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At the Opening
November 9, 2007

Intrinsyc Software International Inc.[1,7] — BUY

ICS-T C$0.65 — Target: C$0.95

What's Changed			
		New	Old
Recommendation		n/c	BUY
Target		n/c	$0.95
Revenue 2007A*		$19.7	$19.3
Revenue 2008E		$23.8	$23.7
Revenue 2009E		$33.4	$33.4
EPS 2007A*		($0.18)	($0.15)
EPS 2008E		($0.14)	($0.14)
EPS 2009E		($0.11)	($0.11)
Share Data			
Shares – mm (basic/f.d.)			119.3/119.3
52-week high/low			C$0.77/C$0.36
Market capitalization (mm)			C$78
Enterprise value (mm)			C$58
Net cash			C$20
Total projected return			38%
Financial Data			
YE Dec 31	07A*	08E	09E
Revenue (mm)	$19.7	$23.8	$33.4
P/Revenue	4.0x	3.3x	2.3x
EV/Revenue	2.9x	2.4x	1.7x
EPS	($0.18)	($0.14)	($0.11)
P/E	n/a	n/a	n/a

* YE Aug

Results slightly ahead; Soleus ramp remains focus

- Intrinsyc reported $4.5 mm and a net income loss of $4.1 mm or $0.03 per share, higher than our estimates of $4.2 mm and a loss of $5.0 mm or $0.04 per share.
- Management announced that the company will be transitioning its year-end from Aug to Dec and its reporting currency from C$ to US$ as these adjustments will better align the company's business cycle with its customers
- Google Android software platform a possible concern, however, no change to our model as we already assume 18% decline in Soleus pricing between F08 and F09
- Our F08 and F09 materially unchanged despite the fiscal period shift. We apply a 3.5x P/S multiple to our unchanged F09 revenue estimate of $33.4 million to arrive at our price objective of $0.95 and maintain our BUY rating

RESULTS SLIGHTLY AHEAD; SOLEUS RAMP REMAINS FOCUS

Intrinsyc reported $4.5 million and a net income loss of $4.1 million (or $0.03 loss per share), higher than our estimates of $4.2 million and a loss of $5.0 million (or $0.04 loss per share). Consensus estimates were $4.4 million and ($0.04). Reported Q4 revenue declined approximately 11% from Q3, in-line with previous management guidance of a 10%-20% decline as the company is in the progress of migrating out of its legacy embedded services business. Soleus accounted for $0.08 million in revenue during the quarter. Gross margins of 49% were better than our estimates of 47%, largely due to an improvement in sales execution engineering services engagements as well as higher margin system integration business.

From an operational expenditures perspective, the company reported lower Administration and Research and Development of $1.3 million and $2.8 million versus our estimates of $1.6 million and $3.1 million, respectively. During the quarter Soleus' development costs accounted for $2.7 million in opex and continue to account for the majority of Research and Development costs. This line item highlights the development nature of the business. Cash used from operations was $3.3 million and the company ended the quarter with $20 million in cash and cash equivalents.

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Intrinsyc opened its Asian operation in Taipei in late September. The new offices will house research and development efforts and improved engineering services. In addition management is in the process of possibly closing its UK operations for engineering services as the company is expected to reorganize this business to its Taipei and Vancouver offices. A preliminary analysis indicates that the company would incur a one-time charge of $0.8 million (most likely in the next quarterly financials) and an annual savings of $2.0 million in operational expenditures. The company has proposed to shutdown its UK operations by the end of 2007.

FINANCIAL ESTIMATES – MOVE TO US$ AND CHANGE TO FYE

Management announced that the company will be transitioning its year-end from August to December and its reporting currency from Canadian to US dollars as these adjustments will better align the company's business cycle with its customers. Intrinsyc accounts for the majority of its revenue base from professional services and licence revenue in US$ and has a substantial portion of its operating expenditures in C$. The company is in the process of receiving regulatory approvals from the TSX and Canada Revenue Agency. In the table below we provide a summary of our financial estimates for the 4-month stub period ending December 31, 2007. In this report we are making the adjustment to the new fiscal periods now, however, we await the formal change to US$ reporting so that we can make the adjustment to both historical and future financials.

