

TECHNOLOGY

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RATING & TARGET

RATING	OUTPERFORM 2 =
Target Price (6-12 mths)	0.65 ↓
Closing Price	0.50
Total Return to Target	30%

MARKET DATA

Market Capitalization (\$mln)	74
Current Net Debt (\$mln)	(35)
Enterprise Value (\$mln)	39
Shares Outstanding (mln)	149
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	\$0.39 - \$1.30

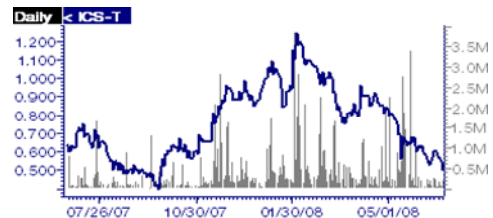
KEY FINANCIAL METRICS

FY-Dec 31	2008E	2009E	2010E
EPS (C\$)	-0.11	-0.03	0.01
P/E	n.m.	n.m.	n.m.
EPS - 1Q	-0.03	-0.02	-0.01
EPS - 2Q	-0.03	-0.01	0.00
EPS - 3Q	-0.03	0.00	0.01
EPS - 4Q	-0.02	-0.01	0.00
EBITDA	-16.2	-4.8	1.7
EV/EBITDA	n.m.	n.m.	n.m.
Revenue (\$mln)	21.7	37.5	47.4
Yield (%)			

EBITDA in C\$ mln

COMPANY DESCRIPTION

Intrinsyc is a mobile software and engineering services company that provides systems integration for wireless handsets. The company has leveraged its expertise to develop a high-level operating system (HLOS) called Soleus, to enable handset manufacturers and telecommunications operators to deliver feature phones more rapidly, at a lower cost, and with customizable options and design.



All figures in C\$, unless otherwise noted.
 Sources: Raymond James Ltd., ThomsonOne, CapIQ

Intrinsyc Software International Inc.

ICS-TSX

Nokia Acquires Symbian; Plans to Make O/S Royalty-Free

Event

Nokia (NOK-NYSE) yesterday announced it is acquiring the remaining 52% stake in Symbian it does not own. In conjunction, Nokia is creating the Symbian Foundation with plans to make the Symbian O/S royalty-free.

Action

We are reducing our target price to \$0.65 (previously \$1.00). This now reflects a 2.5x F2010 Soleus revenues (previously 5x) - more in line with what Nokia paid for the 52% stake in Symbian. Given Intrinsyc shares already declined 9% yesterday, we are keeping our OUTPERFORM rating.

Analysis

Not much has changed in the short term. It's a complicated scenario which we expect will not unfold until the Foundation starts operating in 1H09 when members should be able to use Symbian royalty-free. Meantime, we still view Intrinsyc's Soleus as providing a very effective way for handset manufacturers to differentiate their handsets cost effectively and with the fastest time to market. Longer term, this follows Google's (GOOG-NASDAQ) lead to provide Android for free. The eventual commodization of the mobile O/S means Soleus needs to find other ways to compete (e.g., adding other services on top of the O/S) to still justify customers paying a license fee for Soleus. We believe Intrinsyc will address that in its future road map. We note this development might also result in more engineering services revenues for Intrinsyc's Symbian practice - but that would not command the high multiple Soleus would. Based on the limited financial details we have been able to find on Symbian, we estimate Nokia paid between 1.9x-2.2x 2008E revenues.

Valuation

Intrinsyc currently trades at 1.0x C2009E revenues. Comparable mobile software companies trade at 2.4x C2009E revenues.

Exhibit 1: Comparables

Intrinsyc Software

Company	Ticker Symbol	FYE	Price 24-Jun-08	Mkt. Cap. (\$ mlns)	EV/Sales			EV/EBITDA			P/E		
					C07A	C08E	C09E	C07A	C08E	C09E	C07A	C08E	C09E
Mobile Software													
Access	4813-JP	Jul	JPY 216	JPY 84	n.a.	1.7x	1.5x	n.a.	20.1x	12.5x	n.a.	100+	42.4x
BSQUARE Corporation	BSQR-O	Dec	\$4.81	\$49	0.7x	n.a.	n.a.	n.a.	n.a.	n.a.	17.8x	n.a.	n.a.
Esmertec	ESMN-SWX	Dec	SFr. 10.25	SFr. 174	4.6x	2.8x	2.4x	n.m.	11.7x	8.1x	n.m.	41.5x	16.4x
Opera Software	OPERA-OS	Dec	NOK 22	NOK 2,635	6.9x	4.9x	3.7x	100+	42.6x	22.0x	100+	61.8x	34.5x
Trolltech	TROLL-OS	Dec	NOK 16	NOK 843	3.4x	2.5x	1.9x	n.m.	32.4x	10.4x	n.m.	100+	25.1x
Wind River Systems	WIND-Q	Jan	\$11.10	\$970	2.5x	2.0x	1.8x	27.9x	17.7x	11.5x	33.6x	25.0x	20.3x
Red Hat	RHT-N	Feb	\$21.49	\$4,735	n.a.	6.3x	5.0x	n.a.	24.2x	18.3x	n.a.	27.6x	23.5x
Group Average (exc High/Low)					3.5x	3.1x	2.4x	n.a.	23.6x	13.2x	n.a.	34.5x	25.9x
Intrinsyc Software	ICS-T	Dec	\$0.50	\$74	2.0x	1.8x	1.0x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Raymond James Ltd.

Risks

- Risk of design wins not translating into material revenue due to failed device launches.
- Heightened competition from competing OS providers. Exposure to currency fluctuations. Lumpiness inherent in Engineering services business.

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Company	Symbol	Exchange	Disclosures
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