

November 13, 2008

## Intrinsyc Software International Inc. (ICS-T, \$0.17)

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**Rating: SECTOR OUTPERFORM; 12-Month Target: \$1.10; Risk: SPECULATIVE**

**Impact: Neutral**

### Event: Intrinsyc Shuffles the Board and Changes the CEO

- Intrinsyc Software announced that Ms. Glenda Dorchak will no longer continue as Chairman and Chief Executive Officer (CEO) of the Company.
- Mr. Tracy Rees, current Chief Operating Officer (COO), will act as interim CEO. Mr. Rees joined Intrinsyc in 2007 (as acting GM for APAC), and has played a pivotal roll in closing the Soleus™ design wins over the past year. Mr. Rees brings more than 25-years of experience in the mobile software and embedded technology industry.
- Mr. Philip Ladouceur, a Director of the Company, has been appointed Chairman. Mr. Ladouceur has many years of experience as a senior executive and has been on the board of various NASDAQ, NYSE and TSX-listed companies.

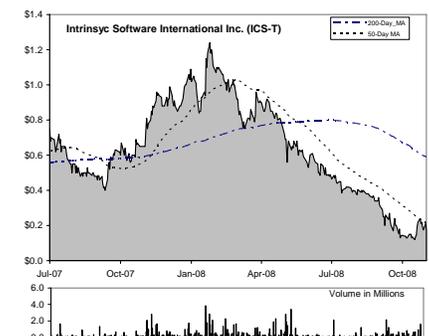
**Implications:** Neutral, we believe that the executive realignment reflects a tighter Soleus™-focused business alignment. The Q3/08 conference call is on November 14, 2008 at 8:30am EST, call 1-866-400-2280 to participate. For Q3/08, we estimate revenues of US\$7.8M (cons: US\$7.8M) and EPS of -US\$0.04 (cons: -US\$0.04).

**Valuation:** From a valuation perspective, Intrinsyc is trading at a discount to the Haywood Global Mobility Software Universe based on our CY2009/CY2010 estimates (EV/Sales: 2009: 0.2x versus 1.6x, 2010: 0.2x versus 1.3x). Our DCF-based target of \$1.10 is based on a 10% discount rate and a terminal 10x EV/EBITDA multiple.

Target Price	\$1.10	52-Week High / Low	\$1.30 / \$0.12
Current Price	\$0.17	Shares O/S	161.9 million (basic)
Return (incl. dist'n)	547%		191.0 million (F/D)
YTD Performance	-81%	<b>Market Capitalization</b>	\$27.5 million
Dividend / Yield	N/A	Enterprise Value	\$6.1 million
		Daily Volume	
<b>Risk Profile:</b>	<b>High</b>	(3 mo avg)	320K
Forecast Risk	High	Currency	C\$ unless noted
Financial Risk	High	Company Web Site	www.intrinsyc.com
Valuation Risk	High	CEO (interm)	Tracy Rees

Last Research: Nov 13, 2008

### Price Performance



Source: Bloomberg

Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 3-6 of this report.





<b>Intrinsic Software International Inc.</b>	<b>Ticker</b> Shares O/S (M)	<b>ICS-T</b> 191.0	<b>Price</b> Market Cap. (\$M):	<b>\$0.17</b> <b>\$28</b>	<b>Rating: Sector Outperform</b> Target: \$1.10
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Alpha: Product delivery in Taiwan, China and EMEA will provide positive synergy and momentum to future licensing deals.

**Investment Highlights**

**Company Description** - Intrinsic is a leader in software and services that enable next-generation handheld and embedded products, including mobile handsets, smart phones and converged devices.

**Investment Brief** - The company's mobile software products, engineering services, and years of expertise help OEMs, service providers, and silicon providers deliver compelling wireless products with faster time-to-market and improved development cost. Intrinsic is a Microsoft Windows Embedded Gold Partner, the 2007 Windows Embedded Excellence Award winner for System Integrator, and a Symbian Platinum Partner.

**Catalysts** - Continued design wins, two have been announced so far, should drive royalty revs.

**Risks** - Handset mfrs and OEMs decide not to go with Windows CE platform; slow shipments delay royalty stream.

**Recent Financings:**

Equity Offering Feb 2008 - 28.6M @ \$1.05  
Past Equity Offering May 2007 - 33.3M @ \$0.60

