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TECHNOLOGY

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Intrinsyc Software International Inc.

ICS-TSX

Resuming Coverage: Creating New Possibilities

Event

We are relaunching coverage on Intrinsyc Software with a MARKET PERFORM rating and a $1.00 target.

Action

The potential opportunity for Intrinsyc is significant but we also want investors to be mindful of what we think are overly optimisitic revenue expectations being published for Intrinsyc. We would wait for a lower entry point.

Analysis

Soleus is a high level operating system (HLOS) for mobile phones based on Microsoft's Windows CE platform. Soleus offers a turnkey development platform that offers significantly more than the traditional real-time operating systems (RTOS) and cost a fraction of what the smartphone OS cost – creating new product possibilities. We peg Intrinsyc's current addressable market at around 150 million handset units per year and expanding as HLOS gains more traction in the market. Over the past year, Intrinsyc has announced 7 design wins and a development partnership MOU with a Japanese OEM. More importantly, in January, Intrinsyc announced Samsung System LSI Division will bundle Soleus with a Samsung application processor as part of an integrated hardware and software platform for its ODM and OEM customers. This design win presents a potential breakthrough for Soleus. The Samsung LSI division is already well established in the mobile space.

Valuation

Our target price is based on a sum-of-the-parts analysis as we value the Engineering Services business at 1.0x F2010E revenues and the Soleus revenue stream at a much higher 5.0x F2010E revenues. Intrinsyc currently trades at 2.4x C2009E revenues while comparable mobile software companies trade at 2.2x C2009E revenues.

RATING & TARGET

RATING	MARKET PERFORM 3
Target Price (6-12 mths)	1.00
Closing Price	0.90
Total Return to Target	11%

MARKET DATA

Market Capitalization ($mln)	134
Current Net Debt ($mln)	(36)
Enterprise Value ($mln)	98
Shares Outstanding (mln)	149
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	$0.39 - $1.30

KEY FINANCIAL METRICS

FY-Dec 31	2008E	2009E	2010E
EPS (C$)	-0.10	-0.02	0.02
P/E	n.m.	n.m.	42.2x
EPS - 1Q	-0.03	-0.01	0.00
EPS - 2Q	-0.03	0.00	0.01
EPS - 3Q	-0.03	0.00	0.01
EPS - 4Q	-0.02	0.00	0.00
EBITDA	-15.4	-2.4	3.8
EV/EBITDA	n.m.	n.m.	25.5x
Revenue ($mln)	21.7	40.2	49.9
Yield (%)			

EBITDA in C$ mln

COMPANY DESCRIPTION

Intrinsyc is a mobile software and engineering services company that provides systems integration for wireless handsets. The company has leveraged its expertise to develop a high-level operating system (HLOS) called Soleus, to enable handset manufacturers and telecommunications operators to deliver feature phones more rapidly, at a lower cost, and with customizable options and design.
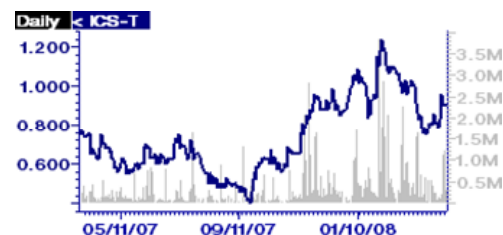
All figures in C$, unless otherwise noted.
Sources: Raymond James Ltd.,ThomsonOne, CapIQ

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Summary

We are relaunching coverage of Intrinsyc Software with a MARKET PERFORM rating and a 6 to 12 month target price of $1.00. Intrinsyc Software is a mobile software developer/systems integrator. The company's most potent growth opportunity is Soleus, an operating system for mobile phones. Soleus targets mainly consumer oriented feature phones (i.e., mainstream consumer cellular phones) and converged mobile devices, such as personal navigation devices (PNDs) and multimedia handsets. Our investment thesis is as follows:

Creating new possibilities. Soleus is a high level operating system (HLOS) for mobile phones based on Microsoft's Windows CE platform. Soleus is relatively inexpensive and changes the model of what is possible at the low end of the market. With an advanced UI framework, a pre-certified telephony stack and related mobile phone user interface features, Soleus offers a turnkey development platform that offers significantly more than the traditional real-time operating systems (RTOS) and cost a fraction of what the smartphone OS cost.

