

# EGE INSTITUTIONAL RESEARCH REPORT

RESEARCH UPDATE

NOVEMBER 14, 2007

## PARKERVISION, INC.

NASDAQ: PRKR - \$10.43

Semiconductors – Integrated Circuits

### PRKR Reports 3Q:07 Results; Reiterating BUY Rating And \$27 Price Target

**ITT Revenue Continues.** Net sales in 3Q:07 were \$194,129 in engineering services fees from ITT Corp. (NYSE: ITT), with a net loss of \$0.19 per share; this compares with our estimates of \$500,000 in revenue and a net loss of \$0.16 per share. While revenue was lower-than-expected, we believe this is due to the proficiency of the ITT engineers, requiring less assistance in product design and development than had previously been anticipated. Royalty payments from this agreement are expected to begin in the next 12 to 24 months. PRKR also stated that it has been advancing its technology, which should help close the gap on the design-to-market timeframe as it signs new customers. Total compensation from the ITT deal should be about \$25 million.

**PRKR - Closer/More Optimistic Than Ever, To Signing A Major Handset OEM Contract.** PRKR expects to announce its first cell phone customer soon, which should either be a handset OEM or one of their semiconductor suppliers. Management is optimistic that it will have a conference call to announce a new deal before the next earnings conference call. While that could be some months off, the last time the Company made a similar statement, it did announce the ITT deal within that timeframe. PRKR also indicated that potential customers are anxious to get new products on the shelves, and that it could start seeing royalty revenue in the next 12 months (4Q:08). This could mean that PRKR expects to have a deal completed before year-end.

**We Have Adjusted Our Estimates.** Our previous model had anticipated royalty revenue would begin in 3Q:08, however, it now seems more likely it will begin in 4Q:08. As such, we have pushed-out our royalty revenue estimates by one quarter. For 2008, we now expect \$20.3 million in revenue and a net loss of \$(0.30) per share, compared with our previous estimates of \$42.5 million in revenue and net income of \$0.39 per share. For 2009, we now expect \$120.0 million in revenue and EPS of \$1.91, compared with our previous estimates of \$140.0 million in revenue and EPS of \$2.32. For 2010, we now expect \$202.2 million in revenue and EPS of \$3.13, compared with our previous estimates of \$228.0 million in revenue and EPS of \$3.54.

**Reiterate BUY Rating.** We think the ITT agreement demonstrates that PRKR's technology works and provides substantial benefits to warrant its adoption. In addition, we think the first major handset OEM deal is close, and that the announcement of such a deal could result in considerable share price appreciation (with more than 30% of the float sold short). Our valuation implies a multiple of about 18x our new 2009 EPS estimate of \$1.91, discounted back to 2007 at 30%, resulting in a price target of about \$27. (See discussion of Investment Risks on page 2.)

**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.**

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

52-Week Range: \$16.00 - \$8.70  
Market Cap.: \$259.7m  
Shares Out: 24.9m  
Estimated Float: 19.2m  
Short Interest: 5.9m  
Avg. Daily Vol.: 211.6k  
Insider Ownership: 23%  
Inst. Ownership: 34%  
FY Ends: Dec.



Source: BigCharts.com

#### Revenues (M)

	07E	08E	09E	10E
Mar.	\$0.0	\$0.75	\$23.0	\$43.0
June	0.09	1.0	27.0	47.3
Sept.	0.19A	1.5	32.0	52.0
Dec.	0.50E	17.0	38.0	59.8
<b>Yr.</b>	<b>\$0.78</b>	<b>\$20.3</b>	<b>\$120.0</b>	<b>\$202.2</b>
<b>P/S</b>	<b>NA</b>	<b>15.6x</b>	<b>2.9x</b>	<b>1.7x</b>

#### Earnings per Share

	07E	08E	09E	10E
Mar.	\$(0.19)	\$(0.18)	\$0.32	\$0.66
June	(0.18)	(0.18)	0.41	0.73
Sept.	(0.19)A	(0.17)	0.52	0.81
Dec.	(0.19)E	0.24	0.65	0.94
<b>Yr.</b>	<b>\$(0.74)</b>	<b>\$(0.30)</b>	<b>\$1.91</b>	<b>\$3.13</b>
<b>P/E</b>	<b>NA</b>	<b>NA</b>	<b>5.5x</b>	<b>3.3x</b>

#### Balance Sheet (9/07)

Cash: \$17.6m (\$0.71/sh.)  
Debt: \$0.00

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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)**