**Management:**

Philip Ladouceur, Chairman; Tracy Rees, COO & Intern CEO; George Reznik, CFO

**Intrinsic Software International Inc. - Chart**



**Financial Forecasts (USD\$)**

FY-end Dec-31	Annual					Quarterly				
	2007A	2008E	2009E	2010E	2011E	Q1/2008A	Q2/2008A	Q3/2008E	Q4/2008E	Q1/2009E
Revenues (\$mlns)	18.2	26.3	49.4	69.8	85.7	5.6	5.6	7.8	7.3	9.3
Rev. Growth %	44%	44%	88%	41%	23%	0%	0%	40%	-6%	27%
Consensus Revenue Est. (\$mlns)		26.9	42.0	57.4	72.2	4.0	4.4	7.8	7.8	
3 months ago.		23	46	53	-	4	4	7	7	
EBITDA (\$mlns)	(16.6)	(17.3)	(3.6)	12.9	18.6	(3.7)	(3.9)	(5.4)	(4.4)	(2.8)
EBITDA Growth %		-4%	79%	456%	44%		-5%	-39%	18%	37%
Consensus EBITDA Est. (\$mlns)		(16.7)	9,215	3.9	16.1	(2.9)	(3.6)	(5.8)	(4.4)	
3 months ago.		(14.9)	(8.0)	1.2	-	(2.9)	(3.6)	(4.8)	(4.0)	
EPS (FD) (\$)	(0.16)	(0.12)	(0.04)	0.06	0.09	(0.03)	(0.03)	(0.04)	(0.03)	(0.02)
EPS Growth %		24%	68%	253%	56%		4%	-32%	16%	31%
Consensus EPS Est. (\$)		(0.13)	(0.08)	(0.01)	0.08	(0.02)	(0.02)	(0.04)	(0.03)	
3 months ago.		(0.10)	(0.04)	0.01	-	(0.02)	(0.02)	(0.03)	(0.02)	
CFPS (FD) (\$)	(0.15)	(0.11)	(0.02)	0.08	0.12	(0.04)	(0.01)	(0.03)	(0.03)	(0.02)
CFPS Growth %		-30%	79%	475%	46%		60%	-132%	20%	36%
Consensus CFPS Est. (\$)										
3 months ago.										

\*All consensus numbers are from Capital IQ, covered companies are denoted by \*

**Valuation Metrics**

	2006	2007	2008	2009
EV/EBITDA - Current	NM	NM	NM	NM
Est. EV/EBITDA - Target			NM	14.6x
EV/SALES - Current	1.9x	NM	0.4x	0.2x
Est. EV/SALES - Target			7.2x	3.8x
Current, 1-Year, 2-Year				
DCF Target	\$1.02	\$1.11	\$1.22	

**Analyst Ratings: Capital IQ**

	Potential Upside
Average Target	\$0.74
Median Target	\$0.70
Sector Outperform	6
Sector Perform	0
Sector Underperform	0
# of Analysts	6

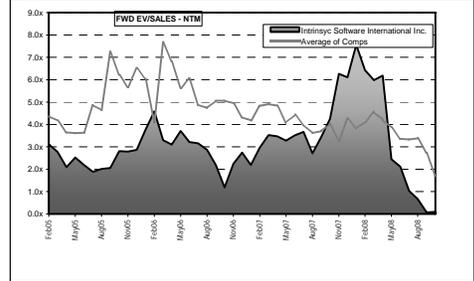
\*Source: CapitalIQ, Bloomberg

**Comparables**

Comparables	Stock Price		Pot. Return	EV/Sales		EBITDA Margin		P/E		EV/EBITDA	
	Today	Target		2008	2009	2008	2009	2008	2009	2008	2009
Intrinsic Software International Inc	0.17	1.10	547%	0.4x	0.2x	-66%	-7%	NM	NM	NM	NM
Esmerlec AG	7.00	10.00	43%	3.2x	2.5x	2.2x	9%	13%	NM	NM	18.8x
Access Company, Ltd.	141,200	266,333	89%	1.1x	1.0x	0.8x	6%	10%	NM	29.6x	17.8x
Opera Software ASA	15.00	21.94	46%	2.8x	2.0x	1.5x	14%	19%	33.3x	19.4x	19.5x
BSQUARE Corp.	2.99	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Smith Micro Software Inc.	5.80	8.44	45%	1.5x	1.3x	1.3x	17%	19%	9.6x	8.3x	8.8x
Infracore Inc.	8,000	25,000	213%	2.1x	1.6x	1.3x	30%	39%	9.7x	5.5x	6.8x
Acrodea Inc.	124,700	491,000	294%	1.9x	1.4x	0.9x	28%	36%	21.2x	12.1x	6.6x
Average				2.1x	1.6x	1.3x	18%	23%	18.5x	15.0x	11.9x