Attractive market opportunity. According to a December 2007 IDC report, worldwide mobile shipments reached a total of 1.1 billion units in 2007. We peg Intrinsyc's current addressable market at around 150 million handset units per year. As HLOS gains more traction in the market, we expect the share of RTOS based handsets will decline, opening up the addressable market for Soleus.

Design win with Samsung Semiconductor System LSI Division. Over the past year, Intrinsyc has announced 7 design wins and a development partnership MOU with a Japanese OEM. More importantly, earlier this year, in January, Intrinsyc announced Samsung System LSI Division will bundle Soleus with a Samsung application processor as part of an integrated hardware and software platform for its ODM and OEM customers. This design win presents a potential breakthrough for Soleus as Intrinsyc should be able to reach a larger market of manufacturers who recognize the power of Samsung's application processors. The Samsung LSI division is already well established in the mobile space.

Competition. Linux and Symbian are credible alternatives, but are usually more costly. Google's Android platform is an emerging competitor. To date, Intrinsyc's management has not seen a noticeable adverse impact on the market acceptance of Soleus due to Android. Microsoft has had success at targeting business users and smartphones and there are some signs that could indicate that Microsoft is having thoughts about the consumer segment (Windows Mobile 6.1 which was released at CTIA last week). We continue to

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watch for further signs of OS platforms such as Windows Mobile and Symbian moving downstream.

What holds us back. While the potential opportunity for Intrinsyc is significant, investors need to be mindful of what we think are overly optimisitic revenue expectations being published for Intrinsyc.   We are calling for revenues of $21.7 million in F2008, $40.2 million in F2009E and $49.9 million in F2010E, well below consensus of $23.4 million, $48.2 million and $57.5 million, respectively.

Wait for a lower entry point. We are resuming coverage with a MARKET PERFORM and a $1.00 target price. Our target price is based on a sum-of-the-parts analysis as we value the Engineering Services business at 1.0x F2010 revenues and the Soleus revenue stream at a much higher 5.0x F2010 revenues. While we believe a premium valuation can be justified given the expected explosive growth for Soleus, we note the implicit valuation risk in using a 5x revenue target multiple given where the group is trading and also given Trolltech, a close comparable which offers an embedded Linux application platform and user interface for consumer devices, was recently acquired by Nokia at 2.5x C2008 sales / 1.9x C2009 sales.

A quick refresher

Intrinsyc Software is a mobile software developer and systems integrator. The company's most potent growth opportunity is Soleus, an operating system for mobile phones. Soleus targets mainly consumer oriented feature phones (i.e., mainstream consumer cellular phones) and converged mobile devices, such as personal navigation devices (PNDs) and multimedia handsets. While Soleus has been in the market for less than two years, it is backed by the considerable experience Intrinsyc has acquired through its traditional business as a mobile handset engineering services firm. Intrinsyc has over 11 years of engineering experience (founded in 1996) in wireless, handheld and embedded device development servicing silicon vendors such as Freescale, Intel/Marvell, and Texas Instruments, mobile phone OEMs such as Motorola and Nokia, and wireless device OS makers such as Microsoft and Symbian.

Creating new possibilities

At the heart of the mobile phone's features is its operating system. An operating system is the software which defines the interactions between the various components of the phone and also between the phone and the user. At present, many feature phones operating systems are based on RTOS (real-time operating systems), which are proprietary systems based on simple instructions.

RTOS can be inexpensive (<$1/unit for the software BOM – bill of materials – cost) but many RTOSs are out-dated and are unable to keep up with next-generation phone applications and multimedia services as RTOS software is better suited for analog voice calls than today's data intensive applications and accompanying rich user interfaces. Currently, some handset manufacturers are spending incremental R&D to tweak their proprietary systems in order to integrate these new features – but at significantly increased development costs and time. To remain competitive and relevant, we expect feature phone manufacturers will need to retool. There is also pressure from carriers who are increasingly relying on value added data services to offset declining basic voice average revenue per user (ARPU) that have a need for more flexible operating systems as well.

