

ParkerVision, Inc.

Closing Coverage

Former Rating: BUY Former Target - \$11.00	NASDAQ PRKR - \$10.22 (1/09/06 closing)	Wireless Components, Infrastructure, & IP
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Market Profile

52-Week Range	\$13.27-\$3.70	Insider Holdings	27.5%
Avg. Daily Volume (3-month)	72.2 K	Institutional Owner	22.2%
Shares Outstanding	20.9 MM	Total Assets	\$27.9 MM
Market Capitalization	\$213.7 MM	Book Value Per Share	\$1.22
Floating Market Cap.	NA	Revenue (LTM)	\$744 K
Enterprise Value	\$199.1 MM	OIBDA (LTM)	(\$22.2 MM)

Earnings/Share

	1Q/Mar	2Q/Jun	3Q/Sep	4Q/Dec	Fiscal Year	Fiscal P/E
2004	(\$0.22)A	(\$0.22)A	(\$0.28)A	(\$0.38)A	(\$1.10)A	NM
2005	(\$0.26)A	(\$0.40)A	(\$0.19)A	(\$0.19)E	(\$1.04)E	NM
2006	NA	NA	NA	NA	(\$0.20)E	NM
2007	NA	NA	NA	NA	\$1.25E	8.2x

Highlights

- Halpern Capital will no longer be covering PRKR as the Research Analyst who had been covering PRKR has a new position within Halpern Capital.



Company Description

ParkerVision, Inc. specializes in the design and development of wireless semiconductor solutions based on the company's patent portfolio of enabling digital radio frequency (RF) integrated circuit (IC) technologies. These Energy Signal Processing™ (ESP™) solutions harness the underlying energy in an RF signal, eliminating costly and inefficient circuit processes inherent in traditional RF designs. Initially, ESP technologies will address key needs for extended battery life, reduced cost, and higher performance in wireless terminal and WiFi enabled equipment as the wireless industry migrates to next-generation networks. On an extended basis, ParkerVision will target opportunities in the communications and networking markets where it can leverage its ESP technology for products and services in an increasingly wireless world.

Investment Thesis

We believe ParkerVision offers investors an early opportunity to purchase a unique yet nascent RFIC franchise that is considerably undervalued relative to our forward assumptions. Indeed with market research projecting the sale of more than 4.6 billion wireless terminals and 1.3 billion WiFi enabled devices over the next five years (2005-2009), we estimate the addressable market opportunity for ParkerVision's semiconductor solutions, which encompasses both the RF power amplifier (PA) and transceiver IC functions, will grow at a CAGR of 29% over the next five years, to \$5.76 billion in 2009 from \$2.08 billion in 2005.

Estimated Addressable Wireless Terminal/WiFi PA/Transceiver Market (MM)

Technology Platform	2004	2005E	2006E	2007E	2008E	2009E	CAGR
2.5G/3G Wireless Terminals (PAs & TCVRs)	\$577	\$1,424	\$2,388	\$3,344	\$3,452	\$3,708	45.1%
WiFi Enabled Equipment (PAs & TCVR)	\$456	\$652	\$878	\$1,196	\$1,544	\$2,054	35.1%
PRKR PA/TCVR Market Opportunity	\$1,034	\$2,076	\$3,266	\$4,540	\$4,995	\$5,762	41.0%
<i>Annual growth (%)</i>	<i>104.5%</i>	<i>100.8%</i>	<i>57.3%</i>	<i>39.0%</i>	<i>10.0%</i>	<i>15.3%</i>	

Source: Halpern Capital estimates

Under a moderate market penetration scenario, whereby we estimate ParkerVision could garner a 2% market share in 2006 and expand that to roughly 5% in 2007, we project 2006 revenue of \$65 million, growing to \$227 million in 2007.

Clearly, as the rise in premium wireless services continues to spur the development of progressively complex, power hungry wireless terminal and WiFi equipment, minimizing the power drain, form-factor, and cost associated in RF wireless architectures is increasingly important. With its truly compelling, disruptive portfolio of high-performance, low-cost, unified RFIC architectures that address these increasingly critical issues, we believe ParkerVision is uniquely positioned to rapidly establish itself and appreciably participate in the burgeoning market for next-generation RFIC component solutions.

