

# EGE INSTITUTIONAL RESEARCH REPORT

RESEARCH UPDATE

AUGUST 9, 2007

EMERGING GROWTH EQUITIES, LTD.



## PARKERVISION, INC.

NASDAQ: PRKR - \$12.80

Semiconductors – Integrated Circuits

### PRKR Reports 2Q:07 Results; Leaving Our Estimates Relatively Unchanged; Reiterating BUY Rating And \$27 Price Target

**PRKR Reports Its First Revenue For Its d2p Technology.** Net sales in 2Q:07 were \$90,000 from engineering services to ITT Corp. (NYSE: ITT), with a net loss of \$0.18 per share; this compares with our estimates of \$250,000 in revenue and a net loss of \$0.16 per share. PRKR said that its engineering services team is already assisting ITT in designing its technology into a final product. Royalty payments (per unit) from this agreement are expected to begin after ITT's development cycle has been completed and it is shipping products to customers. Total compensation from this agreement is expected to be approximately \$25 million.

**PRKR Announced That Its Primary Focus Remains On Finalizing And Formalizing Agreements With Handset OEMs.** The Company believes that its past efforts will culminate in agreements for the design of its technology into the cell phone marketplace. Management also reiterated, that it believes, the adoption of its technology by a major handset OEM is not a matter of if, but when. Furthermore, we think that despite the lack of a formal announcement, some engineering collaboration/product development activities are likely underway already, if the OEMs plan to introduce new products to the market at an attractive time (such as the 4Q:08 holiday shopping season).

**Reiterate BUY Rating.** We think the ITT agreement demonstrates that PRKR's technology works and provides substantial benefits to warrant its adoption. The consummation of its first deal increases our confidence that other deals will follow. Our valuation is based on a multiple of 15x our 2009 EPS estimate of \$2.32, discounted back to 2007 at 30% to arrive at our \$27 price target. (See discussion of Investment Risks on page 2.)

**Rating: BUY**

**Target: \$27**

52-Week Range:	\$13.98 - \$7.41
Market Cap.:	\$315m
Shares Out:	24.6m
Estimated Float:	18.5m
Short Interest:	5.7m
Avg. Daily Vol.:	182.4k
Insider Ownership:	25.0%
Inst. Ownership:	40.0%
FY Ends:	Dec.



Source: BigCharts.com

#### Revenues (M)

	07E	08E	09E	10E
Mar.	\$0.0	\$1.0	\$27.0	\$47.3
June	0.09A	1.5	32.0	52.0
Sept.	0.5E	17.0	38.0	59.8
Dec.	0.8	23.0	43.0	68.8
Yr.	\$1.3	\$42.5	\$140.0	\$228.0
P/S	NA	9.3x	3.1x	1.9x

#### Earnings per Share

	07E	08E	09E	10E
Mar.	\$(0.19)	\$(0.15)	\$0.41	\$0.72
June	(0.18)A	(0.14)	0.52	0.80
Sept.	(0.16)E	0.27	0.64	0.93
Dec.	(0.16)	0.42	0.75	1.08
Yr.	\$(0.68)	\$0.39	\$2.32	\$3.54
P/E	NA	32.8x	5.5x	3.6x

#### Balance Sheet (6/07)

Cash:	\$19.4m (\$0.81/sh.)
Debt:	\$0.00

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**Note:** Please refer to the last two pages of this report for rating definitions, possible conflicts of interest and other important disclosures concerning these recommendations.

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## CORPORATE OVERVIEW

PRKR is a fabless semiconductor Company that is focusing on the commercialization of its patented proprietary RF (radio frequency) communication technologies. The Company has developed its ESP (energy signal processing) technology into its two primary solutions, Direct2RFPower (d2p) and Direct2Data (d2d). These two offerings will target the mobile handset market addressing the needs for extended battery life, reduced handset cost, and better performance as the cellular industry migrates to 3G networks. PRKR has obtained 72 patents and 98 pending. The Company's business strategy includes forming relationships with OEMs (original equipment manufacturers) and ODMs (original design manufacturers) for incorporation of the Company's integrated circuits into products manufactured by others or to license its technology for use by others. PRKR has approximately 55 employees at its headquarters in Jacksonville, Florida with additional facilities in Orlando, Florida.

## INVESTMENT RISKS

**Disruptive Technology:** The technology PRKR has developed can be classified as a disruptive technology since it is a complete and radical shift from traditional RF technology utilized today. There is no assurance this technology will gain market acceptance. A particular challenge is that OEM/ODMs may not be willing to take on the risk associated with bringing a new unproven technology to market or they may find incorporating the technology into existing products is too cumbersome.

**Business Model Execution:** PRKR success rests solely on its ability to penetrate the mobile handset market by licensing and selling its d2p and d2d technology to OEM/ODMs. Failure to execute this plan could have an adverse effect on future revenues as well as the long term viability of the Company.

