

Intrinsyc Software Int'l Inc. (ICS-T, \$0.14) *Wednesday, October 29, 2008*

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Rating: **SECTOR OUTPERFORM**
 Target Price: **\$1.10**
 Return: **686%**
 YTD Performance: **-85%**
 Risk Profile: **SPECULATIVE**

Q Intrinsyc opens doors to the Indian market with its Destinator/Symbian GPS solution. The market potential well suited for Soleus/Destinator: low- to mid-market demand for feature-phones. India approaching 300M mobile users, adding 8-9M/mth.

Destinator for Symbian; Gateway to India

Event: Intrinsyc releases Destinator® for the Symbian OS and signs an agreement with SatNav Technologies for its distribution in India.

Impact - Positive: The release of Destinator® for Symbian addresses a large mobile OS market; and signing SatNav Technologies to distribute the technology in India has the potential to drive future revenues.

- **Forecasts, Target Price, Ratings** – Unchanged, SECTOR OUTPERFORM rating and a \$1.10 target price.

Issues:

- **Intrinsyc releases its Destinator GPS product for Symbian**
 Intrinsyc Software has released the latest edition of its Destinator GPS product: a solution for Symbian smartphones. Intrinsyc, which is an accredited Symbian Competence Center, can leverage its new product for more service revenues in addition to the potential increase in Destinator revenues.
- **India-based SatNav signs a distribution agreement for Destinator**
 Having SatNav Technologies distribute the GPS solution in India opens another large market for Intrinsyc (besides China). The market potential well suited for Soleus/Destinator: low- to mid-market demand for feature-phones.
- **Positive on two-fronts: New market and greater product penetration**
 The financial possibility of India, especially if Intrinsyc can leverage its other mobile solutions, should impact the 2009+ fiscal years. The application includes the SatNav ONE-India map that covers all major cities of India along with a detailed national and state highway network

Valuation: From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Mobility Software Universe based on our CY2009/CY2010 estimates (EV/Sales: 2009: 0.1x versus 1.3x, 2010: 0.1x versus 1.1x). Our DCF-based target of \$1.10 is based on a 10% discount rate and terminal 10x EV/EBITDA multiple.

Catalysts: 1) *Software License Agreements* – Soleus™ contracts, notably a tier-one manufacturer, should increase revenue visibility and expectations; 2) *Royalty Generation* – We expect Soleus™ royalties to begin in Q3/08; 3) *Product Visibility* – Soleus™ product launches should drive future signings (min. of one/qtr).

Investment Brief: Soleus™ is a comprehensive software platform (based on Windows CE), whose 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 (BOM).

Forecast Risk **High**
 Financial Risk **High**
 Valuation Risk **High**
 52-Week High / Low **\$1.30/\$0.12**
 Dividend / Yield **N/A**
 Shares O/S **161.9M (basic) / 191.0M (F/D)**
 Market Capitalization **\$22.7M**
 Daily Volume **270K**

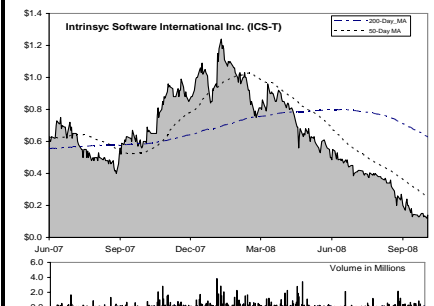
Financial Forecasts				
CY Est.	2007A	2008E	2009E	2010E
Revenues (\$mlns)	21.2	26.3	49.4	69.8
EBITDA (\$mlns)	(15.0)	(17.3)	(3.6)	12.9
EPS (FD) (\$)	(0.14)	(0.12)	(0.04)	0.06
CFPS (FD) (\$)	(0.13)	(0.11)	(0.02)	0.08

Valuation				
	2007A	2008E	2009E	2010E
P/E	NM	NM	NM	2.4x
EV/SALES	1.9x	0.2x	0.1x	0.1x
EV/EBITDA	NM	NM	NM	.4x
DCF		\$1.01	\$1.10	\$1.21

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 - Unchanged.
 Target - down from \$1.50, Sep 23, 2008.

