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Intrinsyc Software Inc.[1,7]   BUY

ICS C$0.24   Target: C$0.85↓

What's Changed		
	New	**Old**
Recommendation	nc	BUY
Target	C$0.85	C$1.00
Revenue 2008E (mm)	$27.1	$27.4
Revenue 2009E (mm)	$42.4	$46.7
EPS 2008E	nc	($0.14)
EPS 2009E	($0.07)	($0.09)

Share Data	
Shares – mm (basic/f.d.)	161.9/161.9
52-week high/low	C$1.30/C$0.185
Market capitalization (mm)	$38
Enterprise value (mm)	$16
Cash (mm)	$21.5
Total projected return	254%

Financial Data			
YE Dec. 31	**07A**	**08E**	**09E**
Revenue (mm)	$17.6	$27.1	$42.4
P/S	2.1x	1.4x	0.9x
EPS	($0.16)	($0.14)	($0.07)
P/E	nm	nm	nm
EBITDA (mm)	($13.5)	($19.3)	($10.3)
EV/EBITDA	nm	nm	nm

Note: All figures in US$ unless otherwise stated.
Note: Proforma post Destinator acquisition.
Note: F07 has Aug YE; all others reflect Dec YE

Restructuring aimed at preserving cash; execution remains critical to Soleus ramp story

- ICS is re-aligning cost structure to preserve cash runway in light of Soleus delays: 20% workforce reduction for annual cost savings of $6-8 mm

- Management changes: ICS appoints Tracy Rees to COO, and announces the departure of two key execs

- ICS is maintaining F2008 guidance; we have lowered estimates slightly to reflect increased timing risk

- We are reducing our target price to C$0.85 (from C$1.00) to reflect our revised estimates and a lower multiple, and maintain our BUY recommendation

- Expect increased news flow (e.g., new design wins, 1-2 Soleus device launches) to provide catalysts for the stock near-term

BUSINESS UPDATE AND RESTRUCTURING INITIATIVES

Last night, Intrinsyc provided a business update and announced restructuring actions in an effort to cut costs and preserve its cash runway to offset a slower than expected ramp in Soleus royalty revenues and a slowing of design wins in 2008.

Restructuring actions and financial impact:

- A reduction of R&D resources in North America, and a redeployment of projects to its new low-cost development centre in Beijing, China

- Workforce reduction of 20%; upon completion, Intrinsyc will have approximately 300 employees worldwide, including 100 billable staff in the engineering services division

- Mark Johnston (VP of WW Sales, Marketing, and Business Development) has resigned from his position due to personal reasons, but will remain as an advisor to the company. Although we are

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disappointed with Mr. Johnston's departure, we consider it a positive development that he will remain as advisor to the company. Tracy Rees, who has been with Intrinsyc since 2007 as acting GM for APAC, has been appointed COO. Mr. Rees, who has been instrumental in Intrinsyc's Soleus wins and the current strength in engineering services, will be responsible for worldwide sales, marketing, business development, engineering services, and the legacy business. Intrinsyc also announced that Randy Kath (CTO) is leaving the company to pursue other interests. Future technology leadership will be assumed by Souheil Gallouzi (SVP & GM, Mobile Products and Development).

- *Financial impact –* We expect Intrinsyc will realize lower-than-expected integration costs for the Destinator asset acquisitions of less than $1 mm (previously $1.5-2 mm), plus we estimate severance costs of less than $1 mm. As a result of these actions, Intrinsyc will realize annual cost savings of $6-8 mm (to be partially reflected in Q4/F08 and fully reflected starting in Q1/F09), resulting in a lower cash burn going forward.

Business update:

- **Engineering services on track** – in Q3/08, Intrinsyc secured two significant engineering services customer engagements, providing us with comfort with our forecasts for this division. We are conservatively forecasting revenue of $17.2 mm for the year.

- **Destinator integration on track**; **announcing new wins** – The integration is expected to be completed ahead of schedule. In July 2008, Intrinsyc began shipping the Destinator navigation software for Motorola's A1600 MING device, which is the best-selling smartphone in its price range in the Chinese market. In the press release, Intrinsyc announced a new design win with Supa Technologies, a Taiwan-based ODM, for PNDs to be sold through North American office supply retailers. Last week, Intrinsyc announced a design win with a "leading mobile phone and consumer device manufacturer" for a series of PNDs. Although the customer was not disclosed, we believe it is with an existing Destinator customer, possibly Motorola. In any event, we believe that this is a strategic relationship that could potentially lead to future deals including Soleus.