**Customer Conversion and Base:** Currently PRKR has no customers and no sources of revenue. The Company is in the process of attracting OEM/ODMs to either purchase or license its technology. There is no guarantee that its marketing efforts will attract customers. Additionally, if and when the Company signs its first customers, revenue is likely to be concentrated around a few large customers.

**Competitive Products:** The microelectronics industry is highly competitive ranging from established players to smaller start-ups. To succeed, substantial capital must continually be invested in R&D to ensure new and more innovative products are developed. Although PRKR has developed a new RF technology there are current products on the market that address similar needs without assuming the risks of implementing a completely new technology.

**Intellectual Property:** PRKR sustainable competitive advantage hinges on its patent portfolio of new technologies. There is no guarantee that the Company's existing patents are broad enough to fully protect its newly developed technology.

**Revenue Recognition:** It is still unclear whether the Company will sell its technology via licensing, direct sales, or a combination of both models. This translates into many unknowns as to how and when revenue will be booked. An OEM contract signing under a sales model may not produce revenue for one year after the signing date, while a license sale could result in immediate upfront revenue.



ParkerVision, Inc. Income Statement (thousands)

	2005	2006	2007E				2007E	2008E				2008E	2009E				2009E	2010E				2010E
			Mar-07A	Jun-07A	Sep-07	Dec-07		Mar-08	Jun-08	Sep-08	Dec-08		Mar-09	Jun-09	Sep-09	Dec-09		Mar-10	Jun-10	Sep-10	Dec-10	
Net sales	995	-	-	90	500	750	1,340	1,000	1,500	17,000	23,000	42,500	27,000	32,000	38,000	43,000	140,000	47,300	52,030	59,835	68,810	227,974
Product revenue	995	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
License revenue	-	-	-	90	500	750	1,340	1,000	1,500	-	-	2,500	-	-	-	-	-	-	-	-	-	-
Royalty revenue	-	-	-	-	-	-	-	-	-	17,000	23,000	40,000	27,000	32,000	38,000	43,000	140,000	47,300	52,030	59,835	68,810	227,974
% change in net sales	-	-	-	-	-	-	-	-	-	-	-	-	2600.0%	2033.3%	123.5%	87.0%	229.4%	75.2%	62.6%	57.5%	60.0%	62.8%
Cost of sales	784	-	-	77	100	150	327	170	240	2,550	3,220	6,180	3,499	3,827	4,165	4,283	15,774	4,730	5,203	5,983	6,853	22,770
Inventory write down	2,251	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross profit	(2,040)	-	-	13	400	600	1,013	830	1,260	14,450	19,780	36,320	23,501	28,173	33,835	38,717	124,226	42,570	46,827	53,851	61,956	205,204
Gross margin	-205.0%	-	-	14.4%	80.0%	80.0%	75.6%	83.0%	84.0%	85.0%	86.0%	85.5%	87.0%	88.0%	89.0%	90.0%	88.7%	90.0%	90.0%	90.0%	90.0%	90.0%
Research and development	10,282	9,521	2,732	2,557	2,800	3,000	11,089	3,200	3,400	3,600	3,800	14,000	4,000	4,200	4,400	4,600	17,200	4,800	5,000	5,200	5,400	20,400
% of sales	1033.4%	-	-	2841.1%	560.0%	400.0%	827.5%	320.0%	226.7%	21.2%	16.5%	32.9%	14.8%	13.1%	11.6%	10.7%	12.3%	10.1%	9.6%	8.7%	7.8%	8.9%
Marketing and selling	3,139	2,117	667	681	650	700	2,698	750	800	850	900	3,300	950	1,000	1,050	1,100	4,100	1,150	1,200	1,250	1,300	4,900
% of sales	315.5%	-	-	756.7%	130.0%	93.3%	201.3%	75.0%	53.3%	5.0%	3.9%	7.8%	3.5%	3.1%	2.8%	2.6%	2.9%	2.4%	2.3%	2.1%	1.9%	2.1%
General and administrative	6,045	5,233	1,274	1,427	1,400	1,450	5,551	1,500	1,550	1,600	1,650	6,300	1,700	1,750	1,800	1,850	7,100	1,900	2,000	2,050	2,100	8,050
% of sales	607.5%	-	-	1585.6%	280.0%	193.3%	414.3%	150.0%	103.3%	9.4%	7.2%	14.8%	6.3%	5.5%	4.7%	4.3%	5.1%	4.0%	3.8%	3.4%	3.1%	3.5%
Other	1,891	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	21,357	16,866	4,673	4,665	4,850	5,150	19,338	5,450	5,750	6,050	6,350	23,600	6,650	6,950	7,250	7,550	28,400	7,850	8,200	8,500	8,800	33,350
Operating income	(23,397)	(16,866)	(4,673)	(4,652)	(4,450)	(4,550)	(18,325)	(4,620)	(4,490)	8,400	13,430	12,720	16,851	21,223	26,585	31,167	95,826	34,720	38,627	45,351	53,156	171,854
Operating margin	-2351.5%	-	-	-5168.9%	-890.0%	-606.7%	-1367.5%	-462.0%	-299.3%	49.4%	58.4%	29.9%	62.4%	66.3%	70.0%	72.5%	68.4%	73.4%	74.2%	75.8%	77.3%	75.4%
Interest & other, net	304	1,051	205	236	265	265	971	350	360	370	380	1,460	390	400	410	420	1,620	430	440	450	460	1,780
Pretax income	(23,093)	(15,815)	(4,468)	(4,416)	(4,185)	(4,285)	(17,354)	(4,270)	(4,130)	8,770	13,810	14,180	17,241	21,623	26,995	31,587	97,446	35,150	39,067	45,801	53,616	173,634
Pretax margin	-2320.9%	-	0.0%	-4906.7%	-837.0%	-571.3%	-1295.1%	-427.0%	-275.3%	51.6%	60.0%	33.4%	63.9%	67.6%	71.0%	73.5%	69.6%	74.3%	75.1%	76.5%	77.9%	76.2%
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before tax	(23,093)	(15,815)	(4,468)	(4,416)	(4,185)	(4,285)	(17,354)	(4,270)	(4,130)	8,770	13,810	14,180	17,241	21,623	26,995	31,587	97,446	35,150	39,067	45,801	53,616	173,634
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	3,448	4,325	5,399	6,317	19,489	10,545	11,720	13,740	16,085	52,090
% of pretax income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	20.0%	20.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Other	(3)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	(23,096)	(15,814)	(4,468)	(4,416)	(4,185)	(4,285)	(17,354)	(4,270)	(4,130)	8,770	13,810	14,180	13,793	17,298	21,596	25,270	77,957	24,605	27,347	32,061	37,531	121,544
EPS	(1.14)	(0.68)	(0.19)	(0.18)	(0.16)	(0.16)	(0.68)	(0.15)	(0.14)	0.27	0.42	0.39	0.41	0.52	0.64	0.75	2.32	0.72	0.80	0.93	1.08	3.54
Diluted shares	20,100	23,257	23,815	24,569	26,000	27,000	25,346	28,400	29,400	32,900	33,100	30,950	33,300	33,500	33,700	33,900	33,600	34,100	34,300	34,500	34,700	34,400