Price Performance





Intrinsyc Software International Inc.

Intrinsyc Software International Inc.	Ticker Shares O/S (M)	ICS-T 191.0	Price Market Cap. (\$M):	\$0.14 \$23	Rating: Sector Outperform Target: \$1.10
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Alpha: Product delivery in Taiwan, China and EMEA will provide positive synergy and momentum to future licensing deals.

Investment Highlights

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.

Recent Financings:
Equity Offering Feb 2008 - 28.6M @ \$1.05
Past Equity Offering May 2007 - 33.3M @ \$0.60

Management:
Glenda Dorchak, Chairman & CEO; George Reznik, CFO; Tracy Rees, COO

Intrinsyc Software International Inc. - Chart



FY-End Dec-31	Annual					Quarterly				
	2007A	2008E	2009E	2010E	2011E	Q1/2008A	Q2/2008A	Q3/2008E	Q4/2008E	Q1/2009E
Revenues (\$mlns)	18.2	26.3	49.4	69.8	85.7	5.6	5.6	7.8	7.3	9.3
Rev. Growth %	44%	88%	88%	41%	23%		0%	40%	-6%	27%
Consensus Revenue Est. (\$mlns)	0.0	31.6	51.6	70.2	88.7	4.9	5.4	8.0	8.4	9.6
3 months ago.	-	28	56	65	-	5	5	8	9	10
EBITDA (\$mlns)	(16.6)	(17.3)	(3.6)	12.9	18.6	(3.7)	(3.9)	(5.4)	(4.4)	(2.8)
EBITDA Growth %	-4%	79%	456%	44%		-5%	-39%	18%	37%	
Consensus EBITDA Est. (\$mlns)	0.0	(16.6)	(6.4)	12.3	19.8	(3.6)	(4.4)	(5.9)	(5.0)	(3.4)
3 months ago.	-	(19.0)	(10.1)	1.2	-	(3.6)	(4.4)	(5.9)	(5.0)	(3.4)
EPS (FD) (\$)	(0.16)	(0.12)	(0.04)	0.06	0.09	(0.03)	(0.03)	(0.04)	(0.03)	(0.02)
EPS Growth %	24%	68%	253%	56%		4%	-32%	16%	31%	
Consensus EPS Est. (\$)	-	(0.13)	(0.06)	0.02	0.10	(0.03)	(0.03)	(0.04)	(0.04)	(0.03)
3 months ago.	-	(0.12)	(0.04)	0.01	-	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
CFPS (FD) (\$)	(0.15)	(0.11)	(0.02)	0.08	0.12	(0.04)	(0.01)	(0.03)	(0.03)	(0.02)
CFPS Growth %	-30%	79%	475%	46%		60%	-132%	20%	36%	
Consensus CFPS Est. (\$)	-	(0.11)	(0.02)	0.08	0.13	(0.02)	(0.01)	(0.03)	(0.03)	(0.02)
3 months ago.	-	(0.08)	-	0.07	-	(0.02)	(0.01)	(0.02)	-	-

*All consensus numbers are from Capital IQ, covered companies are denoted by *

Key Statistics

Price / Target / Return	\$0.14	\$1.10	685.7%
52wk Hi / Lo	\$1.30	\$0.12	
Shares O/S (mlns)			
Basic / F.D.	161.9	191.0	
Float		150.2	
Cash Burn (mths) / Dividend Yield	1.3	0.0%	
Short Interest / as % of Float	0.0	0.0%	
Daily Volume (3-Mth. Avg. mlns)		0.27	
Market Cap. / Enterprise Value (mlns)	22.7	1.2	
Cash / Debt (mlns)	21.5	0.0	
Cash / Shr & Net Cash / Shr	\$0.13	\$0.13	
Tang. Book Value / Share		\$0.23	
Company CEO / Website	Glenda M. Dorchak	www.intrinsyc.com	
Top Holders:			
1) IG Investment Management, Ltd.		10.1%	
2) Carlin Asset Management Limited		4.5%	
3) Gruber & McBain Capital Management, LLC		1.1%	
Ownership:			
Management Control (Proxy)	1.7 M	1.0%	

