95	2.33	26.7	22.4	3.7	3.3	18.1	15.6
Autonomy Corp. plc	LSE:AU	NR	GBP	9.64	19.53	103%	197%	89%		4,246	707	984	0.79	1.14	25.4	17.5	NMF	8.9	NMF	23.1
Misys plc	LSE:MSY	NR	GBP	2.37	2.34	-1%	120%	89%		2,374	1,412	1,089	0.27	0.27	18.2	18.2	1.9	2.5	13.2	13.8
Sybase, Inc.	SY	NR	USD	26.75	31.92	19%	123%	93%		2,411	1,017	1,084	1.65	1.84	16.2	14.5	2.2	2.0	7.4	7.0
Ansys, Inc.	ANSS	NR	USD	37.34	42.86	15%	174%	89%		2,903	379	436	1.24	1.43	30.1	26.1	7.6	6.6	17.2	15.3
Parametric Technology Corp.	PMTC	NR	USD	18.87	23.13	23%	121%	87%		2,167	959	1,036	1.03	1.15	18.3	16.4	2.0	1.8	10.7	7.9
Talco Software Inc.	TIBX	NR	USD	7.74	8.83	14%	111%	74%		1,475	566	636	0.35	0.42	22.1	19.4	2.3	2.0	11.1	9.6
Lawson Software, Inc.	LWSN	NR	USD	10.46	12.93	24%	158%	92%		1,864	804	865	0.29	0.42	36.1	24.9	2.0	1.9	14.7	11.7
Infomatica Corp.	INFA	NR	USD	16.11	18.40	14%	137%	92%		1,413	386	445	0.72	0.74	22.4	21.8	3.1	2.7	19.3	14.7
MicroStrategy Inc.	MSTR	NR	USD	103.44	108.33	5%	170%	78%		1,742	357	399	4.84	5.89	21.4	17.6	4.7	4.2	16.7	14.9
Open Text Corp.	OTEX	NR	USD	34.31	33.55	-2%	196%	94%		1,736	668	709	1.75	1.99	19.6	17.2	2.9	2.8	12.0	10.5
Concur Technologies, Inc.	CONR	NR	USD	32.21	35.09	9%	224%	89%		1,379	143	204	0.37	0.51	NMF	NMF	NMF	6.7	NMF	NMF
Epicor Software Corp.	EPIC	NR	USD	11.25	15.33	36%	103%	72%		656	421	459	0.84	0.97	13.4	11.6	1.6	1.5	8.8	7.6
Manhattan Associates, Inc.	MANH	NR	USD	27.33	33.70	23%	117%	86%		702	341	372	1.33	1.51	20.5	18.1	1.8	1.7	10.5	9.0
MSC Software Corp.	MSCS	NR	USD	11.99	14.00	17%	105%	75%		528	238	255	-0.04	0.24	NMF	NMF	1.7	1.6	NMF	11.6
JDA Software Group Inc.	JDAS	NR	USD	23.54	27.00	15%	177%	92%		704	367	384	1.34	1.49	17.6	15.8	2.2	2.1	9.0	8.5
											130,435	145,758		Mean	22.8x	19.6x	3.7x	3.6x	13.7x	12.3x
													11.7%	Median	21.9x	18.4x	3.5x	3.3x	13.2x	11.7x

