Intrinsyc Software International Inc.

ICS : TSX : C$0.66

SPECULATIVE BUY

Target: C$1.40

Peter Misek, CA, CPA, CFA 1.416.869.7920
peter.misek@canaccordadams.com
Dushan Batrovic, MBA 1.416.869.7399
dushan.batrovic@canaccordadams.com
Neal Gilmer, MBA 1.416.869.7294
neal.gilmer@canaccordadams.com

COMPANY STATISTICS:

52-week Range:	C$0.39 - 1.30
Avg. Daily Vol. (000s):	562.5
Market Cap (M):	C$99.6
Shares Out (M) basic:	150.9
Shares Out (M) diluted:	150.9

EARNINGS SUMMARY:

FYE Aug	2005A	2006A	2007A	2008E	2009E
Revenue (M):	$17.5	$18.7	$19.7	$25.6	$63.2
EV/Sales (x):	3.8	3.6	3.4	2.6	1.1
EPS:	$(0.11)	$(0.24)	$(0.18)	$(0.11)	$0.05
P/E (x):	NM	NM	NM	NM	14.1

SHARE PRICE PERFORMANCE:

COMPANY SUMMARY:

Intrinsyc Software is a mobility software and services company, based in Vancouver, BC. The company's technologies and services enable companies to identify and create solutions to make mobile devices connect and work. Intrinsyc creates and licenses mobile and embedded software products to OEMs, as well as a suite of server-based interoperability solutions. Additionally, the company provides engineering services to support these products.

All amounts in US$ unless otherwise noted.

Technology -- Software -- Software and Services

A GAME CHANGING ACQUISITION

Event

Intrinsyc announced that it has entered into an agreement to acquire certain assets of Destinator Technologies. Destinator provides GPS and navigation software for PND and wireless devices. The purchase price is about C$16 million in cash (53%) and stock (47%). The deal is subject to higher bids being solicited in a court-run auction process. The break fee is 3% of the purchase price. Deal close is expected to occur in July 2008.

Impact

Our preliminary assessment of this acquisition is very positive. Key benefits in our view include: i) expansion of addressable market – we believe that Destinator's LBS applications could double Intrinsyc's ASP from the US$3-4 Soleus base; ability to cross-sell to Destinator's customers (tier ones include Motorola, ASUSTek and LG), ii) ability to reduce costs with minimal risk – Destinator is filing for bankruptcy protection, which allows Intrinsyc to pick and choose only select assets; should prevent a long and complex integration, which mitigates disruptions to the core business, iii) compelling valuation – deal translates into a 1.5x multiple of trailing revenue (net of map data resale); reasonable price to pay for technology (17 patents), global development centers and customer relationships.

Action

We believe that Destinator represents an attractive opportunity for Intrinsyc to quickly gain share in the growing LBS market. The ability to acquire only select assets at a compelling valuation, combined with Intrinsyc's seasoned management team reduces the M&A risk in this transaction. As such, we maintain our SPECULATIVE BUY rating and C$1.40 target based on our DCF analysis.

Outlook and recommendation

Intrinsyc announced the proposed acquisition of certain assets of Destinator Technologies, a vendor of navigation software for the PND and handset markets. Intrinsyc is paying about C$16 million in cash and stock, which translates into a reasonable 1.5x multiple on Destinator's historic revenue (net of map data resale). We believe the acquisition makes strategic sense for Intrinsyc based on the potential for significant cost and revenue synergies. Key benefits in our view include:

- Expansion of addressable market – we believe that Destinator's LBS applications could double Intrinsyc's ASP from the US$3-4 Soleus base. Destinator's customer base includes such tier ones as Motorola, ASUSTek and LG Electronics, which all become targets for Soleus, in our view. Additionally, Intrinsyc will be able to offer Destinator software to its Soleus customers. Finally, we believe that a bundled offering positions Intrinsyc favorably in competitive bids.
- Ability to reduce costs with minimal risk – Destinator is filing for bankruptcy protection today. This allows Intrinsyc to selectively purchase only the assets that management is most able to monetize. We believe this will prevent a long and complex integration, which should mitigate disruptions to the core business. On a pro-forma basis, we believe Destinator could be breakeven in the first year after deal close.
- Compelling valuation – At a purchase price of C$16 million, this deal translates into a 1.5x multiple of trailing revenue (net of map data resale). Although Destinator is filing for bankruptcy protection, we believe that revenues have recently stabilized. Additionally, we would surmise that C$16 million is a reasonable price to pay for Destinator's technology (17 patents), global development centers and customer relationships in an attractive LBS market.

Our preliminary assessment of this acquisition is very positive. We believe that Destinator represents an attractive opportunity for Intrinsyc to quickly gain share in the growing LBS market. The ability to acquire only select assets at a compelling valuation, combined with Intrinsyc's seasoned management team reduces the M&A risk in this transaction. As such, we maintain our SPECULATIVE BUY rating and C$1.40 target based on our DCF analysis.