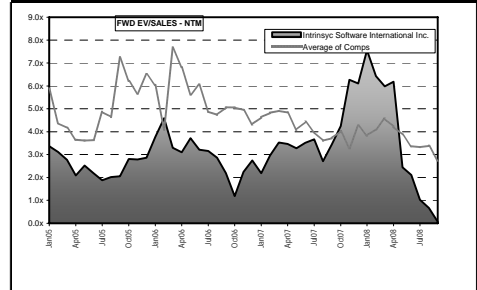
*Source: CapitalIQ, Bloomberg

Valuation Metrics	2006	2007	2008	2009
EV/EBITDA - Current	NM	NM	NM	NM
Est. EV/EBITDA - Target			NM	14.6x
EV/SALES - Current	1.9x	NM	0.2x	0.1x
Est. EV/SALES - Target			7.2x	3.8x
Current, 1-Year, 2-Year				
DCF Target		\$1.01	\$1.10	\$1.21

Analyst Ratings: Capital IQ	Potential Upside
Average Target	\$0.78
Median Target	\$0.80
Sector Outperform	6
Sector Perform	0
Sector Underperform	0
# of Analysts	6

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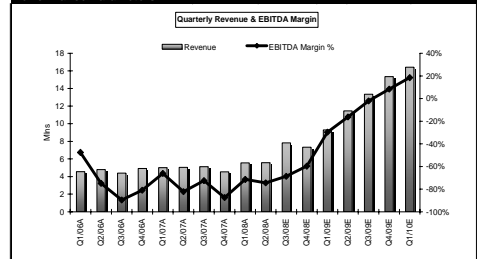
Historical Valuation Parameters



Comparables	Stock Price		Pot. Return	EV/Sales			EBITDA Margin		P/E		EV/EBITDA	
	Today	Target		2008	2009	2010	2008	2009	2008	2009	2008	2009
*Intrinsyc Software International Inc	0.14	1.10	686%	0.2x	0.1x	0.1x	-66%	-7%	NM	NM	NM	NM
Esmertec AG	5.29	10.00	89%	2.4x	1.9x	1.6x	9%	13%	NM	NM	28.4x	14.2x
Access Company, Ltd.	107,500	266,333	148%	0.7x	0.6x	0.5x	6%	10%	NM	22.5x	11.1x	6.5x
Opera Software ASA	12.90	21.94	70%	2.3x	1.6x	1.2x	14%	19%	28.6x	16.7x	15.7x	8.7x
BSQUARE Corp.	2.65	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Smith Micro Software Inc.	5.10	9.64	89%	1.3x	1.1x	1.0x	16%	21%	9.1x	7.0x	8.3x	5.3x
Infracore Inc.	7,440	25,000	236%	1.9x	1.5x	1.2x	30%	39%	9.0x	5.1x	6.3x	3.8x
Acrodea Inc.	111,200	491,000	342%	1.7x	1.2x	0.8x	28%	36%	18.9x	10.8x	5.8x	3.3x
Average				1.7x	1.3x	1.1x	17%	23%	16.4x	12.4x	12.6x	7.0x