- **Soleus launches are imminent –** In our last note (dated August 13, 2008), we provided a detailed update on each of Intrinsyc's design wins. As expected, the Mio Moov 380 device commenced shipments into Taiwan, and the company expects a European version to start shipping by the end of this year (we are hoping it will be in time for the holiday season). In our last note, we had indicated that the Quanta device (which we believe is Polymer Vision's Readius e-reader) will be launched in September. Based on our independent research since then, the launch date has since slipped to "late fall", which we read as October or early November. This device is expected to be launched in Europe initially. Work with Intrinsyc's silicon vendor partners remain a key focus. So far, Intrinsyc has delivered a completed reference kit to its un-named silicon vendor partner, and we expect its first device to be launched before year-end. As for Samsung, we continue to believe that volume shipments will start in early 2009 (was already reflected in our model) as the company is still working on the final tweaks for its reference kit. We view the upcoming Mobile Asia Congress (Asia 3GSM) in mid-November to be an important launch window for potential new design wins, or at the very least, a hard delivery date for the reference kit.

- **Soleus technology roadmap –** Soleus Transit, which includes support for the Destinator navigation application, is expected to be released in Q4/08. Soleus 2.0, the new architecture with advanced touch user interface including gesture-based technology, should be available in Q1/09. Recall, Soleus 2.0 will be a new architecture that can be versioned into different implementations (e.g., a version will be built to use Destinator for PNDs, another version will be built for handsets, etc…). We continue to believe that Soleus 2.0's new architecture will be a key step towards its ability to port Soleus to other operating systems, such as Symbian, which would increase its addressable market.

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- Intrinsyc is reiterating F2008 revenue guidance of $26-29 mm (albeit at the lower end of the range), and maintains its commitment to announce at least 3 new design wins by year-end. Based on our discussions with management, the company is in later stage discussions with multiple Soleus customers.

Our View

As outlined in our last note, Intrinsyc is at a critical juncture in its transition where the company needs to simultaneously achieve two items: 1) successfully execute on the launch of Soleus-based devices to market; and 2) re-build the momentum of new Soleus design wins to grow the future pipeline of royalty streams and establish the brand as a viable platform.

In light of the slower-than-expected flow of new design wins to date and the delays we've seen in the Soleus device launches, we believe management is being prudent by focusing on reducing cash burn as it ramps up its mobile software revenues. While we are disappointed with the loss of two key executives, we believe management is focusing on the task at hand, which is to aggressively commercialize Soleus and Destinator-enabled devices. Based on the updates from management, as well as our independent research, we believe the company is positioned to launch at least two additional Soleus-based devices (e.g., design wins from Quanta and un-named silicon vendor), and announce at least three new design wins before year-end. **We expect these news items to provide positive catalysts for the share price in the near-term, and help to renew investor confidence.**

SLIGHT REVISIONS TO OUR FORECAST

We have tweaked our estimates to reflect the following:

- The realization of cost savings from restructuring actions partially in Q4/08 and fully reflected starting in Q1/09

- We had already assumed a slower ramp of Soleus devices (particularly for the timing of the Samsung LSI ramp), but in the absence of additional design wins since last month and our new information on the launch of the Quanta device (slipping from September to October), we shifted a couple of design wins out.