Currently ParkerVision is in dialog with vendors to incorporate the company's first generation D2P ICs or licensed D2P intellectual property into a bevy of wireless terminal and WiFi enabled devices. Recall, the D2P solution addresses both the power amplifier and transmitter portion of the RF-transmit chain, while we believe successive generations of the D2P will offer a full transceiver/power amplifier solution. We believe the company will be able to announce several design wins in the near- to medium-term, which should help bolster confidence in ParkerVision's multi-year growth potential. In our opinion, a Korean or Japanese vendor will likely be the first mover for the company's technology.

Valuation and Price Methodology

Given the infancy of ParkerVision's strategic shift to pursue an OEM/ODM business strategy as a pure-play fabless semiconductor company, whereby operating expenses are anticipated to be disproportionately high relative to the initial earnings power of the business model, we are valuing the company on a 2007 revenue basis.

Currently shares of PRKR are trading at approximately 0.94x our CY 2007 revenue estimate of \$227 million. To put our assumptions into perspective, ParkerVision's closest merchant peers (factoring out the high/low multiples) are trading at roughly 2.45x CY 2006 consensus revenue projections, a 15% discount to the current relative CY 2005 revenue multiple of 2.82x. Although there are no consensus CY 2007 revenue estimates for this same peer group, we estimate an appropriate peer group price-to-sales multiple for CY 2007 to be roughly in the range of 1.50x.

Although we believe ParkerVision has the potential to considerably outgrow its market peers on a relative revenue basis (worth a 30% multiple premium), given the reality that the company is still in fact a pre-revenue enterprise and has yet to secure an OEM design win for its technology (worth a 30% multiple discount), we believe that shares should be valued roughly equivalent to our estimated CY 2007 peer price-to-sales multiple of 1.50x. We note that as the company starts to show some design win activity and the distance to the CY 2007 timeframe begins to shorten, our revenue multiple does have the potential to show marked expansion in excess of the peer group multiple. Accordingly, at the current valuation we believe ParkerVision offers investors an early opportunity to purchase a unique yet nascent RFIC franchise that is undervalued relative to our \$11 price objective.

Risks to Investment Thesis and Price Target

- The wireless terminal component market is highly competitive.
- ParkerVision's business model is highly dependent on the economic health of the overall wireless industry.
- The communications industry is heavily regulated.
- ParkerVision's wireless semiconductor business is highly dependent on a number of unique components in which the company maintains sole source supplier relationships.
- Because ParkerVision has generated net losses and negative cash flow from operations to date, the company has funded its operating losses from time to time via the sale of equity securities
- The wireless semiconductor industry is subject to rapid technological change.
- Commercial acceptance of technology solutions.
- Start-up manufacturing costs.
- Ability to protect intellectual property.
- A return to the dismal market conditions of 2001-2003 for telecommunications equipment and services could materially affect the company's fundamentals.