Enter Soleus. Soleus is a high level operating system (HLOS) for mobile phones based on Microsoft's Windows CE platform. Intrinsyc started developing Soleus in 2004 and released version 1.0 in December 2006. Revision 1.01 leveraging Windows CE 6.0 was launched in August 2007. Despite being an HLOS, Soleus is relatively inexpensive (<$10 for the Soleus software BOM cost vs. $20-$30 for an enterprise smartphone) and changes the model of what is possible at the low end of the market. With an advanced UI framework, a pre-certified telephony stack and related mobile phone user interface features (e.g., alarm, calculator, calendar, call history, camera, PIM, dialer, media player, phone settings, SMS, theme manager and accompanying applications) based on the Windows CE kernel, Soleus offers a cost-effective turnkey development platform. More importantly, Soleus implementations are reusable across hardware designs. OEMs can re-use their Soleus implementation on a different hardware design and modem which significantly speeds time to market. The advanced UI framework also enables the device maker to differentiate themselves from competitors and between designs. Multiple Soleus-enabled devices can look completely different despite running the exact same set of applications (not possible with RTOS). Finally, Soleus leverages the Microsoft Windows ecosystem comprised of over 6 million developers. Soleus also supports the Microsoft tool chain (Visual Studio and Platform Builder) which helps device makers and developers adapt or create Soleus applications. Since the first release of Soleus, Intrinsyc has announced 7 design wins as well as a development partnership MOU with a Japanese OEM. One of the first Soleus-based handset that is expected to ship is the Micro-Star (MSI) 5608 wireless handset (Exhibit 1). The 5608 has powerful features such as a two megapixel camera, GPS and digital TV reception and is targeted towards markets in China and EMEA. Pricing is expected to be substantially less than the price of comparable devices in the market today

Exhibit 1: MSI's 5608 Soleus Based Phone

Source: WindowsForDevices

Intrinsyc has also been actively developing the Soleus ecosystem through partnering with numerous independent software vendors (ISVs). ISVs build applications that can be used in conjunction with Soleus. Value-add features provided by these ISVs include mobile Internet browsing, mobile games, instant messenger services, attachment viewing, predictive text input, PC synchronization, codec integration for multimedia files, and personal productivity software.

Market Size

According to a December 2007 IDC report, worldwide mobile shipments reached a total of 1.1 billion units in 2007. This represents an increase of 11% over the previous year. By 2011, worldwide mobile shipments are expected to reach 1.4 billion units, implying a CAGR of 7%. Replacements, upgrades and adoption in emerging markets are expected to be the main drivers of robust mobile phone shipments in this period.

Exhibit 2: Worldwide Mobile Phone Shipments

Worldwide Mobile Phone Shipments (2006-2011)						
Year	2006	2007	2008E	2009E	2010E	2011E
Shipments (millions)	1017	1132	1220	1296	1356	1419

Source: IDC, Raymond James Ltd.

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Feature phones account for the largest segment of the enormous mobile phone market. This is graphically depicted as the middle portion of the bell-curve in Exhibit 4. We estimate feature phones represent shipments of roughly 650 million units per year. Intrinsyc is currently targeting a subset of this market which excludes RTOS based handsets and non-Windows CE based handsets – which we peg at around 150 million handset units per year. Looking ahead, as HLOS gains more traction in the market, we expect the share of RTOS based handsets will decline opening up the addressable market for an HLOS like Soleus.

Exhibit 3. Feature Phone Market Segment
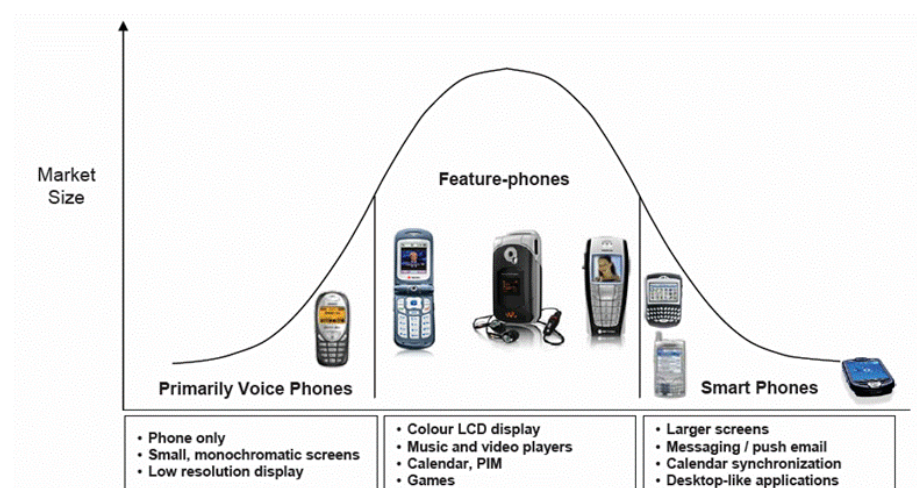
Source: Intrinsyc