Exhibit 1. Revised Forecast Summary ($ mm, except per share data)

	F2007 Actual	F2008E OLD	F2008E NEW	F2009E OLD	F2009E NEW	F2010E OLD	F2010E NEW	Q3/F08E OLD	Q3/F08E NEW
Revenues	C$19.7	$27.4	$27.1	$46.7	$42.4	$72.0	$66.5	$7.8	$7.6
Gross profit	C$9.7	$14.6	$14.3	$30.3	$26.7	$51.6	$46.9	$4.4	$4.3
GM %	49.1%	53.1%	52.8%	65.0%	63.0%	71.6%	70.5%	56.5%	56.0%
EBITDA	(C$14.2)	($19.3)	($19.3)	($10.8)	($8.1)	$10.1	$10.9	($4.1)	($6.3)
Net Income	(C$17.0)	($20.8)	($20.8)	($14.4)	($11.6)	$5.7	$6.3	($5.8)	($7.0)
FD EPS	(C$0.18)	($0.14)	($0.14)	($0.09)	($0.07)	$0.03	$0.04	($0.04)	($0.04)

Source: GMP

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LOWERING TARGET PRICE TO C$0.85 (FROM C$1.00), AND MAINTAINING BUY RECOMMENDATION

Intrinsyc is in a period where all the stars need to be aligned to ensure seamless execution – the launch of multiple Soleus-based devices, signing new design wins, and integration of Destinator assets. The integration of Destinator assets is expected to be completed ahead of schedule, and management remains committed to announcing at least 3 new design wins by year-end. More importantly, we expect the launch of at least two additional Soleus-based devices by year-end, which should act as positive catalysts for the shares near-term.

Based on our slightly revised estimates, we are lowering our target price to C$0.85 (from C$1.00), and maintaining our BUY rating. Our target price is derived by using a sum-of-the-parts method valuing the different businesses (see Exhibit 2), and we have used a lower target multiple (from 3.5x to 3.0x) to value Soleus to reflect increased risk and delays in the ramp up of Soleus royalty revenues, as well as current market conditions. On a consolidated basis, this implies a target C2009 P/S multiple of 3.2x. At current levels, we believe the shares are undervalued, trading at a C2009 P/S multiple of 0.9x, which is a discount to the group average of 2.8x.

Exhibit 2. Sum-of-parts valuation

Soleus at 3x discounted to 2009	$83.7
Soleus value per share	$0.52
Engineering Services at 1x	$0.12
Destinator revenue at 2x	$0.22
Total value per share	**$0.86**

Note: We may need to re-visit our valuation for the software business (Soleus and Destinator) with further disclosure.
Source: GMP

In sum, we believe worst-case skepticism/concern is priced in and that with last night's business update, investors should see plenty of opportunities for upside, specifically 2 news releases on Soleus launches (potentially 3 if the company press releases the launch of the Mio Moov 380 in Europe) and at least 3 news releases on new design wins. If management can successfully launch the anticipated devices before year-end, the company will be positioned with 2 PNDs (the Mio Moov 380 and the new PND announced last week, which, as it is the manufacturer's first foray into the PND market, is expected to be launched in October with a big ad campaign including television ads, and will be released in a large brand name retail chain in the US) and 1 3G device (we believe to be Polymer Vision's Readius e-reader) in time for the holiday season, which could in itself yield better-than-expected shipment volumes, in addition to a much anticipated silicon device launch from an unnamed silicon vendor.

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Exhibit 3. Income Statement ($ mm, except per share data)

