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RATING & TARGET

RATING	OUTPERFORM 2 ↑
Target Price (6-12 mths)	1.00 =
Closing Price	0.69
Total Return to Target	45%

MARKET DATA

Market Capitalization (\$mln)	103
Current Net Debt (\$mln)	(35)
Enterprise Value (\$mln)	67
Shares Outstanding (mln)	149
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	\$0.39 - \$1.30

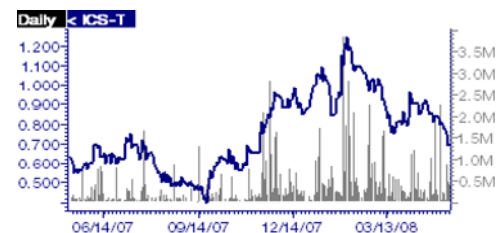
KEY FINANCIAL METRICS

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

Upgrading Following Share Price Decline

Event

Intrinsyc reported F1Q08 results. Revenues were \$5.6 mln vs. consensus of \$4.8 mln helped by some scope expansion at its Symbian engineering services business. EPS at \$(0.03) was in-line.

Action

We are upgrading to an OUTPERFORM rating (previously MARKET PERFORM). We reiterate our \$1.00 target.

Analysis

The engineering services outperformance was nice to see although that's the lower growth, lower margin business and is quite lumpy anyway. On the all important Soleus operating system business, we note that a recently announced design win is no longer proceeding as planned (Soleus has won 7 design wins this past year). We have tweaked our revenue expectations modestly lower as a result. The loss notwithstanding, the underlying investment thesis remains intact in our view. We are upgrading ICS stock because: 1) the shares are down 23% since we launched coverage (April 11) which makes valuation more palatable; 2) we expect Soleus to generate its first royalties next quarter. While we expect a very modest amount, we believe it would be positive to finally see royalty revenues start; 3) other design wins continue to make progress including the silicon vendors (Samsung LSI and another undisclosed established chipset supplier). Products from two customers are already well advanced in trials. We believe we could potentially have four customers generating royalties by the end of 2008. Intrinsyc has \$35 mln net cash on hand (or \$0.20/share) and burns about \$4.5 mln per quarter. We expect them to be active on the M&A front.

Valuation

Intrinsyc currently trades at 1.8x C2009E revenues. Comparable mobile software companies trade at 2.2x C2009E revenues.

Exhibit 1: Comparables

Intrinsic Software													
Company	Ticker Symbol	FYE	Price 13-May-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 308	JPY 120	n.a.	2.8x	2.4x	n.a.	32.4x	20.2x	n.a.	100+	60.5x
BSQUARE Corporation	BSQR-O	Dec	\$5.09	\$52	0.7x	n.a.	n.a.	n.a.	n.a.	n.a.	18.9x	n.a.	n.a.
Esmertec	ESMN-SWX	Dec	SFr. 8.80	SFr. 149	3.9x	2.4x	2.0x	n.m.	10.0x	6.9x	n.m.	35.7x	14.1x
Opera Software	OPERA-OS	Dec	NOK 15	NOK 1,861	4.4x	3.2x	2.4x	80.2x	27.4x	14.1x	100+	43.7x	24.4x
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	\$8.29	\$725	1.7x	1.3x	1.2x	18.4x	11.7x	7.6x	25.1x	18.7x	15.2x
Red Hat	RHT-N	Feb	\$22.10	\$4,870	n.a.	6.5x	5.1x	n.a.	25.0x	18.9x	n.a.	28.3x	24.2x
Group Average (exc High/Low)					3.0x	2.7x	2.2x	n.a.	24.1x	12.8x	n.a.	32.0x	22.2x
Intrinsic Software	ICS-T	Dec	\$0.69	\$103	3.4x	3.1x	1.8x	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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STRONG BUY 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. OUTPERFORM 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. MARKET PERFORM 3: the stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. UNDERPERFORM 4: the stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Company	Symbol	Exchange	Disclosures
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