Design wins picking up ... and products launching

The target segments for Soleus are diverse and makes for a rich funnel of opportunities. Some of these segments include manufacturers of Windows CE based handheld devices who are looking to add telephony capabilities to their offerings (think Mitac, TomTom and Garmin). Handset makers who currently leverage Windows Mobile for high end devices (e.g., HTC) and want to target the lower end feature-phone segment is another group that we believe Intrinsyc could target. Handset makers and silicon vendors who are seeking to transition from an RTOS to an HLOS comprise another target segment. On the carrier side, operators who want to leverage customized products for differentiated offerings are another target segment. And lastly, handset OEMs looking to focus on devices that offer rich multimedia experiences.

Over the past year, Intrinsyc has announced 7 design wins and a development partnership MOU with a Japanese OEM. Two of the recent design wins have been with semiconductor companies who will bundle Soleus with their

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chipsets. This is a new go-to-market strategy that has the potential to accelerate adoption, as silicon vendors occupy a critical position on the mobile handset supply chain. We believe that the company remains in discussions with roughly 30 companies for Soleus and is actively pursuing licensing agreements with this targeted group. Intrinsyc has averaged about 1 design win/quarter in calendar 2007 and on its most recent earnings call, management was confident of at least maintaining that pace. Exhibit 4 lists the key Soleus design wins achieved thus far.

Exhibit 4: Soleus Wins

Date Of Design Win	Customer	Description
27-Mar-07	Global manufacturer of navigation devices	Soleus is licensed for the development of GPS-enabled mobile phones. The Soleus platform will be used to integrate telephony features with personal navigation products along with consumer-driven features, including a camera and media player.
5-Jun-07	Micro-Star International	Soleus is licensed by Micro-Star (a Taiwanese ODM) for the development of its first combination GPS and MDTV device with mobile phone capabilities. The first wireless handset is the 5608, to be released in 2008.
31-Oct-07	2nd design win with an existing customer	Soleus is licensed by an existing customer for telephony services with a second personal navigation device.
13-Nov-07	Quanta Computer	Soleus is licensed by Quanta Computer (a leading notebook computer OEM) for the development of a 3G/HSDPA mobile device. The product is expected to launch in C3Q08. Quanta has also engaged Intrinsyc's engineering services to support development and accelerate this product's release.
20-Nov-07	Silicon Vendor	Soleus is licensed by a wireless handset semiconductor company. This was Soleus' first design win with a semiconductor company. The customer intends to bundle Soleus with its mobile application chipsets to speed up time to market for handset manufacturers.
30-Jan-08	Samsung (System LSI Division)	Soleus is licensed by Samsung's System LSI Division for integration with one of its application processors for the consumer multimedia device market. The bundled solution is expected to be sold to Samsung's ODM and OEM customers. The integrated solution is expected to start shipping in C2H08.
25-Mar-08	3rd design win with an existing customer	Soleus is licensed by an existing OEM customer for their third Soleus based product. The product is a next generation personal navigation device with real time search and navigation capabilities.

Source: Intrinsyc

Samsung LSI – a game changer?

Earlier this year, in January, Intrinsyc announced Samsung Semiconductor System LSI Division had signed a licensing agreement for the Soleus software platform. Under this licensing agreement, Samsung System LSI Division will bundle Soleus with a Samsung application processor as part of an integrated hardware and software platform for its ODM and OEM customers. This design win presents a potential breakthrough for Soleus as Intrinsyc should be able to reach a larger market of manufacturers who recognize the power of

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Samsung's application processors. The Samsung LSI division is now well established in the mobile space and has grown at an average of 17% annually since 2001. As recently as 2004, the division was only allowed to sell its CDMA cell phone chipsets (based on Qualcomm technology) to Samsung's handset unit. The division currently produces 10 application processors and debuted an advanced processor at this year's Mobile World Congress. Applications for processors produced by the group include smartphones, navigation devices, VoIP phones, POS terminals, e-books/e-dictionaries, mobile TV, personal media players. The LSI division supplies Samsung handsets and its products have also been used in the iPhone, HP iPAQ Pocket PC, Danger (acquired by Microsoft). Intrinsyc expects Samsung to begin shipping Soleus-bundled solutions starting in the second half of 2008.