PRKR Annual and Quarterly Earnings Model

December Fiscal Year (\$ in 000s, except EPS and Ratios)	Annual Earnings				Fiscal 2004				Fiscal 2005E			
	2004	2005E	2006E	2007E	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05 Act.	Jun-05 Act.	Sep-05 Act.	Dec-05
Total Product/ IP Revenue	\$475	\$905	\$65,000	\$227,000	\$296	\$64	\$63	\$19	\$172	\$122	\$430	\$180
Cost of Goods Sold	526	884	46,345	147,550	48	81	83	314	262	134	339	150
Write Down of Inventory to Net Realizable Value	0	0	0	0	0	0	0	2,769	0	2,251	0	0
Gross Profit	(52)	20	18,655	79,450	248	(17)	(20)	(3,064)	(90)	(2,262)	91	30
Research and Development Expense	11,423	10,532	13,691	21,632	2,977	2,399	2,785	3,262	2,922	3,192	2,188	2,230
Marketing and Selling Expense	2,484	3,434	6,000	9,900	262	416	589	1,217	990	1,283	562	600
General and Administrative Expense	6,045	6,080	5,500	7,535	1,035	1,135	1,669	2,206	1,536	1,806	1,387	1,350
Loss on Disposal of Property and Equipment	0	1,866	0	0	0	0	0	0	0	1,871	(6)	0
Operating Expenses	19,952	21,912	25,191	39,067	4,274	3,950	5,043	6,685	5,448	8,152	4,132	4,180
Adjusted Operating Expenses	0	20,040	0	0	0	0	0	0	0	6,281	0	0
Operating Income	(22,805)	(24,142)	(6,536)	40,383	(4,026)	(3,968)	(5,063)	(9,749)	(5,538)	(10,414)	(4,040)	(4,150)
Adjusted Operating Income	0	(22,271)	0	0	0	0	0	(6,980)	0	(8,543)	0	0
Interest/Other Income (Expense)	218	545	400	400	53	47	56	62	34	223	139	150
Loss/Gain via Discontinued Operations	7,773	0	0	0	(1,390)	9,179	(81)	65	0	0	0	0
Pretax	(9,726)	(23,597)	(6,136)	40,783	(5,362)	5,258	(5,088)	(9,622)	(5,504)	(10,191)	(3,901)	(4,000)
Adjusted Pretax	(12,045)	(21,725)	0	0	0	0	0	(6,853)	0	(8,320)	0	0
Tax Expense (Income)	0	0	0	0	0	0	0	0	0	0	0	0
Unrealized Loss on Securities	(28)	(3)	0	0	(1)	(25)	(2)	0	(4)	1	0	0
Net Income	(14,842)	(23,599)	(6,136)	40,783	(5,363)	5,233	(5,090)	(9,622)	(5,508)	(10,190)	(3,901)	(4,000)
Cash Net Income	(19,819)	(21,724)	(6,136)	40,783	(3,973)	(3,921)	(5,007)	(6,918)	(5,504)	(8,319)	(3,901)	(4,000)
Earnings Per Share (Diluted)	(\$0.82)	(\$1.13)	(\$0.20)	\$1.25	(\$0.30)	\$0.29	(\$0.28)	(\$0.53)	(\$0.26)	(\$0.49)	(\$0.19)	(\$0.19)
Cash EPS^(a) (Diluted)	(\$1.10)	(\$1.04)	(\$0.20)	\$1.25	(\$0.22)	(\$0.22)	(\$0.28)	(\$0.38)	(\$0.26)	(\$0.40)	(\$0.19)	(\$0.19)
Shares (Diluted)	18,006	20,915	31,000	32,500	17,960	18,006	18,006	18,006	20,900	20,900	20,901	20,956
Ratios												
Gross Profit Margin	-10.9%	2.2%	28.7%	35.0%	83.7%	-27.3%	-32.0%	-16126.3%	-52.2%	-1848.1%	21.3%	16.7%
Research and Development Expense	2405.9%	1164.4%	21.1%	9.5%	1006.4%	3759.7%	4420.5%	17168.4%	1698.8%	2608.1%	508.7%	1238.9%
Marketing and Selling Expense	523.3%	379.7%	9.2%	4.4%	88.7%	651.9%	934.9%	6405.3%	575.6%	1048.0%	130.6%	333.3%
General and Administrative Expense	1273.2%	672.2%	8.5%	3.3%	349.8%	1778.9%	2649.0%	11610.5%	893.4%	1475.4%	322.6%	750.0%
Operating Expenses	4202.4%	2422.5%	38.8%	17.2%	1444.9%	6190.5%	8004.4%	35184.2%	3167.8%	6660.5%	960.5%	2322.2%
Operating Income	-4803.5%	-2669.1%	-10.1%	17.8%	-1361.1%	-6217.8%	-8036.4%	-51310.5%	-3220.0%	-8508.5%	-939.2%	-2305.6%
Interest/Other Income (Expense)	45.9%	60.3%	0.6%	0.2%	18.0%	73.0%	88.9%	326.3%	19.5%	182.2%	32.3%	83.3%
Pretax	-2048.6%	-2608.8%	-9.4%	18.0%	-1813.0%	8240.4%	-8076.6%	-50642.1%	-3200.5%	-8326.3%	-907.0%	-2222.2%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	-4174.4%	-2401.8%	-9.4%	18.0%	-1813.3%	-6144.8%	-7947.5%	-36410.5%	-3202.6%	-8325.7%	-906.9%	-2222.2%
Growth												
Revenue		90.5%	7086.2%	249.2%					-41.9%	91.8%	582.8%	847.4%
Gross Profit		NM	NM	325.9%					NM	NM	NM	NM
Operating Expense		9.8%	15.0%	55.1%					27.5%	106.4%	-18.1%	-37.5%
Operating Income		NM	NM	NM					NM	NM	NM	NM
Net Income		NM	NM	NM					NM	NM	NM	NM
Earnings Per Share (Diluted)		NM	NM	NM					NM	NM	NM	NM