Canada Technology – Small Cap Software and IT Services

CANADA TECHNOLOGY Small Cap - Software/Services	Ticker	Trdg Rating	Price Curr	Price		Consensus Target	Pot. Return	% of 52 week		Mkt. Cap. (US\$m)	Revenue (US\$m)		EPS (US\$)		P/E		EV/Sales		EV/EBITDA	
				8-Nov-07	Target			Low	High		CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E	CY07E	CY08E
Absolute Software Corp.	TSX:ABT	NR	CAD	38.40	43.13	12%	552%	94%		902	30	51	-0.27	-0.22	NMF	NMF	29.3	17.1	NA	NA
Constellation Software Inc.	TSX:CSU	NR	CAD	24.10	25.91	8%	120%	86%		511	243	278	1.56	1.74	15.4	13.9	2.1	1.8	12.5	11.1
SXC Health Solutions, Corp.	TSX:SXC	NR	CAD	12.30	25.50	107%	102%	41%		256	96	113	0.65	0.85	18.9	14.5	1.9	1.6	7.9	5.9
Corel Corporation	TSX:CRE	NR	CAD	11.31	15.60	38%	105%	67%		306	0	0	0.00	0.00	NMF	NMF	NMF	NA	NA	NA
Intermap Technologies Corp.	TSX:IMP	NR	CAD	10.16	9.99	-2%	201%	93%		445	29	35	-0.36	-0.30	NMF	NMF	14.1	11.8	NA	NA
Points International Ltd.	TSX:PTS	NR	CAD	1.74	2.18	25%	272%	78%		208	22	31	-0.03	0.00	NMF	NMF	8.9	6.4	254.9	43.9
Resolve Business Outsourcing Inc.	TSX:RBO.UN	NR	CAD	8.19	9.25	13%	140%	86%		193	334	372	0.12	0.36	68.3	22.8	1.1	1.0	10.3	7.9
20-20 Technologies Inc.	TSX:TWT	NR	CAD	6.15	8.50	38%	132%	79%		116	73	0	0.28	0.00	22.0	NMF	1.1	NA	7.1	NA
Gemcom Software International	TSX:GCM	SO	CAD	2.05	3.25	59%	195%	85%		109	47	55	0.10	0.14	20.5	14.6	2.0	1.7	9.1	7.1
Immersive Media Corp.	CDNX:IMC	NR	CAD	1.64	4.00	144%	113%	28%		53	0	13	-0.14	-0.04	NMF	NMF	NMF	3.2	NA	NA
Matrikon Inc.	TSX:MTK	NR	CAD	2.50	3.71	48%	109%	67%		81	76	86	0.06	0.16	41.7	15.6	0.8	0.7	11.9	NA
MKS Inc.	TSX:MKX	NR	CAD	1.45	1.63	12%	110%	66%		79	57	61	0.04	0.00	36.3	NMF	1.1	1.1	44.2	14.9
Intrinsyc Software International	TSX:ICS	SO	CAD	0.65	1.25	92%	176%	84%		78	21	32	-0.15	-0.09	NMF	NMF	2.6	1.8	NA	NA
Brainhunter Inc.	TSX:BH	NR	CAD	0.64	NA	NA	142%	77%		28	0	0	0.00	0.00	NMF	NMF	NMF	NA	NA	NA
Grey Island Systems International	CDNX:GIS	NR	CAD	0.40	0.75	88%	118%	58%		36	0	0	0.01	0.00	40.0	NMF	1.3	NA	10.2	NA
Isemedia Inc.	CDNX:IEE	NR	CAD	0.48	1.20	150%	185%	51%		19	2	0	-0.12	0.00	NMF	NMF	10.9	NA	NA	NA
											1,031	1,125		Mean	32.9x	16.3x	5.9x	4.4x	40.9x	15.1x
													9.2%	Median	29.1x	14.6x	2.0x	1.8x	10.3x	9.5x

Source: Haywood Estimates, Capital IQ





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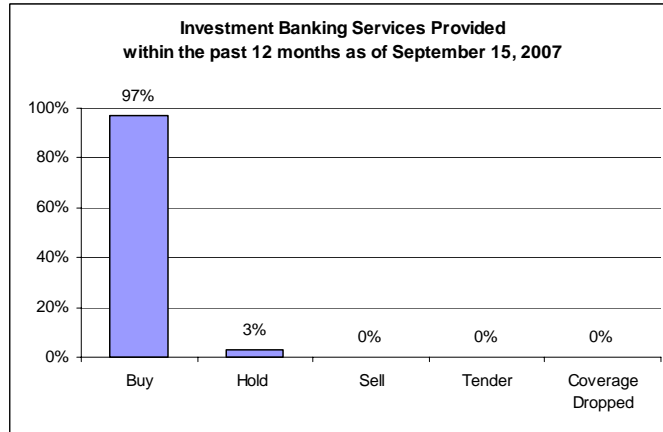
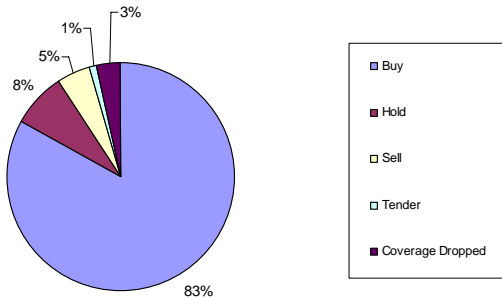




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