Highly leveraged business model

Intrinsyc has two basic revenue streams; engineering services and products (Soleus). The engineering services group has grown at a steady clip averaging about 7% in the past 4 years. Gross margins from the engineering services group are broadly in-line with professional services and range from 30% - 40% depending on utilization and contract mix. Revenues from Soleus on the other hand are based on an upfront licensing fee and royalties on a per unit basis and come in at much higher gross margins (we conservatively estimate > 75%). As the proportion of software revenues in the top-line increases, we expect substantial operating leverage. We expect Intrinsyc to start recognizing Soleus revenues in F2Q08.

Potential to make strategic acquisitions

The product roadmap and evolution of the Soleus platform are aligned with further accelerating the pace of design wins. As platform capabilities and requirements are further flushed out and vetted by customers, there might be areas that emerge which call for Intrinsyc to make strategic acquisitions to accelerate implementation of the product roadmap (and increase Intrinsyc's portion of the software BOM costs). The recently concluded bought deal financing in which Intrinsyc raised around $28 million and provides the company with a war chest to undertake acquisitions. The recent appointment of CFO George Reznik who has significant experience in strategic acquisitions also bolsters Intrinsyc's ability to execute on strategic opportunities.

Solid management team

One of Intrinsyc's greatest strengths is the high caliber of its management team. Chairman and CEO, Glenda Dorchak, is a veteran of the technology industry with over 30 years of experience. Prior to taking on her current leadership role at the company, Ms. Dorchak has been on the Board of

Directors for Intrinsyc (2004-2005). Ms. Dorchak has previously held senior positions at Intel including VP and COO of Intel's communication group, VP and General Manager of the broadband products group and VP and General Manager of the consumer electronics group. She has a strong background in strategy and product development for embedded systems, and we believe that her skill-set and background make her well suited to lead and develop the Soleus ecosystem.

Exhibit 5: ICS Management Team

Executive	Position	Background
Mark Johnston	EVP and GM of Worldwide Sales and Business Development	Mr. Johnston has previously worked at Intel for 22 years in its wireless and communications business. Mr. Johnston possesses valuable contacts and networks in the Asia Pacific region, which aligns very closely with Intrinsyc's growth strategy of targeting OEMs and ODMs developing handheld devices based on Windows CE.
Souheil Gallouzi	VP and GM of Product Marketing and Development	Mr. Gallouzi has spent seven years at Qualcomm and was most recently Senior Director with MediaFlo Technologies where he was responsible for product management, product marketing and partner relations. Mr. Gallouzi has previously held positions with Bell Northern Research, Nortel Networks and Newbridge Networks.
Randy Kath	Chief Technology Officer	Mr. Kath has over 15 years of experience in software development, including a 10 year stint at Microsoft, which included a role as the GM of the Embedded Platform Group. Additionally, Mr. Kath was part of the team that developed the Windows CE OS.
George Reznik	Chief Financial Officer (effective April 15)	On March 26, Intrinsyc announced that it was appointing Mr. George Reznik as CFO effective April 15. Mr Reznik is a Chartered Accountant and brings over 18 years of relevant experience. Mr. Reznik was recently the CFO of Digital Dispatch Systems Inc.
Mark Longo	Vice President of Corporate Development, General Counsel & Corporate Secretary	Mr. Longo has nearly 15 years of experience in corporate governance, corporate/securities law, technology law, investor relations and corporate development. Mr. Longo was previously the Vice President of Business Development, General Counsel and Corporate Secretary for Datawire Communications Inc.
David Manuel	Executive Vice President & General Manager of Global Engineering Operations	Mr. Manuel has 22 years of international technology business experience. Prior to Intrinsyc, Mr. Manuel was Director of Engineering and Operations at DAMOS SudAmerica (an affiliate of Telecom Italia).
David Fischer	Vice President Finance	Mr. Fischer has over 10 years of experience in corporate finance. He was previously the Controller and Director of special projects at MDSI Mobile Data Solutions.