Intrinsyc Software	2006	2007	4mth stub	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	4mth stub	F1Q08	F2Q08	F3Q08E	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E	F1Q10E	F2Q10E	F3Q10E	F4Q10E
Hardware revenue	1.9	0.9	0.6	1.2	0.1	0.0	0.4	0.3	0.1	0.1	0.6	0.6	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Software revenue- Enterprise Interop Solutions	1.8	1.8	0.4	1.7	0.5	0.0	0.4	0.4	0.4	0.5	0.4	0.5	0.7	0.3	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Software revenue - Soleus/Destinator			0.2	0.1	7.1	22.6	45.4			0.1	0.1	0.1	0.2	0.6	2.8	3.5	4.0	5.0	6.2	7.3	9.2	10.6	12.2	13.5
Soleus Up-front license fees			0.1	0.7	0.7	0.8					0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Soleus Royalties			0.0	0.3	8.2	26.8					0.0	0.0	0.0	0.0	0.3	0.9	1.5	2.4	3.4	5.0	6.1	7.4	8.3
Volume ('000)			-	77	2,180	8,148					-	-	-	10	67	215	395	635	935	1,420	1,815	2,270	2,643
ASPs				$4.06	$3.75	$3.28								$4.10	$4.05	$4.00	$3.90	$3.80	$3.60	$3.50	$3.35	$3.25	$3.15
Destinator				5.7	13.7	17.9								2.6	3.1	3.0	3.3	3.6	3.8	4.0	4.3	4.6	5.0
Services revenue - Engineering services	14.9	16.8	4.1	17.2	19.2	21.1	4.2	4.3	4.5	3.8	4.1	4.3	4.0	4.4	4.5	4.6	4.8	4.9	5.0	5.1	5.2	5.3	5.5
Revenue	18.7	19.7	5.2	27.1	42.4	66.5	5.0	5.0	5.1	4.5	5.2	5.6	5.6	7.6	8.3	8.9	9.9	11.1	12.4	14.3	15.8	17.5	19.0
% Q/Q change							2%	0%	1%	-11%	n/a	n/a	0%	37%	9%	7%	11%	12%	11%	15%	11%	11%	9%
% Y/Y change	6.4%	5.6%	n/a	37.6%	56.3%	57.0%	10%	5%	16%	-8%	n/a	n/a	n/a	n/a	n/a	61%	78%	46%	48%	60%	59%	57%	54%
Cost of sales	11.3	10.0	3.2	12.8	15.7	19.7	2.7	2.6	2.5	2.3	3.3	3.0	3.0	3.4	3.5	3.6	3.8	4.0	4.3	4.5	4.8	5.0	5.4
Gross profit	7.3	9.7	2.0	14.3	26.7	46.9	2.3	2.5	2.6	2.2	1.9	2.5	2.6	4.3	4.9	5.3	6.1	7.1	8.1	9.8	11.0	12.4	13.7
Gross margin %	39.3%	49.1%	39.0%	52.8%	63.0%	70.5%	46.1%	49.3%	51.8%	49.1%	36.4%	45.7%	46.9%	56.0%	58.5%	59.4%	61.8%	64.0%	65.6%	68.5%	69.8%	71.1%	71.8%
Administration	5.4	5.2	2.2	7.1	6.2	6.4	1.1	1.4	1.4	1.3	2.2	1.8	1.8	1.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Marketing & sales	3.5	6.6	2.4	9.0	10.1	10.7	1.3	1.7	1.7	1.8	2.4	1.8	1.8	2.7	2.6	2.6	2.5	2.5	2.5	2.7	2.7	2.7	2.7
Research & development	11.0	12.0	3.3	14.0	16.1	16.0	3.0	3.3	3.0	2.8	3.3	2.5	2.7	4.5	4.3	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Amortization	1.1	0.8	0.3	2.2	3.9	4.0	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Stock-based compensation	0.9	0.7	0.2	1.2	1.4	1.6	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Restructuring/Integration costs	0.0	0.0	0.7	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technology Partnerships Canada Funding Investm	0.3	0.3	0.0	0.8	1.0	1.3	0.0	0.0	0.2	0.1	0.0	0.0	0.2	0.3	0.4	0.0	0.3	0.4	0.4	0.1	0.4	0.4	0.4
