

# EGE INSTITUTIONAL RESEARCH REPORT

RESEARCH UPDATE

MARCH 18, 2008

EMERGING GROWTH EQUITIES, LTD.



## PARKERVISION, INC.

NASDAQ: PRKR - \$7.99

*Semiconductors – Integrated Circuits*

### PRKR Reports 4Q:07 Results; We Expect New Deal Momentum To Build In 2008; Maintain STRONG BUY Rating

**Recent Sell-Off Creates Buying Opportunity, In Our View.** We expect PRKR's fundamentals to strengthen in 2008 with two to three more deals signed this year. In addition, we believe that product development with its two existing customers is on track. PRKR's unique technologies process the RF waveform in a more optimal manner than existing technologies, allowing OEMs to create handsets that have extended battery life, more easily incorporate multiple air interface standards and frequencies in smaller form factors, and reduce manufacturing costs. PRKR's current prototypes support multi-band and multi-mode functionality. The Company's ICs support the current and emerging cellular standards including GSM/EDGE, CDMA, W-CDMA, HSPA, and WiMax. The benefits of PRKR's technology becomes more pronounced with 3G phones and beyond. Industry estimates predict about 500 million 3G phones will be sold in 2009 providing a considerable market opportunity for PRKR, in our opinion.

**4Q:07 Results.** In the fourth quarter, PRKR reported no revenue and a net loss of \$0.19 per share compared with a net loss of \$0.14 per share the previous year. The decrease was primarily the result of increased operating costs related to personnel and engineering as the Company increased its efforts to commercialize its technology. While PRKR doesn't expect much, if any, engineering and services fees from ITT Corp (NYSE: ITT) in 2008, we continue to believe that ITT's engineers simply do not need the additional product development help. It is also our belief that PRKR will see some royalty revenue in 4Q:08, but we still expect a meaningful ramp to begin in 1Q:09. Also, on March 5<sup>th</sup>, 2008, PRKR announced a private placement of 1.24 million shares of common stock resulting in about \$9 million in net proceeds. This brings the Company's cash balance to approximately \$22.4 million, which should fund operations for the next four to five quarters.

**Maintain STRONG BUY.** PRKR confirmed that its relationship with ITT is intact and that it expects to ship volume ready silicon to its chipset customer in 4Q:08. We expect a considerable increase in sales in 2009 that should become more evident as new design wins are announced this year. We also think PRKR may be tempering expectations a bit in order to have room for some positive announcements. In addition, the Company plans to update its website in the next few days, which should help demonstrate how its technology works and why top-tier handset OEMs want to use it. Our valuation is based on a multiple of 18x our new 2009 EPS estimate of \$1.93 (from \$1.91), discounted back to 2008 at 30%, resulting in a price target of about \$27. (See discussion of Investment Risks on page 2.)

**Rating: STRONG BUY**  
**Target: \$27**

52-Week Range: \$17.20 - \$4.80  
Market Cap.: \$211.7m  
Shares Out: 26.5m  
Estimated Float: 21.2m  
Short Interest: 6.6m  
Avg. Daily Vol.: 237.3k  
Insider Ownership: 20%  
Inst. Ownership: 35%  
FY Ends: Dec.



Source: BigCharts.com

#### Revenues (M)

	07A	08E	09E	10E
Mar.	\$0.0	\$0.0E	\$18.0	\$34.0
June	0.09	0.0	22.0	39.0
Sept.	0.19	0.0	28.0	44.0
Dec.	0.0A	2.5	32.0	49.0
<b>Yr.</b>	<b>\$0.28</b>	<b>\$2.50</b>	<b>\$100.0</b>	<b>\$166.0</b>
<b>P/S</b>	<b>NA</b>	<b>NA</b>	<b>2.6x</b>	<b>1.6x</b>