**ANALYST CERTIFICATION**

I, Michael C. Donahue, certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. In addition, no part of my compensation was, is, or will be directly or indirectly related to this recommendation or views contained in this report.

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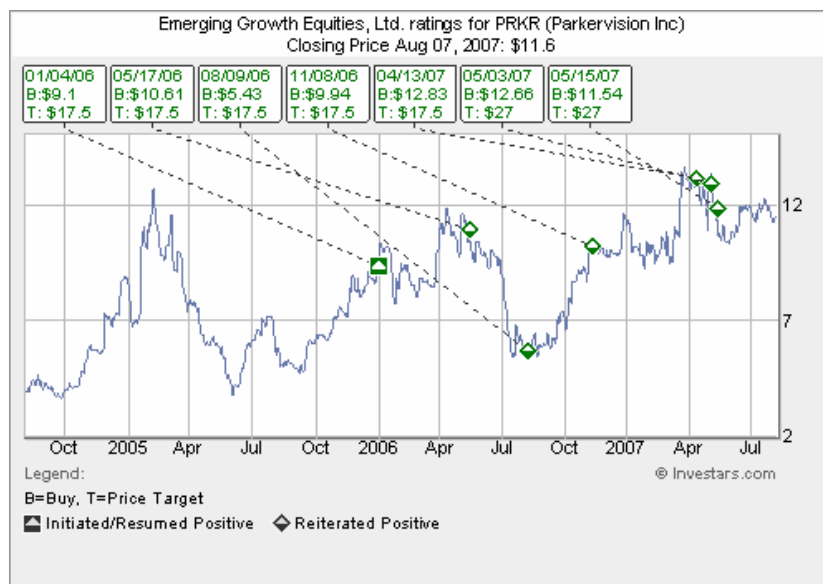
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<b>No Rating</b>	No formal rating has been issued, or rating has been suspended.
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**EGE RECOMMENDATION HISTORY (PRKR)**



**EGE RESEARCH RATING DISTRIBUTION August 8, 2007.**

Rating	Percent of Rated Stocks	% of Research Universe	Investment Banking Relationships*
Strong Buy or Buy	71%	53%	5%
Hold	29%	21%	0%
Sell	0%	0%	0%
Not Rated	N/A	3%	0%
Monitor	N/A	24%	22%

\* Companies within rating category to whom EGE has provided investment banking services within the past 12 months.

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