Earnings (loss) from operations	(14.7)	(15.9)	(7.0)	(21.5)	(12.0)	6.9	(3.5)	(4.4)	(3.9)	(4.2)	(7.1)	(4.2)	(4.4)	(7.1)	(5.8)	(4.2)	(3.5)	(2.6)	(1.7)	(0.0)	1.0	2.4	3.6
Foreign exchange (gain) loss	0.4	0.1	0.3	-0.2	0.0	0.0	(0.2)	(0.2)	0.5	0.1	0.3	(0.2)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loss (gain) on disposal of equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	(0.6)	(0.5)	(0.2)	-0.6	-0.4	-0.4	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accretion and amortization - long term debt	0.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense - long term debt	0.9	0.2	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings (loss) before income taxes	(16.3)	(16.7)	(7.1)	(20.7)	(11.6)	7.3	(4.2)	(4.1)	(4.3)	(4.1)	(7.2)	(3.8)	(4.2)	(7.0)	(5.7)	(4.1)	(3.4)	(2.5)	(1.6)	0.1	1.1	2.5	3.7
Income tax expense (recovery) - current	0.20	0.39	0.09	0.2	0.0	1.0	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	0.6
Income tax expense (recovery) - future	-0.07	-0.08	-0.04	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss)	(16.4)	(17.0)	(7.2)	(20.8)	(11.6)	6.3	(4.3)	(4.2)	(4.4)	(4.1)	(7.3)	(3.8)	(4.3)	(7.0)	(5.7)	(4.1)	(3.4)	(2.5)	(1.6)	0.1	1.0	2.1	3.1
Basic EPS	($0.24)	($0.18)	($0.06)	($0.14)	($0.07)	$0.04	($0.05)	($0.05)	($0.05)	($0.03)	($0.06)	($0.03)	($0.03)	($0.04)	($0.04)	($0.03)	($0.02)	($0.02)	($0.01)	$0.00	$0.01	$0.01	$0.02
FD EPS	($0.24)	($0.18)	($0.06)	($0.14)	($0.07)	$0.04	($0.05)	($0.05)	($0.05)	($0.03)	($0.06)	($0.03)	($0.03)	($0.04)	($0.04)	($0.03)	($0.02)	($0.02)	($0.01)	$0.00	$0.01	$0.01	$0.02
Weighted average basic shares outstanding	67.6	94.2	119.5	151.5	162.0	162.0	83.0	83.0	91.0	119.3	119.5	131.1	151.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0
Weighted Average fully diluted shares outstanding	67.6	94.2	119.5	151.5	162.0	162.0	83.0	83.0	91.0	119.3	119.5	131.1	151.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0	162.0
Depreciation and Amortization	1.8	1.7	0.3	2.2	3.9	4.0	1.1	0.2	0.2	0.2	0.3	0.2	0.2	0.8	1.0	1.0	1.0	1.0	0.3	0.3	1.0	1.0	1.0
EBITDA	(12.9)	(14.2)	(6.7)	(19.3)	(8.1)	10.9	(2.4)	(4.1)	(3.7)	(4.0)	(6.9)	(4.0)	(4.1)	(6.3)	(4.9)	(3.3)	(2.5)	(1.7)	(1.4)	0.3	2.0	3.4	4.6