Source: Halpern Capital estimates and corporate reports.

PRKR Balance Sheet

December Fiscal Year (\$ in 000s, except EPS and Ratios)	Annual			Fiscal 2004				Fiscal 2005		
	2002	2003	2004	Mar-04	Jun-04	Sep-04	Dec-04	Mar-04	Jun-04	Sep-04
Cash and Equivalents	14,955	20,476	7,798	16,482	20,391	14,922	7,798	22,797	18,906	14,565
Accounts Receivable	2,159	989	310	1,133	795	920	310	200	123	28
Inventories	3,091	2,477	2,626	2,983	2,203	4,250	2,626	2,714	404	153
Other	2,587	2,367	3,059	2,215	3,924	2,656	3,059	2,974	1,751	1,526
Total Current Assets	22,792	26,309	13,794	22,812	27,313	22,749	13,794	28,685	21,184	16,272
Property Plant and Equipment	6,184	4,860	3,373	4,581	3,756	3,679	3,373	3,110	2,377	2,298
Goodwill/Intangibles/Other	8,871	11,314	10,914	11,192	10,398	11,064	10,914	10,631	9,139	9,372
Total Assets	37,846	42,483	28,081	38,585	41,466	37,491	28,081	42,426	32,700	27,941
Liabilities										
Accounts Payable	759	694	858	2,171	1,339	1,434	858	713	436	568
Accrued Liabilities	1,936	1,163	2,057	1,353	595	1,130	2,057	1,632	2,021	1,560
Deferred Revenue	1,003	1,227	407	1,026	58	543	407	594	831	295
Current Liabilities	3,699	3,084	3,323	4,550	1,992	3,107	3,323	2,939	3,287	2,424
Long Term Debt	0	0	0	0	0	0	0	0	0	0
Other	101	0	0	0	0	0	0	0	0	0
Total Liabilities	3,799	3,084	3,323	4,550	1,992	3,107	3,323	2,939	3,287	2,424
Shareholders Equity										
Total Shareholders Equity	34,047	39,399	24,758	34,035	39,474	34,384	24,758	39,487	29,413	25,518
Total Liabilities & Equity	37,846	42,483	28,081	38,585	41,466	37,491	28,081	42,426	32,700	27,941
Liquidity Ratios:										
Days Sales Outstanding				2085.5	1359.0	802.4	2915.2	133.4	118.5	15.8
Inventory Turns				0.1	0.1	0.1	0.4	0.4	0.3	4.9
Current Ratio				5.0	13.7	7.3	4.2	9.8	6.4	6.7
Quick Ratio				3.9	10.6	5.1	2.4	7.8	5.8	6.0
Cash Ratio				3.6	10.2	4.8	2.3	7.8	5.8	6.0
Total Debt/Equity				3.0%	0.1%	1.6%	1.6%	1.5%	2.8%	1.2%
Total Debt/Capital				2.9%	0.1%	1.6%	1.6%	1.5%	2.7%	1.1%
Return on Equity				-14.6%	14.2%	-13.8%	-32.5%	-17.1%	-29.6%	-14.2%
Return on Assets				-13.2%	13.1%	-12.9%	-29.3%	-15.6%	-27.1%	-12.9%

Source: Corporate reports.