Financial Estimates for 4 month stub period ending December 31, 2007

	4-month stub ending Dec
Licensing	0.650
Service	4.200
Products/Other	0.100
Revenue	4.950
Cost of sales	2.525
Gross Profit	2.426
Total Oper Costs	7.505
Operating Income	(5.080)
Other	(0.200)
Income tax expense/(recovery)	0.050
Net Income	(4.930)
EPS - Basic	(0.04)
EPS - Diluted	(0.04)
Number of Shares - Basic	119.762
Number of Shares - FD	119.762

Source: Company reports and GMP Securities

Intrinsyc management was upbeat when discussing sales prospects to OEMs, ODMs and silicon vendors (Marvell, Texas Instruments, Intel and Freescale). No financial guidance was provided, however, management re-iterated its customer guidance of one Soleus design win per quarter (note that this does not necessarily mean a new customer per quarter as it is possible to have multiple design wins per client). From a product development perspective we are bullish on the company's engineering execution since our launch of coverage earlier this year. The release of the Soleus 1.01 software

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platform is an extension of the existing application with added functionality including multimedia, camera, language switching features as well as seamless integration of Microsoft Windows Mobile 6.0.

The combined effect of a rising Canadian dollar (still relevant in current model), shifting fiscal period, and lowered costs from the UK facility result in a minimal overall impact to our estimates. Our F08 (ending Dec) estimates of $23.8 million and ($0.14) remain materially unchanged. Our unit assumptions for F08 and F09 are 0.8 million and 4.4 million units, respectively. Our unchanged F09 estimates are $33.4 million and ($0.11).

Intrinsyc Software Financial Estimates

	Fiscal 2007				Fiscal 2008E							
	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08	Q3/08	Q4/08				
	Nov-06	Feb-07	May-07	Aug-07	Mar-08	Jun-08	Sep-08	Dec-08	2006	2007	2008E	2009E
Licensing	1.356	0.428	0.499	0.590	0.548	0.666	1.306	2.988	5.038	2.873	5.508	15.720
Service	2.661	4.303	4.477	3.811	3.800	4.300	4.300	4.700	9.889	15.252	17.100	15.390
Products/Other	1.004	0.306	0.135	0.136	0.300	0.300	0.300	0.300	3.732	1.581	1.200	1.500
Revenue	5.021	5.036	5.112	4.536	4.648	5.266	5.906	7.988	18.658	19.706	23.808	32.610
Cost of sales	2.705	2.554	2.464	2.310	2.230	2.518	2.658	3.243	11.318	10.034	10.648	12.762
Gross Profit	2.316	2.482	2.648	2.226	2.418	2.749	3.249	4.745	7.340	9.672	13.160	19.848
Administration	1.124	1.411	1.416	1.269	1.700	1.750	1.800	1.850	5.408	5.219	7.100	7.810
Marketing and sales	1.333	1.697	1.734	1.827	1.825	1.850	1.975	2.150	3.457	6.591	7.800	8.970
Research and development	2.976	3.302	2.953	2.795	3.200	3.300	3.350	3.400	10.970	12.026	13.250	14.575
Amortization	0.179	0.213	0.204	0.226	0.250	0.250	0.250	0.250	1.061	0.821	1.000	1.400
Stock based compensation	0.200	0.210	0.096	0.163	0.225	0.225	0.225	0.225	0.915	0.669	0.900	1.300
Other	0.000	0.002	0.642	0.197	0.000	0.000	0.000	0.000	0.261	0.841	0.000	0.000
Total Oper Costs	5.811	6.834	7.045	6.477	7.200	7.375	7.600	7.875	22.072	26.167	30.050	34.055
Operating Income	(3.495)	(4.351)	(4.397)	(4.251)	(4.783)	(4.626)	(4.351)	(3.130)	(14.732)	(16.495)	(16.890)	(14.207)
Interest expense/(income)	0.028	(0.057)	(0.093)	(0.197)	(0.020)	0.000	0.000	0.000	0.358	(0.319)	(0.020)	(0.500)
Loss on disposal of equipment	0.000	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.001	0.003	0.000	0.000
Foreign exchange gain/(loss)	(0.250)	(0.175)	0.000	0.000	0.100	0.100	0.100	0.100	0.428	(0.424)	0.400	1.000
Accretion and amortization - long-term debt	0.928	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.744	0.928	0.000	0.000
	0.706	(0.232)	(0.093)	(0.195)	0.080	0.100	0.100	0.100	1.531	0.187	0.380	0.500
Income tax expense/(recovery)	0.057	0.127	0.079	0.053	0.000	0.000	0.000	0.000	0.131	0.316	0.000	0.000
Net Income	(4.259)	(4.247)	(4.383)	(4.110)	(4.863)	(4.726)	(4.451)	(3.230)	(16.393)	(16.998)	(17.270)	(14.707)
EPS - Basic	(0.05)	(0.05)	(0.05)	(0.03)	(0.04)	(0.04)	(0.04)	(0.03)	(0.24)	(0.18)	(0.14)	(0.12)
Number of Shares - Basic	83.04	83.04	91.02	119.26	120.26	121.26	122.26	123.26	67.62	94.18	121.76	127.26

