

INTRINSYC DIALING UP NEXT-GEN PHONE SOFTWARE SUITE

PEOPLE ARE STARTING TO SEE THAT DATA IS THE FUTURE OF THE BIG NETWORKS—MUSIC, RING TONES, TEXT, PICTURES—ALL DELIVERED OVER HANDHELD DEVICES.

DEREK SPRATT, CEO INTRINSYC



Derek Spratt, CEO of Intrinsyc, sits in his corner Pacific Centre office and waxes eloquent on the future of phones. And his company. “The PC used to be the mother of all markets, doing hundreds of millions of units a year. Well, the phone market makes that look small. In a matter of just 2 years we went from 400 million phones shipping worldwide to almost 800 million this year. Our industry is growing rapidly.”

“Intrinsyc started out in 1996 as a software component supplier, much the way Magna Industries sells car parts like radiators to the Big Three automotive makers. Our core business has been taking mobile phone functions and putting them into industry-specific devices so they can use public wireless networks. For example, an international courier company will ask us to put public radio network functionality into their package tracking bar code scanner.”

“People are starting to see that data is the future of the big networks—music, ring tones, text, pictures—all delivered over handheld devices. Right now the sweet spot in the industry is the feature phone. Everything has a colour screen, a camera, and is Internet and messaging capable. And there’s always some new feature that needs to be pushed. So we’re designing radio-interface layers, messaging layers, and pieces of embedded software in the chips that improve the

phone’s capabilities. Essentially, we write all the software and license it to the people who bang out the hardware.”

So how is Intrinsyc changing? “About a year and a half ago we determined our revenues were 80% services, 20% licensing. The jam in the sandwich is licensing—that’s where the high growth opportunity comes from. The way we get that is by adding more software components to these phones. So we decided to build a complete software stack, an end-to-end product code named Polaris. It’s a Windows CE product that gives phone designers the ability to literally draw the phone they want, click and choose the piece of software they want and then build it. So you don’t come to us now just for that radio layer or that little piece of software—you come to us for the whole solution. Products like ours will help shorten the design cycle and help them get to market faster.”

“Our game plan is pretty simple. Our core business is growing fast at the same time as this very big, very exciting new opportunity. We’re a \$20 million a year business, hopefully moving to \$100 million over the next few years. We’re betting we can get over 60% of our revenues out of licensing in the next two or three years. That’s the difference between getting \$5 or \$6 a unit instead of 50 cents. And that’s where we want to be.”