		2007E					2008E					2009E					
	2006	Mar-07	Jun-07	Sep-07A	Dec-07	2007E	Mar-08	Jun-08	Sep-08	Dec-08	2008E	Mar-09	Jun-09	Sep-09	Dec-09	2009E	2010E
Net sales	-	-	90	194	500	784	750	1,000	1,500	17,000	20,250	23,000	27,000	32,000	38,000	120,000	202,165
Product revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
License revenue	-	-	90	194	500	784	750	1,000	1,500	-	3,250	-	-	-	-	-	-
Royalty revenue	-	-	-	-	-	-	-	-	-	17,000	17,000	23,000	27,000	32,000	38,000	120,000	202,165
% change in net sales	-	-	-	-	-	-	-	-	-	-	-	2966.7%	2600.0%	2033.3%	123.5%	492.6%	68.5%
Cost of sales	-	-	77	175	425	677	638	850	1,275	3,400	6,163	3,680	3,780	3,840	3,785	15,085	20,193
Inventory write down	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross profit	-	-	13	20	75	108	113	150	225	13,600	14,088	19,320	23,220	28,160	34,215	104,915	181,972
Gross margin	-	-	14.4%	10.0%	15.0%	13.7%	15.0%	15.0%	15.0%	80.0%	69.6%	84.0%	86.0%	88.0%	90.0%	87.4%	90.0%
Research and development	9,521	2,732	2,557	2,783	3,000	11,072	3,200	3,400	3,600	3,800	14,000	4,000	4,200	4,400	4,600	17,200	20,400
% of sales	-	-	2841.1%	1433.7%	600.0%	1412.1%	426.7%	340.0%	240.0%	22.4%	69.1%	17.4%	15.6%	13.8%	12.1%	14.3%	10.1%
Marketing and selling	2,117	667	681	630	650	2,628	700	750	800	850	3,100	900	950	1,000	1,050	3,900	4,700
% of sales	-	-	756.7%	324.7%	130.0%	335.2%	93.3%	75.0%	53.3%	5.0%	15.3%	3.9%	3.5%	3.1%	2.8%	3.3%	2.3%
General and administrative	5,233	1,274	1,427	1,485	1,450	5,636	1,500	1,550	1,600	1,650	6,300	1,700	1,750	1,800	1,850	7,100	8,050
% of sales	-	-	1585.6%	765.0%	290.0%	718.8%	200.0%	155.0%	106.7%	9.7%	31.1%	7.4%	6.5%	5.6%	4.9%	5.9%	4.0%
Other	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	16,866	4,673	4,665	4,898	5,100	19,336	5,400	5,700	6,000	6,300	23,400	6,600	6,900	7,200	7,500	28,200	33,150
Operating income	(16,866)	(4,673)	(4,652)	(4,879)	(5,025)	(19,229)	(5,288)	(5,550)	(5,775)	7,300	(9,313)	12,720	16,320	20,960	26,715	76,715	148,822
Operating margin	-	-	-5168.9%	-2513.4%	-1005.0%	-2452.3%	-705.0%	-555.0%	-385.0%	42.9%	-46.0%	55.3%	60.4%	65.5%	70.3%	63.9%	73.6%
Interest & other, net	1,051	205	236	223	250	914	300	320	340	360	1,320	380	400	420	440	1,640	1,960
Pretax income	(15,815)	(4,468)	(4,416)	(4,656)	(4,775)	(18,315)	(4,988)	(5,230)	(5,435)	7,660	(7,993)	13,100	16,720	21,380	27,155	78,355	150,782
Pretax margin	-	0.0%	-4906.7%	-2398.7%	-955.0%	-2335.8%	-665.0%	-523.0%	-362.3%	45.1%	-39.5%	57.0%	61.9%	66.8%	71.5%	65.3%	74.6%
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before tax	(15,815)	(4,468)	(4,416)	(4,656)	(4,775)	(18,315)	(4,988)	(5,230)	(5,435)	7,660	(7,993)	13,100	16,720	21,380	27,155	78,355	150,782
Income tax expense	-	-	-	-	-	-	-	-	-	-	-	2,620	3,344	4,276	5,431	15,671	45,235
% 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%	20.0%	20.0%	20.0%	20.0%	20.0%	30.0%
Other	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	(15,814)	(4,468)	(4,416)	(4,656)	(4,775)	(18,315)	(4,988)	(5,230)	(5,435)	7,660	(7,993)	10,480	13,376	17,104	21,724	62,684	105,548
EPS	(0.68)	(0.19)	(0.18)	(0.19)	(0.19)	(0.74)	(0.18)	(0.18)	(0.17)	0.24	(0.30)	0.32	0.41	0.52	0.65	1.91	3.13
Diluted shares	23,257	23,815	24,569	24,900	25,700	24,746	27,200	28,700	32,200	32,400	30,125	32,600	32,800	33,000	33,200	32,900	33,700

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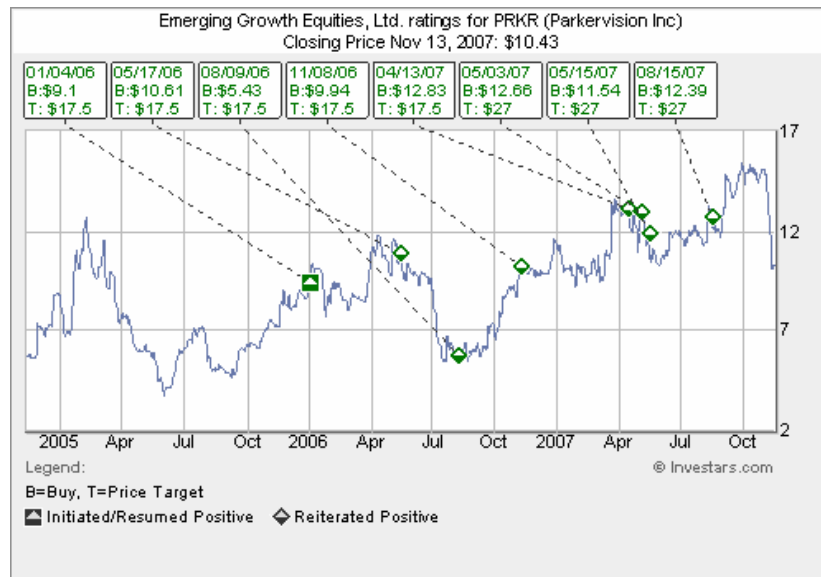
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<b>Strong Buy</b>	Subject security could significantly outperform its peer group, driven by potential near-term catalyst(s). Advise clients to aggressively establish new positions.
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<b>Hold</b>	Subject 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 November 13, 2007.**

Rating	Percent of Rated Stocks	% of Research Universe	Investment Banking Relationships*
Strong Buy or Buy	79%	56%	9%
Hold	21%	15%	0%
Sell	0%	0%	0%
Not Rated	N/A	0%	N/A
Monitor	N/A	28%	9%

\* 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 November 13, 2007.**

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