PRKS Cash Flow

December Fiscal Year (\$ in 000s, except EPS and Ratios)	Annual Cash Flow			Fiscal 2004				Fiscal 2005		
	2002	2003	2004	Mar-04	Jun-04	Sep-04	Dec-04	Mar-05	Jun-05	Sep-05
Net Income	(\$17,272)	(\$22,015)	(\$14,815)	(\$5,362)	\$5,258	(\$5,088)	(\$9,622)	(\$5,504)	(\$10,191)	(\$3,901)
Depreciation/Amortization	3,232	3,108	3,144	810	752	775	807	809	792	450
Other	1,690	1,229	(7,125)	276	(10,783)	298	3,083	277	4,351	223
Working Capital	(1,837)	1,171	(3,013)	673	(1,758)	(781)	(1,147)	(362)	1,902	(513)
Cash Flow from Operations	(14,187)	(16,507)	(21,809)	(3,604)	(6,530)	(4,796)	(6,879)	(4,781)	(3,146)	(3,741)
Capital Expenditures	(1,319)	(1,173)	(996)	(223)	(199)	(439)	(134)	(177)	(302)	(180)
Increase from Other Assets	11,529	9,915	11,771	148	11,174	446	4	32	(687)	(419)
Cash Flow from Investing	10,210	8,742	10,776	(76)	10,974	7	(130)	(146)	(989)	(600)
Debt	0	0	0	0	0	0	0	0	0	0
Stock	501	24,145	0	0	0	0	0	20,237	0	6
Cash Flow from Financing	501	24,145	0	0	0	0	0	20,237	0	6
Increase (Decrease) Cash	(3,477)	16,381	(11,033)	(3,680)	4,445	(4,789)	(7,009)	15,310	(4,135)	(4,334)
Beginning Cash	4,564	1,087	17,468	17,468	13,788	18,233	13,444	6,435	21,745	17,610
Ending Cash	1,087	17,468	6,435	13,788	18,233	13,444	6,435	21,745	17,610	13,276
<i>Free Cash Flow</i>	<i>(18,101)</i>	<i>(19,384)</i>	<i>(23,670)</i>	<i>(2,767)</i>	<i>(5,172)</i>	<i>(5,508)</i>	<i>(10,223)</i>	<i>(5,268)</i>	<i>(8,022)</i>	<i>(4,283)</i>
<i>Free Cash Flow Per Share</i>	<i>(\$1.29)</i>	<i>(\$1.08)</i>	<i>(\$1.31)</i>	<i>(\$0.15)</i>	<i>(\$0.29)</i>	<i>(\$0.31)</i>	<i>(\$0.57)</i>	<i>(\$0.25)</i>	<i>(\$0.38)</i>	<i>(\$0.20)</i>
<i>EBIT, Depreciation and Amortization (EBITDA)</i>	<i>(14,945)</i>	<i>(19,382)</i>	<i>(19,662)</i>	<i>(3,216)</i>	<i>(3,215)</i>	<i>(4,288)</i>	<i>(8,942)</i>	<i>(4,729)</i>	<i>(9,622)</i>	<i>(3,590)</i>
<i>EBITDA Per Share</i>	<i>(\$1.07)</i>	<i>(\$1.08)</i>	<i>(\$1.09)</i>	<i>(\$0.18)</i>	<i>(\$0.18)</i>	<i>(\$0.24)</i>	<i>(\$0.50)</i>	<i>(\$0.23)</i>	<i>(\$0.46)</i>	<i>(\$0.17)</i>

Source: Corporate reports.

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Market Perform:	0%	0%
Sell/Market Underperform:	7%	0%
No Position:	39%	0%

Price Targets: If this report includes a new or updated price target, the valuation method(s) and certain risks that may impede achievement of the price target will be discussed in the section (s) titled Valuation and Price Methodology and Risks to Investment Thesis.

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