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*Mid-day
 Comment*
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Intrinsyc Software International Inc.^{1,7}

BUY

ICS-T C\$0.76

Target: C\$0.95

What's Changed

	New	Old
Recommendation	n/c	BUY
Target	n/c	\$0.95
Revenue 2007A*	n/c	\$19.7
Revenue 2008E	n/c	\$23.8
Revenue 2009E	n/c	\$33.4
EPS 2007A*	n/c	(\$0.18)
EPS 2008E	n/c	(\$0.14)
EPS 2009E	n/c	(\$0.11)

Share Data

Shares – mm (basic/f.d.)	119.3/119.3
52-week high/low	C\$0.77/C\$0.38
Market capitalization (mm)	C\$91
Enterprise value (mm)	C\$71
Net cash	C\$20
Total projected return	25%

Financial Data

YE Dec 31	07A*	08E	09E
Revenue (mm)	\$19.7	\$23.8	\$33.4
P/Revenue	4.6x	3.8x	2.7x
EV/Revenue	3.6x	3.0x	2.1x
EPS	(\$0.18)	(\$0.14)	(\$0.11)
P/E	n/a	n/a	n/a

* YE Aug

Announces 4th Soleus Design Win

- Intrinsyc announced its 4th design win for its next-generation Soleus platform with Quanta Computer
- We have modeled for an additional design win for F08 and as a result there are no changes to our F08 and F09 estimates of \$23.8 mm and (\$0.14) and \$33.4 mm and (\$0.11)
- We apply a 3.5x P/S multiple to our unchanged F09 revenue estimate of \$33.4 million to arrive at our price objective of \$0.95 and maintain our BUY rating. Our investment thesis continues to be predicated on Intrinsyc's strong management team capturing a significant market opportunity with Soleus within the feature phone handset segment

ANNOUNCES 4TH SOLEUS DESIGN WIN

Yesterday, Intrinsyc announced its fourth design win for its next-generation Soleus platform with Quanta Computer, the World's largest notebook computer manufacturer and leading original design manufacturer for enterprise network systems, home entertainment, mobile communication, automotive electronics and digital home products. In March 2007, Quanta stated that the company will shift its strategy away from cellphones and focus on manufacturing personal-digital-assistants (PDAs) and smartphones. The company shipped approximately 2 million handsets last year with handset unit guidance of 3 mm in 2007. Intrinsyc's stock reacted positively on its new design announcement with a gain of 17% on volume of 700k shares.

The agreement with Quanta is the fourth Soleus design win for the company. Quanta has also retained Intrinsyc for its wireless engineering services to support, development and integration of the Windows Embedded CE OS on the 3G HSDPA mobile device. The expected launch period for the product is Q3 of 2008.



FINANCIAL ESTIMATES

We continue to believe that Intrinsyc is well positioned to capture an eight-figure plus unit volume opportunity from its Soleus product. Recall that Intrinsyc is targeting consumer-oriented feature phones/converged mobile devices. We have modeled for an additional design win for F08 and as a result there are no changes to our F08 and F09 estimates are \$23.8 million and (\$0.14) and \$33.4 million and (\$0.11).

Intrinsyc Software Financial Estimates

	Fiscal 2007				Fiscal 2008E				2006	2007	2008E	2009E
	Q1/07 Nov-06	Q2/07 Feb-07	Q3/07 May-07	Q4/07 Aug-07	Q1/08 Mar-08	Q2/08 Jun-08	Q3/08 Sep-08	Q4/08 Dec-08				
Licensing	1.356	0.428	0.499	0.590	0.548	0.666	1.306	2.988	5.038	2.873	5.508	15.720
Service	2.661	4.303	4.477	3.811	3.800	4.300	4.300	4.700	9.889	15.252	17.100	15.390
Products/Other	1.004	0.306	0.135	0.136	0.300	0.300	0.300	0.300	3.732	1.581	1.200	1.500
Revenue	5.021	5.036	5.112	4.536	4.648	5.266	5.906	7.988	18.658	19.706	23.808	32.610
Cost of sales	2.705	2.554	2.464	2.310	2.230	2.518	2.658	3.243	11.318	10.034	10.648	12.762
Gross Profit	2.316	2.482	2.648	2.226	2.418	2.749	3.249	4.745	7.340	9.672	13.160	19.848
Administration	1.124	1.411	1.416	1.269	1.700	1.750	1.800	1.850	5.408	5.219	7.100	7.810
Marketing and sales	1.333	1.697	1.734	1.827	1.825	1.850	1.975	2.150	3.457	6.591	7.800	8.970
Research and development	2.976	3.302	2.953	2.795	3.200	3.300	3.350	3.400	10.970	12.026	13.250	14.575
Amortization	0.179	0.213	0.204	0.226	0.250	0.250	0.250	0.250	1.061	0.821	1.000	1.400
Stock based compensation	0.200	0.210	0.096	0.163	0.225	0.225	0.225	0.225	0.915	0.669	0.900	1.300
Other	0.000	0.002	0.642	0.197	0.000	0.000	0.000	0.000	0.261	0.841	0.000	0.000
Total Oper Costs	5.811	6.834	7.045	6.477	7.200	7.375	7.600	7.875	22.072	26.167	30.050	34.055
Operating Income	(3.495)	(4.351)	(4.397)	(4.251)	(4.783)	(4.626)	(4.351)	(3.130)	(14.732)	(16.495)	(16.890)	(14.207)
Interest expense/(income)	0.028	(0.057)	(0.093)	(0.197)	(0.020)	0.000	0.000	0.000	0.358	(0.319)	(0.020)	(0.500)
Loss on disposal of equipment	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.001	0.003	0.000	0.000
Foreign exchange gain/(loss)	(0.250)	(0.175)	0.000	0.000	0.100	0.100	0.100	0.100	0.428	(0.424)	0.400	1.000
Accretion and amortization - long-term debt	0.928	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.744	0.928	0.000	0.000
	0.706	(0.232)	(0.093)	(0.195)	0.080	0.100	0.100	0.100	1.531	0.187	0.380	0.500
Income tax expense/(recovery)	0.057	0.127	0.079	0.053	0.000	0.000	0.000	0.000	0.131	0.316	0.000	0.000
Net Income	(4.259)	(4.247)	(4.383)	(4.110)	(4.863)	(4.726)	(4.451)	(3.230)	(16.393)	(16.998)	(17.270)	(14.707)
EPS - Basic	(0.05)	(0.05)	(0.05)	(0.03)	(0.04)	(0.04)	(0.04)	(0.03)	(0.24)	(0.18)	(0.14)	(0.12)
Number of Shares - Basic	83.04	83.04	91.02	119.26	120.26	121.26	122.26	123.26	67.62	94.18	121.76	127.26

Source: Company reports and GMP Securities

RECOMMENDATION

We apply a 3.5x P/S multiple to our unchanged F09 revenue estimate of \$33.4 million to arrive at our price objective of \$0.95 and maintain our BUY rating. Our investment thesis continues to be predicated on Intrinsyc's strong management team capturing a significant market opportunity with Soleus within the feature phone handset segment.



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