Source: Company reports and GMP Securities

GOOGLE LAUNCHES PLANS DESTINED TO DISTURB MOBILE SECTOR

Google announced the development of an open and comprehensive mobile platform called Android, due out in the second half of 2008. The new open-source strategy aims to enable faster innovation and lower barriers to entry in the competitive handset market, specifically targeting lowering software costs within the handset. Google, T-Mobile, HTC, Qualcomm, Motorola and 29 other companies have formed the Open Handset Alliance, a group dedicated to improving user experience as well as promoting new technologies and the development of wireless technology. The new software will provide a developer-friendly, open-source platform that will consist of a mobile operating system and middleware and a user-friendly interface and applications.

In the past we have discussed the fundamental implications to our coverage universe when/if Google enters the mobile industry via the US spectrum auction (Google is attempting to become the commerce and search backbone for the computing industry to go wireless). Recall that in July 2007 Google announced its intentions to bid at least $4.6 billion for the upcoming 700 MHz spectrum auction.

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Our preliminary assessment on Google's entry is that it will likely take the company longer to penetrate the mobile market than most anticipate. Other large technology suppliers such as Apple and Microsoft have shown that false first starts are a common theme. Apple's first gen ROKR handset joint venture with Motorola was a failure from a product and sales perspective. It took Microsoft's Windows Mobile business near ten years to reach current levels of 160 mobile operators in 55 countries (Microsoft is expected to sell about 12 million Windows Mobile phones this year, accounting for about 10% of the smartphone market, according to IDC). We have provided research in the past on mobile Linux which shares the open sourced characteristics of Google's Android platform. However, our research has shown that the largest users of mobile Linux (e.g. Motorola) do not find that open sourced code is necessarily cheaper when considering all-in costs such as the development of tools.

There are several fundamental differences between Google and others discussed above. First, Google's commitment to wireless is significantly higher as evident from its $4.6 billion initial bid for wireless spectrum. Skeptics who claim that Google is employing game theory with no intention to bid for the spectrum underestimate the significance of Google's industry reputation and culture. Second, Google is facilitating the lowering of software costs on the handset. Third, Google can make money simply from mobile search (an application that we view will gain increasing traction as users request information on the go).

Overall we believe that Google's entry is fundamentally different than other market entrants. We also believe that it will take longer for Google to succeed in this market than is generally expected. Therefore, we view Google and Android as more significant to the market in the 2009/10 timeframe. Based on our initial checks we believe that events related to Android are expected to gather momentum heading into February 2008 3GSM. In our view, the impact to Intrinsyc is minimal over the near term, however, we are concerned about the impact to license pricing for future design wins. Management believes that Google represents an opportunity as the platform could disrupt handset OEM's design cycles (something we have seen with touch screen products at all major OEM's post the iPhone). For now we are not adjusting our forward ASP assumptions as we have modelled a 18% decline in F09 versus F08.

RECOMMENDATION

We apply a 3.5x P/S multiple to our unchanged F09 revenue estimate of $33.4 million to arrive at our price objective of $0.95 and maintain our BUY rating. A replay will be available at 866-245-6755 or 416-915-1035, passcode: 845884#.

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