

# EGE INSTITUTIONAL RESEARCH REPORT

RESEARCH UPDATE

MAY 8, 2008

## PARKERVISION, INC.

NASDAQ: PRKR - \$8.99

*Semiconductors – Integrated Circuits*

### **PRKR Reports 1Q:08 Results; Expect New Deals In 2008 To Help Drive Growth In 2009 - 2010; Reiterate STRONG BUY Rating**

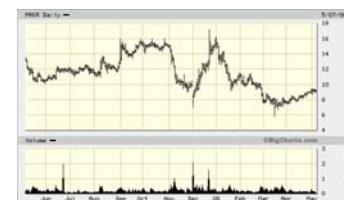
**PRKR Expects New And Existing Customers To Generate 50 Million - 250 Million Units In The Next Two – Three Years.** Product development with PRKR's two existing customers is on track and we expect the Company to sign two to three more deals this year with companies that sell millions to 10's of millions of units per month, according to management. Industry estimates predict about 500 million 3G phones will be sold in 2009 and about 750 million in 2010. Management stated that based on its expected market share of high single-digits to low double-digits in 2009, and about one-third market share in 2010, the number of units it expects to sell will range from about 50 million to 250 million in the next two to three years, with pretax earnings of \$2.00 - \$3.00 per share.

**1Q:08 Results.** In the first quarter, PRKR reported no revenue and a net loss of \$0.19 per share, which was flat with the first quarter of 2007 and in-line with our expectations. While we do not expect PRKR to see any significant royalty revenue in 2008, we do expect a meaningful ramp in 2009. We are leaving our current model unchanged as our projections seem to be in the same ballpark as management guidance; although our models appears to reflect a more linear trend.

**Reiterate STRONG BUY.** PRKR announced that ITT Corp. has identified the initial product program for its d2p technology, and the Company anticipates that it will become a platform technology for multiple programs in the future. In addition, PRKR's first commercial customer reached a milestone by placing a 3G mobile phone call using its d2p technology in a test environment, which exceeded both the customer and PRKR's own expectations. PRKR still expects to ship volume ready silicon in 4Q:08 and sees tremendous growth potential for this customer. In addition, short interest has been declining recently, to about 5.9 million shares from about 6.8 million at the end of 2007, which should help ease some of the pressure on the stock, in our view. In fact, we believe the stock could be trading at 2x to 3x its current value now. Our valuation is based on a multiple of 18x our 2009 EPS estimate of \$1.93, 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.:	\$238m
Shares Out:	26.5m
Estimated Float:	21.2m
Short Interest:	5.9m
Avg. Daily Vol.:	197k
Insider Ownership:	20%
Inst. Ownership:	32%
FY Ends:	Dec.



Source: BigCharts.com

#### Revenues (M)

	07A	08E	09E	10E
Mar.	\$0.0	\$0.0A	\$18.0	\$34.0
June	0.09	0.0E	22.0	39.0
Sept.	0.19	0.0	28.0	44.0
Dec.	0.0.	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>3.0x</b>	<b>1.8x</b>

#### Earnings per Share

	07A	08E	09E	10E
Mar.	\$(0.19)	\$(0.19)A	\$0.29	\$0.73
June	(0.18)	(0.18)E	0.40	0.85
Sept.	(0.19)	(0.17)	0.56	0.63
Dec.	(0.19)	(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>4.7x</b>	<b>3.1x</b>

#### Balance Sheet (3/08)

Cash:	\$18.8m (\$0.71/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.**

## 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-07	2007	Mar-08A	Jun-08E	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%	0.0%	11.3%	0.0%	0.0%	0.0%	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	2,953	3,200	3,300	3,400	12,853	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%	514.1%	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	650	740	760	780	2,930	800	820	840	860	3,320	880	900	920	940	3,640
% of sales	-	-	756.7%	324.7%	-	951.7%	-	-	-	31.2%	117.2%	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	1,440	1,550	1,600	1,650	6,240	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%	249.6%	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	5,043	5,490	5,660	5,830	22,023	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)	(5,043)	(5,490)	(5,660)	(3,830)	(20,023)	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%	-800.9%	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	141	250	250	250	891	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)	(4,902)	(5,240)	(5,410)	(3,580)	(19,132)	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%	-765.3%	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)	(4,902)	(5,240)	(5,410)	(3,580)	(19,132)	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)	(4,902)	(5,240)	(5,410)	(3,580)	(19,132)	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	25,593	28,700	32,200	32,400	29,723	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.

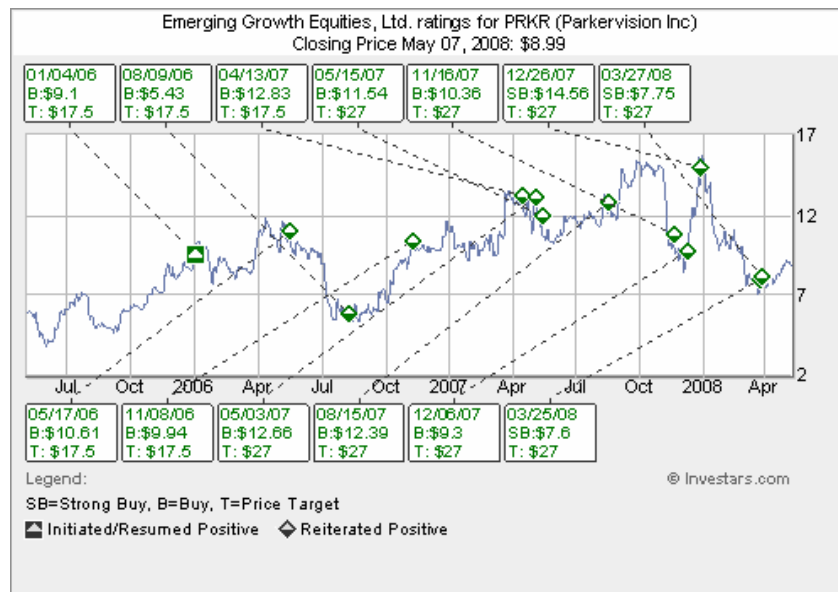
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<b>Strong Buy</b>	Subject security could significantly outperform its peer group, driven by potential near-term catalyst(s). Advise clients to aggressively establish new positions.
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<b>Hold</b>	Subject security likely to perform in line with its peer group, with little or no appreciation expected. Advise clients against establishing new positions.
<b>Sell</b>	Subject security is expected to underperform its peer group. Advise clients to reduce positions.
<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 May 7, 2008.**

Rating	Percent of Rated Stocks	% of Research Universe	Investment Banking Relationships*
Strong Buy or Buy	65%	47%	18%
Hold	35%	25%	0%
Sell	0%	0%	0%
Not Rated	N/A	0%	N/A
Monitor	N/A	28%	0%

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

**All prices noted in this report are as of the close of trading on May 7, 2008.**

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