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Performance Parameters

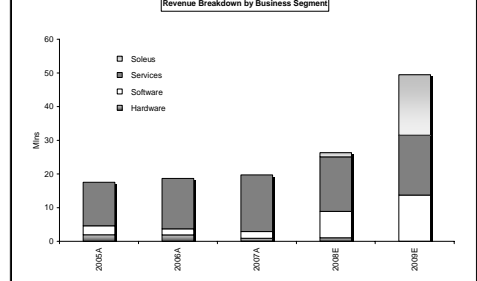


Historical Valuation Parameters	EV/EBITDA		P/CF		EBITDA Growth		EPS Growth		Sales Growth		Returns %		
	3-Yr Avg.	NTM	TTM	2008	2009	2008	2009	2008	2009	2008	2009	Last 3mrt	YTD
*Intrinsyc Software International Inc	NM	NM	NM	NM	NM	4%	-79%	24%	68%	44%	88%	-66%	-85%
Esmertec AG	2.6x	NM	37.8x	15.6x	189%	100%	89%	119%	26%	30%	-46%	-52%	
Access Company, Ltd.	NM	17.3x	18.2x	11.8x	-32%	71%	103%	NM	4%	13%	-37%	-79%	
Opera Software ASA	NM	NM	24.2x	14.6x	NM	80%	NM	72%	47%	37%	-43%	0%	
BSQUARE Corp.	NM	3.3x	NM	NM	NM	NM	NM	NM	NM	NM	-26%	-61%	
Smith Micro Software Inc.	13.9x	NM	NM	NM	115%	56%	NM	29%	36%	17%	-32%	-40%	
Infracore Inc.	14.1x	NM	7.4x	4.5x	42%	67%	51%	76%	36%	30%	-57%	-53%	
Acrodea Inc.	NM	15.6x	9.2x	4.9x	NM	75%	NM	76%	NM	37%	-51%	-67%	
Average	10.2x	12.1x	19.4x	10.3x	78%	75%	81%	74%	30%	27%	-42%	-50%	

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Discounted Cash Flow Analysis (FY-End Dec. US\$)	Intrinsyc Software				
	2007	2008	2009	2010	2011
Modeled Units Shipped	25,000	312,500	4,781,250	9,375,000	12,687,500
Revenue (\$)	9,705,794	26,286,718	49,435,000	69,612,094	85,699,553
Revenue growth	2%	88%	38%	41%	23%
EBITDA (\$)	(9,434,798)	(7,296,226)	(3,628,451)	2,926,226	6,574,714
EBITDA Margin	-70%	-66%	-7%	9%	22%
Amortization (\$)	797,385	909,415	1,359,610	1,430,265	1,501,432
EBIT (\$)	(14,232,633)	(8,205,641)	(4,988,062)	1,495,961	7,073,282
NOPAT [EBIT * (1 - effective taxrate)]	(14,52,370)	(8,34,155)	(4,988,062)	1,495,961	7,073,282
Plus Amortization (\$)	797,385	909,415	1,359,610	1,430,265	1,501,432
Less Capital Expenditures (\$)	(562,912)	(86,1999)	(790,960)	(837,745)	(1,028,395)
Capital Intensity	0	0	0	0	0
Net Working Capital Changes	303,368	3,331,764	3,609,342	(1,904,879)	\$0.75
Terminal Value		215,084,322	215,084,322	215,084,322	
Equity Value		\$2,328,060	209,404,566	230,401,642	
DCF Value			101	121	

Revenue Breakdown by Business Segment



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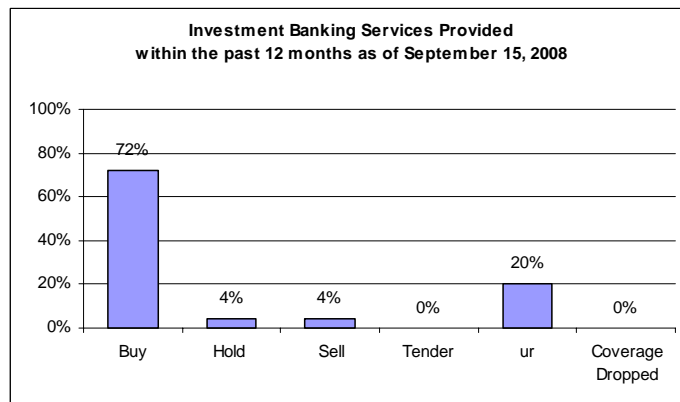
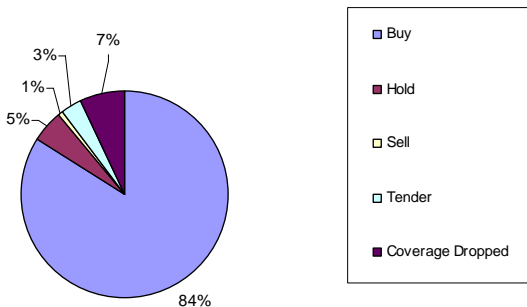
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