

# Intrinsyc Software International Inc.

**ICS-TSX** 

**Closes Destinator Acquisition** 

## **Event**

Yesterday, Intrinsyc closed the acquisition of Destinator assets.

#### **Action**

We are maintaining our \$0.65 target and OUTPERFORM rating.

# **Analysis**

The transaction (Intrinsyc paid \$16 mln with \$8.5 mln in cash) is closing as scheduled. We estimate Destinator will bring in an additional ~\$11.5 mln in software revenues annually and are adjusting our model accordingly. Destinator also brings: 1) **Customers.** Destinator customers include the likes of Motorola (MOT-NYSE), ASUSTEK (23571-TWO) and LG (LPL-NYSE); ASUSTEK and LG; 2) **Improved cross-selling and up-selling opportunities.** For example, silicon vendors are interested in Intrinsyc's Soleus with navigation applications. Intrinsyc no longer needs to license these applications from third parties; and 3) **A low cost development centre in China and an advanced R&D team in Israel and a portfolio of 17 patents granted and pending.** These enhance Intrinsyc's capabilities beyond Windows Mobile and accelerate implementing Soleus' road map. The transaction leaves Intrinsyc with \$22 mln in cash. As a result of the transaction we estimate that Intrinsyc's cash burn has now increased to about \$6 mln per quarter.

#### **Valuation**

Intrinsyc trades at 1.2x C2009E revenues vs. comparables at 2.6x.

## **CHANGES**

	Revenue	Revenue	Revenue	EPS	EPS	EPS
FY-Dec-31	F2008E	F2009E	F2010E	F2008E	F2009E	F2010E
OLD	21.7	37.5	47.4	-0.11	-0.03	0.01
NEW	27.5	50.0	59.0	-0.12	-0.08	-0.04

# **Risks**

Risk of design wins not translating into material revenue due to failed device launches. Heightened competition from competing OS providers. Exposure to currency fluctuations. Lumpiness inherent in Engineering services business.

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#### **TECHNOLOGY**

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## **RATING & TARGET**

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RATING	OUTPERFORM 2 =
Target Price (6-12 mths)	0.65 =
Closing Price	0.49
Total Return to Target	33%

#### **MARKET DATA**

Market Capitalization (\$mln)	79
Current Net Debt (\$mln)	(22)
Enterprise Value (\$mln)	57
Shares Outstanding (mln)	161
Avg Daily Dollar Volume (3mo, mln)	n.a.
52 Week Range	\$0.39 - \$1.30

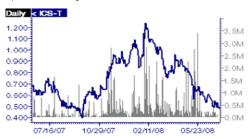
#### **KEY FINANCIAL METRICS**

FY-Dec 31	2008E	2009E	2010E
EPS (C\$)	-0.12	-0.08	-0.04
P/E	n.m.	n.m.	n.m.
EPS - 1Q	-0.03	-0.03	n.a.
EPS - 2Q	-0.03	-0.02	n.a.
EPS - 3Q	-0.03	-0.01	n.a.
EPS - 4Q	-0.03	-0.02	n.a.
EBITDA	-18.8	-10.0	-3.6
EV/EBITDA	n.m.	n.m.	n.m.
Revenue (\$mln)	27.5	50.0	59.0
Yield (%)			

EBITDA in C\$ mIn

## **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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Company	Symbol	Exchange	Disclosures
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