
Intrinsyc Software International Inc.

ICS : TSX : C\$0.85

SPECULATIVE BUY**Target: C\$1.75****Peter Misek, CA, CPA, CFA** 1.416.869.7920

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Technology -- Software -- Software and Services**SOLEUS WINS KEEP COMING****Event**

Intrinsyc Software announced its fifth Soleus win and the first with a silicon provider. The company will bundle Soleus into its chips to provide a full high-level operating system to handset vendors. Intrinsyc also secured engineering services as a part of the agreement. Financial terms were undisclosed.

Impact

Very positive. The silicon provider channel represents a new and potentially massive market opportunity for Intrinsyc. From this standpoint, we believe today's announcement is just as material as last week's win with Quanta, the world's largest notebook ODM. We expect that the silicon provider channel could grow to represent an eight-figure annual royalty base in the coming years. This development further reinforces our confidence in our financial projections. Using these metrics, Intrinsyc is currently trading at 9x our F09 EPS forecast of C\$0.09.

Action

The string of recent Soleus contracts, particularly the fourth with Quanta and today's win with a leading silicon provider, strengthens our bullish outlook on Intrinsyc. We believe the company continues to solidify its emergence as a legitimate player in the mobile OS software market. We maintain our SPECULATIVE BUY recommendation and C\$1.75 target price, based on our DCF analysis.

Investment risks

The main risks to our outlook include the competitive environment intensifying, design wins take longer than expected to close, design wins to not translate into material revenue due to failed device launches, ESG division revenue erosion, and key management leaving the firm. Other risks include litigation, adverse F/X trends, slower-than-expected growth in the mobile device market, faster-than-expected ASP erosion at handset OEM/ODMs pressuring Intrinsic's ASPs down significantly, and broader macroeconomic forces impacting the market.

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Site Visit: An analyst has visited Intrinsic’s material operations in Vancouver, BC, Canada. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*



* Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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Global Stock Ratings
(as of 1 November 2007)

Rating	Coverage Universe		IB Clients
	#	%	%
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Speculative Buy	55	10.5%	69.1%
Hold	149	28.5%	30.9%
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	523	100.0%	

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Company	Disclosure
Intrinsic Software International Inc.	1A, 2, 3, 7

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