\*All consensus numbers are from Capital IQ, covered companies are denoted by \*

**Historical Valuation Parameters**

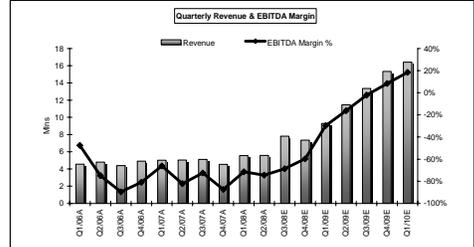


**Historical Valuation Parameters**

3-Yr Avg.	EV/EBITDA		P/CF		EBITDA Growth		EPS Growth		Sales Growth		Returns %	
	NTM	TTM	2008	2009	2008	2009	2008	2009	2008	2009	2008	YTD
Intrinsic Software International Inc	NM	NM	NM	NM	4%	-79%	24%	68%	44%	88%	-57%	-81%
Esmerlec AG	4.5x	NM	50.0x	20.6x	189%	100%	89%	119%	26%	30%	-30%	-36%
Access Company, Ltd.	NM	6.9x	23.8x	15.5x	-32%	71%	103%	NM	4%	13%	-18%	-72%
Opera Software ASA	NM	NM	28.2x	16.9x	NM	80%	NM	72%	47%	37%	-32%	16%
BSQUARE Corp.	NM	4.0x	NM	NM	NM	NM	NM	NM	NM	NM	-21%	-56%
Smith Micro Software Inc.	13.1x	NM	NM	NM	128%	29%	NM	16%	37%	16%	-27%	-32%
Infracore Inc.	13.7x	NM	8.0x	4.9x	42%	67%	51%	76%	36%	30%	-53%	-50%
Acrodea Inc.	NM	16.0x	10.3x	5.5x	NM	75%	NM	76%	NM	37%	-16%	-64%
Average	10.4x	8.9x	24.1x	12.7x	82%	70%	81%	72%	30%	27%	-28%	-42%

\*All consensus numbers are from Capital IQ, covered companies are denoted by \*

**Performance Parameters**



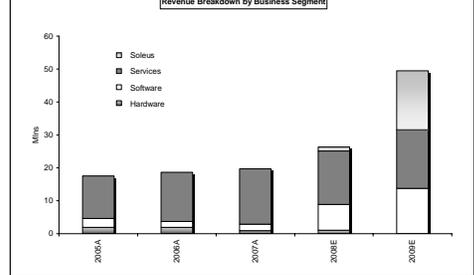
**Intrinsic Software**

Discounted Cash Flow Analysis (FY-End Dec, US\$)	2007	2008	2009	2010	2011
Modelled Units Shipped		25,000	32,500	47,825	9,375,000
Revenue (\$)		19,705,794	26,286,718	49,435,000	69,812,094
Revenue growth		2%	38%	88%	41%
EBITDA (\$)		(14,344,798)	(17,296,226)	(3,628,451)	2,926,226
EBITDA Margin		-70%	-66%	-7%	19%
Amortization (\$)		797,385	909,415	1,359,610	1,430,265
EBIT (\$)		(14,232,833)	(18,205,641)	(4,988,062)	1,495,961
NOPAT [EBIT * (1 - effective tax rate)]		(14,523,701)	(18,341,551)	(4,988,062)	1,495,961
Plus Amortization (\$)		797,385	909,415	1,359,610	1,430,265
Less Capital Expenditures (\$)		(562,912)	(861,989)	(790,960)	(837,745)
Capital Intensity		0	0	0	0
Net Working Capital Changes		303,368	3,331,784	3,609,342	(1,904,879)
Terminal Value		Terminal Multiple 10x	25,084,322	25,084,322	25,084,322
Equity Value		WACC 10%	83,950,507	211,349,565	232,549,797
DCF Value			102	111	122

Source: Haywood Securities Inc., Company Reports, Target, Return and Forecasts are Consensus Based Using Capital IQ.

Source: Haywood Securities, Capital IQ (\* Haywood Covered Company)

**Revenue Breakdown by Business Segment**



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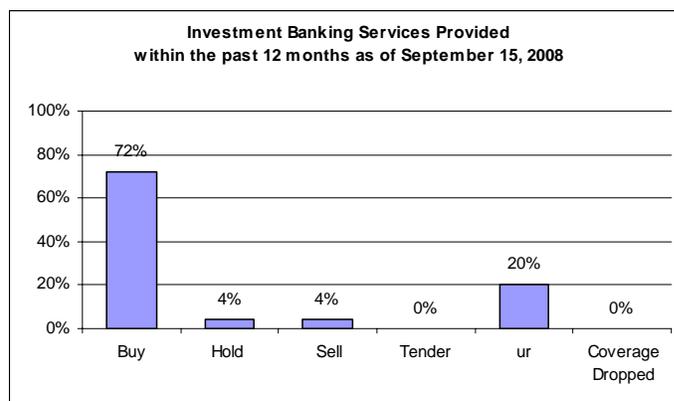
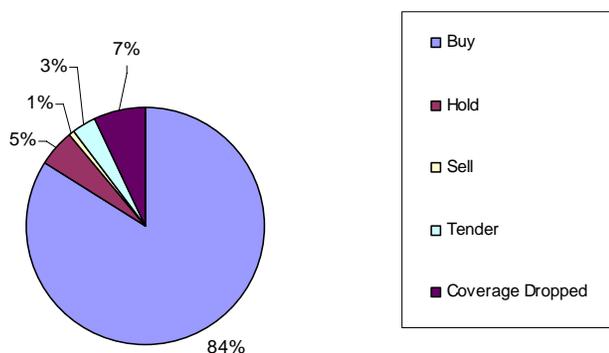
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