

Intrinsyc finds 'gem' in United Kingdom

Vancouver company acquires NMI for cash and shares

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Vancouver's Intrinsyc Software announced Monday it is expanding into the United Kingdom with the acquisition of NMI Electronics.

Intrinsyc is acquiring NMI, a privately held company that specializes in the design and development of Windows CE devices, for an undisclosed amount in cash and shares.

Chuck Leighton, Intrinsyc's chief financial officer, said it's a multimillion-dollar deal, but details won't be released until the deal closes in an expected 30 to 45 days.

"We think we've found a gem," said Leighton, who said his company came across NMI in trading shows and in competing for customers. Intrinsyc makes hardware and software solutions for networked intelligent devices ranging from elevators to robots,

"NMI is trying to escalate its revenue through our distribution channel [in North America] and at the same time they give us a tremendous foothold into Europe," Leighton said. "It's a win-win for both of us."

NMI was named by Microsoft as a "gold member" in its Windows Embedded Partners (WEP) program, meaning it is one of the companies Microsoft chooses to work with its newest CE development releases. Intrinsyc is also a Microsoft gold WEP partner.

"NMI is very similar to Intrinsyc although the company is a little less mature in terms of its business evolution," Leighton said. "They haven't had the opportunity we had to go to the public market for cash to accelerate growth."

Despite its stage, Leighton said NMI, which has about 40 employees and a 15-year history, has a solid European customer base, a record of profitability and engineers with expertise in the cell phone and personal digital assistant market. Windows CE is an operating system that aimed at a wide variety of embedded applications, from handheld PDAs, to Internet appliances and factory equipment.

Intrinsyc, which trades on the Toronto stock exchange and has about 100 employees, has yet to show a profit but its revenue is growing. Its latest quarterly results showed a 66-per-cent increase to \$3.4 million, up from \$2.1 million during the same period a year earlier. The company reported, as of Feb. 28, it had cash and cash equivalents of \$23.4 million and working capital of \$26.6 million.

Intrinsyc's revenue comes mostly from corporate applications, not the higher profile consumer electronics ones that envision a future where refrigerators and washing machines call in for repairs. But Leighton said the wireless market promises expanded growth for devices such as PDAs.

"I wouldn't exactly say wireless PDAs have taken off yet, but I don't think anyone will bet against them in the next three to four years as 2.5 and 3G [2.5 and third-generation wireless] come on," he said.

Leighton said Intrinsyc is searching for more acquisitions.

"This uses up some of our cash but we don't think we've stopped on the acquisition trail," he said. "We'll keep looking around."

Intrinsyc's solutions allow small embedded computers, such as ones that monitor the health of buildings, run elevators or operate robots for auto manufacturers, to connect to the Internet so they can be remotely managed and controlled. Applications include "tele health," where blood pressure and heart rate can be monitored remotely.

Intrinsyc shares closed at \$2.27 Monday, down 13 cents on the day.

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