Emerging Growth Equities, Ltd (EGE) initiated coverage on ParkerVision with a BUY rating and price target of $17.50 on January 4, 2006, shortly before Halpern Capital announced that they had closed their coverage because “the Research Analyst who had been covering PRKR has a new position within Halpern Capital.” They reiterated their BUY rating and $17.50 price target on shares of ParkerVision on August 9, 2005, arguing that "we now expect $120.0 million in revenue and earnings of $1.24 per share (up from $0.76) in 2008." Michael Donahue, the EGE analyst covering ParkerVision has participated in earnings calls as late as November 2, 2006. Furthermore, EGE representatives accompanied Jeff Parker to the AeA conference in Monterey, CA in late 2006.

Selected Quotations from the EGE Institutional Research Report on ParkerVision, January 4, 2006

• Potential investors should know that we believe we have used a very conservative revenue model in forecasting earnings for the Company. [...] In viewing ParkerVision’s prospects in this light, it becomes easy to see how multiple contracts with top tier OEMs could translate in $1B in revenue in just a few years.

•.Although the company did not succeed in the retail marketplace we do believe this venture accomplished three objectives: 1) Proved the technology worked and was far superior than competing products, 2) Showcased the technology to OEMs/ODMs, 3) Established ParkerVision as a reputable player in the space.

• The 3G market that ParkerVision is targeting (WCDMA, CMDA2000, and EDGE) is expected to have a 27% CAGR between 2006 and 2010.

• ParkerVision’s products will target the transmit/receive chain of the mobile handset integrated circuit board (ICB). The company’s long term goal is to be the owner of the RF chain regardless of wireless application being utilized.

• Our target price is based on a 30X multiple on our $0.76 EPS estimate for 2008 discounted to 2007 at 30%.

Selected Quotations from the EGE Institutional Research Report on ParkerVision, August 9, 2006

• While estimating financial results for a company at this early stage of development is difficult, we have updated our estimates based on discussion with management and new assumptions. In 2008, we now expect $120.0M in revenue and earnings of $1.24 per share (up from $0.76); in 2009, we now expect $192.0 million in revenue and earnings of $2.29 per share (up from $1.99). […] With PRKR shares trading at only 4X our new 2008 EPS estimate, we think the stock is undervalued (..at $5.43 per share).

• With 3G handsets alone, expected to exceed 200 million units in 2008 and 300 million units in 2009, we see tremendous opportunity for PRKR in the next few years.

• PRKR's new chips will enable handset OEMs to increase battery life by 2X to 3X, decrease bill of materials by 50% and decrease board space by 50%.

• We believe that negotiations are progressing and that the first deal will be signed in the coming months. As such, the story remains intact in our view

Commentary on the EGE Research Report on ParkerVision

Michael Donahue from EGE initiated coverage on ParkerVision with a buy rating on January 4, 2006, valuing ParkerVision as an OEM and technology licensing company based on expected revenue derived from wireless technology. Although ParkerVision has not yet generated OEM or licensing revenue from any of its wireless technology, Donahue predicted the following scenario in January 4, 2006: $28.9M in 2007, $120.2M in 2008, and $231.5M in 2009. The revenue projections were then updated on August 6, 2006 to $1M in 2007, $120M in 2008, and $192M in 2009. The downgrade from $28.9M to $1M in 2007, without a downgrade in 2008 revenue makes no sense, unless a stock price is purposely being hyped to a target value.

The fundamental problem with the report is that Donahue projects annual revenue growth of over 1200% from 2007 to 2008 based on ParkerVision capturing licensing revenue of a yet to be defined 3G wireless market, then uses a simple EPS valuation based on unsubstantiated revenue assumptions to support his $17.50 price target for PRKR.

(1) Overly optimistic view of ParkerVision's ability to execute
"We believe that negotiations are progressing and that the first deal will be signed in the coming months (August 9, 2006)." Although the report is barely six months off the press, it is already outdated, because there were no announcements of design wins in Q4 2006 or Q1 2007. ParkerVision still remains only in "dialogue", "discussions", or "conversations" with "potential" customers. Furthermore, ParkerVision has all by abrogated its ability to ship actual chips, so that its revenue model is now entirely based on technology licensing.

(2) Unrealistic Revenue Projections: 1200% Annual Growth?
Growing revenue from $1M in 2007 to $120M in 2007 can hardly be called "conservative estimates with regard to pricing, margins, and unit shipments," we are not aware of any company that has grown revenue 1200% annually. A company like ParkerVision, which has still not yet generated any revenue from its D2D or D2P technology, nor has a very experienced management, would not be expected to pull off such a feat. The 1200% annual projected growth in revenue is, in fact, ironic for a company like ParkerVision that is saddled with declining revenue and 17 years of consecutive losses. Not even eBay, one of the fastest growing companies ever, surpassed $1B in revenue in four years. It took eBay five years to grow revenue from $5.7M in 1997 to $1.2B in 2002, growing at an annual rate of 191%. Donahue, however, believes that ParkerVision will grow at more than twice the rate of eBay during the Internet boom.

(3) ParkerVision Has No History of Commercial Success

ParkerVision has not earned any revenue from its D2D and D2P wireless technology and has never recorded a profit since it was incorporated in 1989. The combined revenue of the last three years is under $2M. In fact, the only capability that ParkerVision has demonstrated in the last three years is the ability to raise additional capital, and increase its total losses to over $150M.

"Multimillion-dollar annual losses and shifts in strategy have been common at ParkerVision, which began in 1989 developing video control systems. The company has yet to turn a profit in any year and has an accumulated deficit of more than $110 million." (Bizjournals, June 29, 2005)

Donahue conveniently bypasses ParkerVision's history of zero profitability by valuing the shares solely on his overstated 1200% annual growth revenue projections. At least the 2009 projections are not as unrealistic as in the Halpern report, where 2009 revenues were projected to exceed $1 billion! The unrealistic magnitude of these projections combined with the fact that ParkerVision is already behind schedule and has minimal market traction, (no "anticipated design wins" in 2006), undermines the overall credibility of Donahue's analysis of ParkerVision.

Unlike Robertson at Halpern Capital or Donahue at EGE, we do not expect ParkerVision to be the first company to grow revenue from less than $1M to over $120M in one year. While we believe ParkerVision will most likely file for bankruptcy during the 2008-2009 period, we value the shares at $0.13 based on current market P/S ratios, and project a long term value of $0.26 per share based on 2007 revenue projections.

Michael Donahue

Mr. Donahue is an Equity Analyst in the EGE technology group focusing on semiconductor companies. While Mr. Donahue appears to have solid credentials in financial analysis and economics (see below), it is difficult to understand his qualifications in assessing the viability and promulgation of RF technologies. Certainly in retrospect, his financial projections for ParkerVision appear ludicrous, and are highly inconsistent with the company's own projections!

From the EGE website: "Most recently he was a semiconductor analyst working for Sidoti & Company, LLC from 2000 through 2005. In 2003 Mr. Donahue was distinguished by the Wall Street Journal's "Best On The Street" Analysts Survey, where his research recommendations performed second out of 53 semiconductor analysts. Mr. Donahue's previous Wall Street experience includes work as a Research Analyst with Joseph Stevens & Company where he focused primarily on Technology and Bio-Technology companies from 1996 through 1998. He began his career as a Research Analyst with Moskowitz Capital Consulting which included economic and financial market research from 1995 through 1996. Mr. Donahue earned a BA in Psychology from Stony Brook University in 1990 and an MBA in Banking and Finance from Hofstra University in 1994."