#### Earnings per Share

	07A	08E	09E	10E
Mar.	\$(0.19)	\$(0.19)E	\$0.29	\$0.73
June	(0.18)	(0.18)	0.40	0.85
Sept.	(0.19)	(0.17)	0.56	0.63
Dec.	(0.19)A	(0.11)	0.68	0.71
<b>Yr.</b>	<b>\$(0.74)</b>	<b>\$(0.65)</b>	<b>\$1.93</b>	<b>\$2.93</b>
<b>P/E</b>	<b>NA</b>	<b>NA</b>	<b>4.1x</b>	<b>2.7x</b>

#### Balance Sheet (12/07)

Cash: \$22.4m (\$0.85/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 59 U.S and 54 foreign 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)

	2007					2008E					2009E					2010E					
	2006	Mar-07	Jun-07	Sep-07	Dec-07A	2007	Mar-08E	Jun-08	Sep-08	Dec-08	2008E	Mar-09	Jun-09	Sep-09	Dec-09	2009E	Mar-10	Jun-10	Sep-10	Dec-10	2010E
Net sales	-	-	90	194	-	283	-	-	-	2,500	2,500	18,000	22,000	28,000	32,000	100,000	34,000	39,000	44,000	49,000	166,000
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
License revenue	-	-	90	194	-	283	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty revenue	-	-	-	-	-	-	-	-	2,500	2,500	18,000	22,000	28,000	32,000	100,000	34,000	39,000	44,000	49,000	166,000	
% change in net sales	-	-	-	-	-	-	-	-	-	-	1180.0%	3900.0%	-	-	-	88.9%	77.3%	57.1%	53.1%	66.0%	
Cost of sales	-	-	77	175	-	251	-	-	-	500	500	2,880	3,080	3,360	3,187	12,507	3,400	3,900	4,400	4,880	16,580
Inventory write down	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross profit	-	-	13	20	-	32	-	-	-	2,000	2,000	15,120	18,920	24,640	28,813	87,493	30,600	35,100	39,600	44,120	149,420
Gross margin	-	-	14.4%	10.0%	15.0%	11.3%	15.0%	15.0%	15.0%	80.0%	80.0%	84.0%	86.0%	88.0%	90.0%	87.5%	90.0%	90.0%	90.0%	90.0%	90.0%
Research and development	9,521	2,732	2,557	2,783	2,627	10,700	3,100	3,200	3,300	3,400	13,000	3,500	3,600	3,700	3,800	14,600	3,900	4,000	4,100	4,200	16,200
% of sales	-	-	2841.1%	1433.7%	-	3780.9%	-	-	-	136.0%	520.0%	19.4%	16.4%	13.2%	11.9%	14.6%	11.5%	10.3%	9.3%	8.6%	9.8%
Marketing and selling	2,117	667	681	630	715	2,693	720	740	760	780	3,000	800	820	840	860	3,320	880	900	920	940	3,640
% of sales	-	-	756.7%	324.7%	-	951.7%	-	-	-	31.2%	120.0%	4.4%	3.7%	3.0%	2.7%	3.3%	2.6%	2.3%	2.1%	1.9%	2.2%
General and administrative	5,233	1,274	1,427	1,485	1,544	5,730	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	-	-	1585.6%	765.0%	-	2024.7%	-	-	-	66.0%	252.0%	9.4%	8.0%	6.4%	5.8%	7.1%	5.6%	5.1%	4.7%	4.3%	4.8%
Other	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	16,866	4,673	4,665	4,898	4,886	19,122	5,320	5,490	5,660	5,830	22,300	6,000	6,170	6,340	6,510	25,020	6,680	6,900	7,070	7,240	27,890
Operating income	(16,866)	(4,673)	(4,652)	(4,879)	(4,886)	(19,090)	(5,320)	(5,490)	(5,660)	(3,830)	(20,300)	9,120	12,750	18,300	22,303	62,473	23,920	28,200	32,530	36,880	121,530
Operating margin	-	-	-5168.9%	-2513.4%	-	-6745.6%	-	-	-	-153.2%	-812.0%	50.7%	58.0%	65.4%	69.7%	62.5%	70.4%	72.3%	73.9%	75.3%	73.2%
Interest & other, net	1,051	205	236	223	213	877	250	250	250	250	1,000	300	300	300	300	1,200	400	400	400	400	1,600
Pretax income	(15,815)	(4,468)	(4,416)	(4,656)	(4,673)	(18,213)	(5,070)	(5,240)	(5,410)	(3,580)	(19,300)	9,420	13,050	18,600	22,603	63,673	24,320	28,600	32,930	37,280	123,130
Pretax margin	-	-	-4906.7%	-2398.7%	0.0%	-6435.6%	-	-	-	-143.2%	-772.0%	52.3%	59.3%	66.4%	70.6%	63.7%	71.5%	73.3%	74.8%	76.1%	74.2%
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before tax	(15,815)	(4,468)	(4,416)	(4,656)	(4,673)	(18,213)	(5,070)	(5,240)	(5,410)	(3,580)	(19,300)	9,420	13,050	18,600	22,603	63,673	24,320	28,600	32,930	37,280	123,130
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,526	13,048	24,573
% 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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	20.0%
Other	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	(15,814)	(4,468)	(4,416)	(4,656)	(4,673)	(18,213)	(5,070)	(5,240)	(5,410)	(3,580)	(19,300)	9,420	13,050	18,600	22,603	63,673	24,320	28,600	21,405	24,232	98,556
EPS	(0.68)	(0.19)	(0.18)	(0.19)	(0.19)	(0.74)	(0.19)	(0.18)	(0.17)	(0.11)	(0.65)	0.29	0.40	0.56	0.68	1.93	0.73	0.85	0.63	0.71	2.93
Diluted shares	23,257	23,815	24,569	24,900	26,496	24,945	27,200	28,700	32,200	32,400	30,125	32,600	32,800	33,000	33,200	32,900	33,400	33,600	33,800	34,000	33,700