Details of Destinator acquisition

- Purchase price of approximately C$16 million: C$8.5 million in cash and 11 million of Intrinsyc shares from treasury.
- Acquisition is subject to higher bids through an auction process administered by courts in Canada and the US handling Destinator's restructuring process.
- Intrinsyc is eligible for a break fee of 3% of the purchase price and the reimbursement of transaction related expenses if it is unsuccessful in its offer.
- Intrinsyc will acquire an 80 person development center in Beijing, China as well as a research and development team in Hertzliya, Israel.
- Intrinsyc will integrate key sales personnel across Asia, Americas and Europe, however is not assuming most of Destinator's facilities or senior leadership team.
- Intrinsyc will assume Destinator's 17 patents/patent applications.
- We believe Intrinsyc is paying roughly 1.5x sales net of map data resale.

- Legal process is expected to last for 30-60 days. The deal is expected to close in July 2008.

Investment risks

The main risks to our outlook include the competitive environment intensifying, design wins taking longer than expected to close, design wins not translating into material revenue due to failed device launches, ESG division revenue erosion, and key management leaving the firm. Other risks include litigation, adverse F/X trends, slower-than-expected growth in the mobile device market, faster-than-expected ASP erosion at handset OEM/ODMs pressuring Intrinsyc's ASPs down significantly, and broader macroeconomic forces impacting the market.

APPENDIX: IMPORTANT DISCLOSURES

Analyst Certification: Each authoring analyst of Canaccord Adams whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

Site Visit: An analyst has visited Intrinsyc's material operations in Vancouver, BC, Canada. No payment or reimbursement was received from the issuer for the related travel costs.

Price Chart:*

* Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

Distribution of Ratings:
Global Stock Ratings
(as of 1 May 2008)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	330	61.6%	40.0%
Speculative Buy	61	11.4%	59.0%
Hold	129	24.1%	19.4%
Sell	16	3.0%	6.3%
	536	100.0%	

Canaccord Ratings System:

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.
HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.
SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.
NOT RATED: Canaccord Adams does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier: SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Adams Research Disclosures as of 20 May 2008

Company	Disclosure
Intrinsyc Software International Inc.	1A, 2, 3, 7

1	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Adams or its affiliated companies. During this period, Canaccord Adams or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
2	In the past 12 months, Canaccord Adams or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
3	In the past 12 months, Canaccord Adams or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
4	Canaccord Adams acts as corporate broker for the relevant issuer and/or Canaccord Adams or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
5	Canaccord Adams or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
6	In the past 12 months, Canaccord Adams, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
7	Canaccord Adams intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
8	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
9	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
10	Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
11	A partner, director, officer, employee or agent of Canaccord Adams and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
12	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, Canaccord Adams or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the investment research (as disclosed above).
13	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Adams or any of its affiliated companies.
14	Other specific disclosures as described above.

Canaccord Adams is the business name used by certain subsidiaries of Canaccord Capital Inc., including Canaccord Adams Inc., Canaccord Adams Limited, and Canaccord Adams, a division of Canaccord Capital Corporation. Clients of Canaccord Adams, in the past 12 months, may have been clients of Canaccord Capital Corporation, Canaccord Capital (Europe) Limited, Canaccord Capital Corporation USA Inc., and/or Adams Harkness Financial Group Ltd.

The authoring analysts who are responsible for the preparation of this investment research are employed by Canaccord Adams, a securities broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal (all Canada), Boston, New York, San Francisco (all US) and London (UK).

In the event that this is compendium investment research (covering six or more relevant issuers), Canaccord Adams and its affiliated companies may choose to provide specific disclosures of the subject companies by reference, as well as its policies and procedures regarding the dissemination of investment research. To access this material or for more information, please send a request to Canaccord Adams Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or disclosures@canaccordadams.com.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Adams. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research.

Canaccord Adams and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Adams or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, Related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. This investment research has been prepared in accordance with Canaccord Adams' policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Adams' policy is available upon request.

The information contained in this investment research has been compiled by Canaccord Adams from sources believed to be reliable, but (with the exception of the information about Canaccord Adams) no representation or warranty, express or implied, is made by Canaccord Adams, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Adams has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute Canaccord Adams' judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Adams salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. Canaccord Adams' affiliates, proprietary trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Adams, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this investment research.

For Canadian Residents: This Investment Research has been approved by Canaccord Adams, a division of Canaccord Capital Corporation, which accepts responsibility for this Investment Research and its dissemination in Canada. Canadian clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Adams, a division of Canaccord Capital Corporation in their particular jurisdiction.

For United Kingdom Residents: This Investment Research complies with of the Financial Services Authority's Handbook's chapter on Conduct of Business and is approved by Canaccord Adams Limited, which is regulated and authorized by the Financial Services Authority, in connection with its distribution in the United Kingdom. This material is not for distribution in the United Kingdom to private customers, as defined under the rules of the Financial Services Authority. Canaccord Adams Limited accepts responsibility for this Investment Research and its dissemination in the United Kingdom. The information contained in this Investment Research is only intended for distribution in the UK to persons who qualify as intermediate customers or market counterparties, as defined under the rules of the Financial Services Authority.

For United States Residents: Canaccord Adams Inc., a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Adams Inc.

For European Residents: If this Investment Research is intended for disclosure in any jurisdiction other than the United Kingdom, the US or Canada, then the relevant rules and regulatory requirements of that jurisdiction will apply.

Additional information is available on request.