Margin Analysis/Forecast Assumptions:

	2006	2007	4mth stub	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	4mth stub	F1Q08	F2Q08	F3Q08E	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E	F1Q10E	F2Q10E	F3Q10E	F4Q10E
Engineering Services q/q change							2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-5.8%	-3.7%	-1.0%	2.1%	0.0%	1.0%	2.0%	1.0%	2.0%	1.9%	3.8%
Mobile Products Group q/q change											8.0%	50.0%	175.7%	382.0%	27.1%	13.8%	24.3%	23.4%	18.6%	24.7%	15.5%	15.2%	11.2%
Q/Q revenue growth							2.0%	0.3%	1.5%	-11.3%	15.1%	6.4%	0.2%	37.3%	9.2%	7.1%	11.0%	12.3%	11.2%	15.0%	10.7%	10.8%	8.9%
Engineering Services y/y change	6.4%	4.8%	n/a	2.5%	-1.1%	6.6%	2.0%	0.3%	0.0%	-11.5%	14.1%	5.2%	-5.8%	-3.7%	-1.0%	2.1%	0.0%	1.0%	2.0%	1.0%	2.0%	1.9%	3.8%
Mobile Products Group y/y change			n/a	4468.2%	216.8%	101.3%							672.0%	3345.7%	2433.1%	1821.4%	766.2%	121.7%	107.0%	126.9%	110.9%	96.8%	84.4%
Y/Y revenue growth	6.4%	5.6%	n/a	37.6%	56.3%	57.0%	10.3%	5.1%	16.5%	-7.9%	4.0%	10.3%	8.9%	68.4%	59.8%	60.8%	78.1%	45.8%	48.5%	59.5%	59.1%	56.9%	53.6%
Gross margin %	39.3%	49.1%	39.0%	52.8%	63.0%	70.5%	46.1%	49.3%	51.8%	49.1%	36.4%	45.7%	46.9%	56.0%	58.5%	59.4%	61.8%	64.0%	65.6%	68.5%	69.8%	71.1%	71.8%
Administration (as % of sales)	29.0%	26.5%	41.4%	26.2%	14.6%	9.6%	22.4%	28.0%	27.7%	28.0%	41.4%	32.8%	32.2%	24.2%	19.8%	17.3%	15.6%	13.9%	12.5%	11.2%	10.1%	9.2%	8.4%
Marketing & sales	18.5%	33.4%	45.2%	33.1%	23.8%	16.0%	26.5%	33.7%	33.9%	40.3%	45.2%	32.9%	32.7%	35.7%	31.2%	29.1%	25.2%	22.4%	20.2%	18.9%	16.8%	15.2%	13.9%
Research & development	58.8%	61.0%	64.1%	51.8%	38.0%	24.0%	59.3%	65.6%	57.8%	61.6%	64.1%	45.8%	48.4%	58.9%	51.5%	45.9%	40.3%	35.9%	32.3%	28.1%	25.4%	22.9%	21.0%
Operating expenses (as % of sales)	118.3%	130.0%	173.2%	132.0%	91.3%	60.1%	115.7%	135.7%	128.3%	141.4%	173.2%	120.9%	125.1%	149.2%	128.3%	106.7%	97.0%	87.7%	79.0%	68.8%	63.6%	57.5%	53.0%
EBITDA margin	-69.3%	-72.0%	-128.8%	-71.3%	-19.1%	16.4%	-47.6%	-82.2%	-72.5%	-87.4%	-131.3%	-71.4%	-74.5%	-83.1%	-58.2%	-36.4%	-25.4%	-14.9%	-11.0%	1.8%	12.5%	19.3%	24.2%
EBIT margin (excl. one-time items)	-79.0%	-80.9%	-134.2%	-79.2%	-28.4%	10.4%	-69.6%	-86.4%	-76.5%	-92.4%	-136.8%	-75.2%	-78.2%	-93.1%	-69.8%	-47.3%	-35.2%	-23.7%	-13.4%	-0.3%	6.2%	13.6%	18.9%
Effective tax rate	-0.8%	-1.9%	-0.8%	-0.7%	0.0%	14.1%	-1.4%	-3.1%	-1.8%	-1.3%	-0.8%	-1.2%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	15.0%	15.0%
Net margin	-87.9%	-86.3%	-137.1%	-76.8%	-27.4%	9.4%	-84.8%	-84.3%	-85.7%	-90.6%	-139.7%	-69.1%	-76.4%	-91.8%	-68.6%	-46.1%	-34.2%	-22.8%	-12.6%	0.4%	6.2%	12.1%	16.5%
Fixed asset D&A (as % of sales)	9.7%	8.9%	5.4%	8.0%	9.2%	6.0%	22.0%	4.2%	4.0%	5.0%	5.4%	3.8%	3.8%	10.1%	11.6%	10.9%	9.8%	8.8%	2.4%	2.1%	6.3%	5.7%	5.3%

Sales Segmentation

	2006	2007	4mth stub	2008E	2009E	2010E	F1Q07	F2Q07	F3Q07	F4Q07	4mth stub	F1Q08	F2Q08	F3Q08E	F4Q08E	F1Q09E	F2Q09E	F3Q09E	F4Q09E	F1Q10E	F2Q10E	F3Q10E	F4Q10E
Hardware revenue	10%	5%	12%	4%	0%	0%	7%	6%	2%	3%	12%	10%	5%	3%	1%	1%	0%	0%	0%	0%	0%	0%	0%
Software revenue	10%	10%	10%	32%	54%	68%	9%	8%	10%	13%	10%	13%	23%	40%	45%	47%	52%	56%	60%	64%	67%	70%	71%
Engineering Services revenue	80%	85%	78%	63%	45%	32%	84%	85%	88%	84%	78%	77%	72%	58%	54%	51%	48%	44%	40%	36%	33%	30%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: ICS changed its FYE to a calendar year, effective Jan08. As a result, ICS will report a 4-mth stub (Sept 1-Dec 31, 2007) on Mar 20/08.
Note: ICS is changing its reporting currency to US$ (from C$) effective Jan08. Prior to this date, figures are in C$.
Note: Net loss for 4mth stub includes a restructuring charge of $0.8 mln to reflect closure of UK operations.

Source: GMP

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