

# Intrinsyc buys software firm; reports sales growth

The maker of software for all things electrical has graduated from the CDNX to the TSE; landed \$13.5-million financing

Michel Comte

**I**ntrinsyc Software Inc. (ICS:TSE) started 2001 with a bang.

In the second week of January, the West Pender Street developer of software and embedded devices for everything from computers to appliances, reported a record 421-per-cent growth in its first-quarter revenues (ended November) over last year and graduated from the **Canadian Venture Exchange** to the **Toronto Stock Exchange**.

Then, on January 16, the company announced it is purchasing British software developer **Linar Ltd.** for about US\$3 million in cash and shares.

This new year's surge comes a month after Intrinsyc banked \$13.5 million from a financing deal completed in December to fund expansion and ongoing operations. But, despite these positive developments, some investors and analysts who took part in a recent conference call with management are still concerned about the company's ongoing losses and wonder when the red ink will vanish.

Intrinsyc reported a \$1.4-million

loss on revenues of \$1.7 million for the quarter, compared to a \$1.1 million loss on revenues of \$317,000 a year earlier.

**Rod Campbell**, vice-president and chief financial officer, responded to investors' trepidation last week, saying he hoped Intrinsyc would show a profit by fiscal year-end in August 2001. This is in line with analysts' estimates.

"Maybe revenue was king six months ago. I think there is absolutely no doubt that cash and profits are king now and we're extremely focused on becoming profitable," Campbell said.

To get there, Intrinsyc will continue mostly along the same path, but will pursue more projects that will lead to licensing revenues down the road instead of developing products mostly in-house for customers, he said. By licensing its software technologies, it can boost sales while incurring little cost, he said.

The company's explosive growth so far is due to the expansion of Inter-

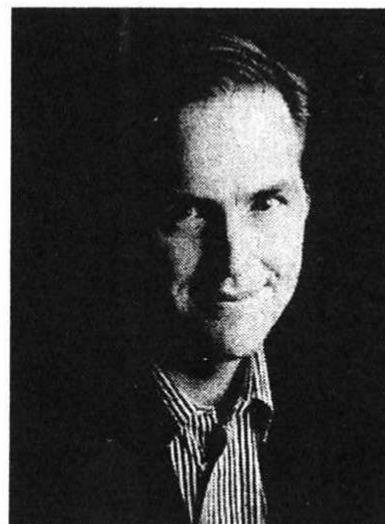
net infrastructure worldwide and growth in pervasive computing — adding a computer chip to anything with a power switch and networking it through the Internet to make it "smart."

"More customers, more demand, more publicity about how people can leverage the Net into their business. By this I'm not talking about dot-com e-commerce. The whole idea is that the Internet is not going to end at the desktop PC. It's going to extend everywhere," Campbell said.

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In the past year, the company also cut its product design cycle from over a year to about six months to boost revenues. It added five new sales people, helping to diversify and grow its customer base by more than 50 new clients. Last year, one of its customers accounted for almost 60 per cent of its revenues. Two of its customers accounted for more than 80 per cent of its revenues. Intrinsyc now has 63 licensed customers in several markets.

**Wayne Phipps**, an analyst with



**Hopeful: Intrinsyc's Rod Campbell**

**Loewen, Ondaatje, McCutcheon Ltd.** in Toronto, said he is pleased with Intrinsyc's performance this quarter. He expects the firm will meet its \$10-million revenue target for fiscal 2001 under the operational leadership of **Neil McDonnell** (hired as president and chief operating officer in September), even if the U.S. economy turns sour. He described the

Linar purchase as "clean and straightforward."

"Basically, they're buying a technology. Linar is a profitable company with a strong customer base and they bought it at a good price," he said.

Phipps has a strong buy recommendation and a \$9.70 12-month target price for Intrinsyc's stock.

**Farhan Syed**, an analyst with **Yorkton Securities** in Toronto, has a buy recommendation and a \$7 target. He expects Intrinsyc to grow 20 per cent each quarter, just shy of the company's 25-per-cent growth predictions.

Both Yorkton Securities and Loewen, Ondaatje, McCutcheon are investors in Intrinsyc.

**Elvis Picardo**, an analyst with **Global Securities Corp.**, has a speculative buy recommendation and a \$5 12-month-target.

Intrinsyc has almost \$20 million in the bank and 85 employees, up from 30 people a year ago. Its share price has remained flat at about \$3.25 since the start of the year, after falling almost steadily from about \$6 in September.

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