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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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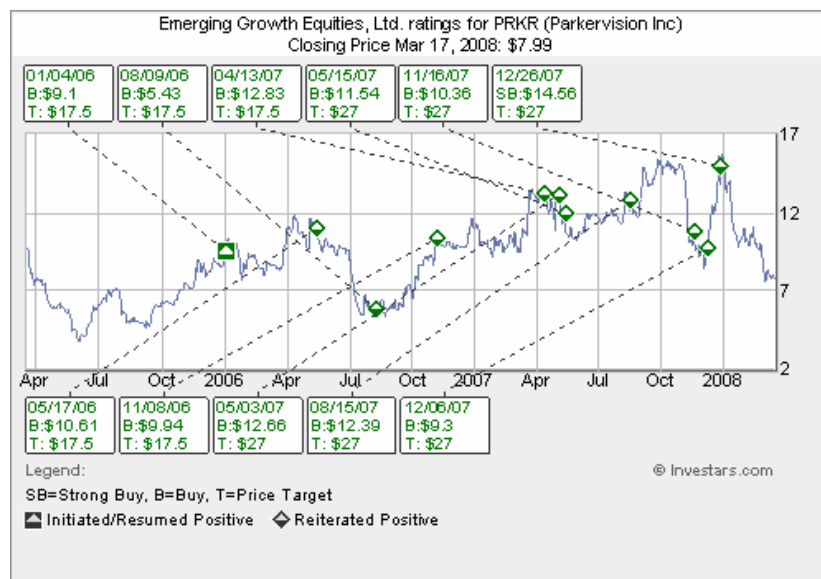
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<b>No Rating</b>	No formal rating has been issued, or rating has been suspended.
<b>Monitor</b>	No rating has been issued, or rating has been suspended, and we are following the company's progress.

**EGE RECOMMENDATION HISTORY (PRKR)**



**EGE RESEARCH RATING DISTRIBUTION March 17, 2008.**

Rating	Percent of Rated Stocks	% of Research Universe	Investment Banking Relationships*
Strong Buy or Buy	65%	46%	12%
Hold	35%	24%	0%
Sell	0%	0%	0%
Not Rated	N/A	0%	N/A
Monitor	N/A	30%	9%

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