Source: Intrinsyc

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Competition

The primary competing HLOS, such as Linux and Symbian, are credible alternatives and while each has its advantages, they also have significant hurdles to overcome. Although Linux is open-source, meaning that developers have free access to the license, it has hit a major stumbling block in that it is not easy to transfer the software code from one handset to another— even within the same manufacturer. Linux is an inflexible OS that requires customization for each vendor's handset (i.e., requires software code to be re-written for each model). This ultimately increases development costs and makes it an expensive alternative that has limited ability to enjoy economies of scale. In addition, this inflexibility leads to longer development times and delayed time-to-market for new designs. Not only does each new design require new software programming, carriers need to test each device, which can also be time consuming and costly. Symbian on the other hand is focused on the higher-end smartphone segment of the market. It is possible that Symbian will move downstream from smartphones to feature phones to capture a greater share of the mass market. However, in order to make the transition from smartphones to feature phones, Symbian must scale down its OS to a lower price-point to be competitive.

Google's Android platform is also an emerging competitor. Android is a Linux-based open platform for mobile devices that includes an operating system, middleware and some key mobile applications. It is backed by Google and the Open Handset Alliance (a consortium of more than 30 hardware, software and telecom companies), and is devoted to the principle of offering a complete, open, and free standard mobile phone platform. HTC, LG, Motorola and Samsung have committed to releasing a handset based on Android in C2H08. At the World Mobile Congress in February 2008, prototypes of Android-based handsets were demonstrated by Texas Instruments and Qualcomm but with no firm launch date. Most major carriers have also embraced Android (most recently AT&T at CTIA). Verizon Wireless last year indicated they planned on supporting Android-based devices on their network and both Sprint Nextel and T-Mobile are charter members of Google's Open Handset Alliance. To date, Intrinsyc's management has not seen a noticeable adverse impact on the market acceptance of Soleus following the release of Android.

While Microsoft has been successful targeting business users and smartphones with its Windows Mobile OS, there are some signs that could indicate that Microsoft is having thoughts about the consumer segment – especially with the latest version (6.1) of Windows Mobile which was released at CTIA 2008. Version 6.1 features tweaks to improve the user interface, the web browsing experience as well as better appeal to consumers. We continue to watch for

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further signs of OS platforms such as Windows Mobile and Symbian moving downstream.

Financial analysis and outlook

Recent stub period results. The company is changing its reporting currency to US$ from C$ and recently revised its fiscal year-end to a calendar year end instead of August 31. Intrinsyc reported a four month stub period ending December 31, 2007 on March 20, 2008. Intrinsyc currently generates nearly all of its revenue from engineering services, with some residual revenue from legacy software offerings. In the most recent period ended December 31 2007, Intrinsyc had $4.1 million in revenue from engineering services, down 20% sequentially (when normalized for 3 months). Engineering services work is project-based and lumpy and there were 3 Soleus related engagements in the stub period which had an adverse impact on gross margins.

We estimate Intrinsyc's cash burn rate to be currently around $4.5 million per quarter with initiatives in place to improve the burn rate until Soleus revenues start to ramp. The company has already closed its U.K. engineering services business during the previous quarter. Services previously performed in the U.K. are being transitioned to Vancouver and Taipei in order to improve utilization with expected annual operating cost savings of $2.0 million. We estimate Intrinsyc would have around $36 million in net cash as of March 31, 2008 following the recent financing when the company raised roughly C$28.0 million (net of fees) by offering 28.6 million shares at C$1.05. This cash injection significantly improves Intrinsyc's balance sheet and should ensure that the company can continue to fund its investment in Soleus through to when it begins to generate royalty revenue. Following the closing of the financing, we estimate that the company will have approximately 148.6 million common shares outstanding (excluding 7.7 million options and 21.5 million warrants that are outstanding).

Modeling Soleus. Despite its design wins Soleus has, thus far, had little sales impact ($0.14 million in the recent stub period) – a situation that will persist until customers start commercially releasing handsets featuring Soleus (anticipated later in 2008 and in 2009). We have modeled three revenue streams from Soleus: 1) the up-front licensing fee; 2) the maintenance revenue stream; and 3) the royalty fees. We also conservatively estimate that each design win with a handset manufacturer could represent an opportunity of between 250k-500k units for the lifetime of the device (12-18 months on average). For a design win with a silicon vendor such as Samsung, we model shipments of between 750k to 1 million units per year. Our Soleus assumptions can be found in Exhibit 6.

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Exhibit 6: Soleus Assumptions

	2007A	2008	2009	2010
Design wins	4	5	8	8
Silicon vendor wins	1	2	1	1
Paying customers		4	11	14
Units (mln)		0.8	5.4	8.9
Implied penetration of addessable market		0.5%	3.6%	5.9%

Source: Raymond James Ltd.

Forecast summary. We expect Intrinsyc to increase its revenues in F2008E to $21.7 million with Soleus revenues picking up in 2H08. We are looking for an 85% increase in F2009E to $40.2 million followed by a 24% increase in F2010E to $49.9 million. We note that our revenue estimates are well below consensus of $23.4 million for F2008E, $48.2 million for F2009E and $57.5 million for F2010E. As the contribution of Soleus to the top line increases, we expect GM to improve as well to 49% in F2008E, 66% in F2009E and 68% in F2010E. As a consequence we expect EPS of $(0.10) in F2008E, ($0.02) in F2009E and $0.02 in F2010E.

Exhibit 7: Intrinsyc Historical Results And Forecast

	Stub Period	F1Q08E	F2Q08E	F3Q08E	F4Q08E	2007A	2008E	2009E	2010E
Engineering Services Group	*5.1*	*4.2*	*4.4*	*4.4*	*4.5*	*19.5*	*17.4*	*19.0*	*21.2*
Mobile Products Group ("Soleus")	*0.1*	*0.2*	*0.6*	*1.1*	*2.4*	*0.2*	*4.3*	*21.2*	*28.7*
Total Revenues	**$5.2**	**$4.4**	**$4.9**	**$5.5**	**$6.9**	**$19.7**	**$21.7**	**$40.2**	**$49.9**
q/q growth	*n.m.*	*-16%*	*13%*	*11%*	*27%*				
y/y growth	*n.m.*	*-13%*	*-4%*	*21%*	*33%*	*6%*	*10%*	*85%*	*24%*
Gross profit	1.9	1.8	2.2	2.7	4.0	9.7	10.7	26.4	33.9
Gross margin %	*36.4%*	*41.8%*	*45.3%*	*49.1%*	*56.9%*	*49.1%*	*49.3%*	*65.6%*	*68.0%*
EBITDA	(6.9)	(4.6)	(4.1)	(3.8)	(2.9)	(14.2)	(15.4)	(2.4)	3.8
Net income	(7.3)	(4.5)	(4.0)	(3.8)	(2.8)	(17.0)	(15.0)	(2.5)	3.2
FD EPS	**($0.06)**	**($0.03)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.18)**	**($0.10)**	**($0.02)**	**$0.02**

Source: Company Reports, Raymond James Ltd.

Valuation and recommendation

We are resuming coverage with a MARKET PERFORM and a $1.00 target price. Our target price is based on a sum-of-the-parts analysis as we value the Engineering Services business at 1.0x F2010 revenues and the Soleus revenue stream at a much higher 5.0x F2010 revenues. While we believe a premium valuation can be justified given the expected explosive growth for Soleus, we note the implicit valuation risk in using a 5x revenue target multiple given where the group is trading and also given Trolltech, a close comparable which offers an embedded Linux application platform and user interface for

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consumer devices, was recently acquired by Nokia at 2.5x C2008 sales / 1.9x C2009 sales.

Exhibit 8. Sum-of-the-Parts Valuation

	F2010	multiple	
($mln unless stated otherwise)			
Engineering Services	$20.00	1.0x	$20.00
Soleus Revenues	$28.74	5.0x	$143.70
			$163.70
2010 estimated net cash			$17.97
Cash from options			$25.99
			$207.66
Fully-diluted shares			179.3
2010 Equity value/share			$1.16
Discounted to 2009 @ 15%			$1.01

Source: Raymond James Ltd.

Exhibit 9: Comparables

Intrinsyc Software

Company	Ticker Symbol	FYE	Price 10-Apr-08	Mkt. Cap. ($ mlns)	EV/Sales C07E	EV/Sales C08E	EV/Sales C09E	EV/EBITDA C07E	EV/EBITDA C08E	EV/EBITDA C09E	P/E C07E	P/E C08E	P/E C09E
Mobile Software													
Access	4813-JP	Jul	JPY 307	JPY 120	n.a.	2.8x	2.4x	n.a.	32.3x	20.1x	n.a.	100+	60.3x
BSQUARE Corporation	BSQR-O	Dec	$4.64	$48	0.6x	n.a.	n.a.	n.a.	n.a.	n.a.	17.2x	n.a.	n.a.
Esmertec	ESMN-SWX	Dec	SFr. 8.25	SFr. 138	4.1x	2.5x	2.1x	n.m.	10.5x	7.2x	n.m.	33.4x	13.2x
Opera Software	OPERA-OS	Dec	NOK 16	NOK 1,934	4.7x	3.3x	2.5x	84.4x	28.8x	14.9x	100+	45.4x	25.3x
Trolltech	TROLL-OS	Dec	NOK 16	NOK 843	3.4x	2.5x	1.9x	n.m.	32.4x	10.4x	n.m.	100+	25.1x
Wind River Systems	WIND-Q	Jan	$8.40	$734	1.7x	1.3x	1.2x	18.8x	12.0x	7.8x	25.5x	18.9x	15.4x
Red Hat	RHT-N	Feb	$19.97	$4,424	n.a.	5.8x	4.6x	n.a.	31.9x	16.9x	n.a.	25.6x	21.9x
Group Average (exc High/Low)					3.1x	2.8x	2.2x	n.a.	26.2x	12.5x	n.a.	29.5x	21.9x
Intrinsyc Software	ICS-T	Dec	$0.90	$134	4.9x	4.5x	2.4x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Raymond James Ltd.

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Risks

Risk of design wins not translating into material revenue due to failed device launches – There is a risk that design wins may not equate to material Soleus revenues for reasons outside of Intrinsyc's control. These could include market acceptance of Soleus based handsets. The increasing number of design wins and silicon vendor design wins give us confidence that the Soleus platform is robust and have no reason to believe that handset launches could be delayed.

Heightened competition from competing OS providers – With Google's Android platform, Symbian, LiMO and Windows Mobile there are multiple players in the fray. There is also the potential risk that OS platforms for smartphones may move downstream, such as Symbian or Microsoft's Windows Mobile.

Exposure to currency fluctuations – Intrinsyc generates a significant portion of its revenues in the US while the company's operations are primarily in Canada which leaves Intrinsyc exposed to fluctuations in the relative value of the currencies.

Lumpiness inherent in Engineering services business – In the last quarter, engineering services contributed over 80% of Intrinsyc revenues. This remains a lumpy business and as such can cause significant fluctuation in Intrinsyc's quarterly results at least until Soleus gains enough traction to become the dominant revenue stream for Intrinsyc.

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Analyst Certification

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Stock Ratings

STRONG BUY 1: the stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months. OUTPERFORM 2: the stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months. MARKET PERFORM 3: the stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities. UNDERPERFORM 4: the stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Some of the general risk factors that pertain to the projected 6-12 month stock price targets included with our research are as follows: i) changes in industry fundamentals with respect to customer demand or product/service pricing could adversely impact expected revenues and earnings, ii) issues relating to major competitors, customers, suppliers and new product expectations could change investor attitudes toward the sector or this stock, iii) unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation, or iv) external factors that affect global and/or regional economies, interest rates, exchange rates or major segments of the economy could alter investor confidence and investment prospects.

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Company	Symbol	Exchange	Disclosures
Intrinsyc Software	ICS	T	1a, 1b, 1e

The exhibit(s) below displays the Raymond James stock rating and target price changes versus the share price of the subject company since October 1, 2004 or the date of coverage initiation (if later). Note: Not applicable for companies covered for less than six months.

Intrinsyc Software (ICS-T)
RJ Stock Rating and Target Price Changes vs. Share Price

Share Price   Target Price

ICS-T Relative to S&P/TSX Composite

STOCK RATINGS:
1 - STRONG BUY
2 - OUTPERFORM
3 - MARKET PERFORM
4 - UNDERPERFORM

Last Data Point: 4/10/2008

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