THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

ParkerVision, Inc. (PRKR)

JEFFREY L. PARKER has been ParkerVision's Chairman of the Board and Chief Executive Officer since the company's inception in August 1989; he also served as President from April 1993 to June 1998. From March 1983 to August 1989, Mr. Parker served as Executive Vice President of Parker Electronics, Inc., a joint venture partner with Carrier Corporation that performed research and development, manufacturing, and sales and marketing for the heating, ventilation and air conditioning industry.

SECTOR — MANUFACTURING

(ANL604) TWST: Would you give us a brief overview of the history and evolution of ParkerVision?

Mr. Parker: ParkerVision started out developing technology for video applications. We initially were doing tracking technology for cameras to track subjects without any camera operator, and those cameras evolved into use for distance education and ultimately into broadcast television studios. The technology utilized radio frequency as part of the mechanism that enabled the tracking of the subject. Ultimately, we decided to evolve the wireless technology application for use in communications — mobile handsets and other mobile phone-type applications. Several years ago, we sold the video technology part of our business to Thomson, the electronic concern in France which has a large presence in the television broadcast equipment space. Currently, we are focusing exclusively on developing our wireless technology, making it appropriate for incorporation into mobile handsets. This is where we are today and where the company is beginning to gain traction.

TWST: From your perspective, what are market dynamics like today? How have your customers and users changed?

Mr. Parker: Currently, mobile handsets are the largest single consumer electronics device on a yearly unit sales basis. That device has evolved quite a long way from where it started, which was a voice-only device, to now incorporate features that provide Internet connectivity, and all the applications that enable consumers to do remote and mobile e-mail, archiving pictures and the other wonderful things that the Internet today will allow. In order to make a practical mobile device to really utilize the power of the Internet, the wireless networks evolved to ever-more complex transmit-and-receive protocols, which are much more power consuming and less efficient than the original voice-only networks that were deployed. They also are deployed under a variety of different international standards. They don't just use one standard; there are multiple telephone standards that are deployed. So mobile phones today have started to incorporate these different standards, which incorporate more advanced protocols, and they have become a lot more inefficient in their use of the battery than their original predecessors that were doing voice-only applications. Our customers, which are the handset companies, the chipset companies who provide semiconductors to the handset companies, and their customers, who are the network carriers and ultimately the consumer who uses these devices, are looking for equipment that enable longer talk times, longer battery life and faster network data protocols. That's exactly where our technology is focused.

TWST: If we had spoken one year ago, what would your agenda have been then? What was your list of priorities?

Mr. Parker: From the very beginning, our focus was to devise an appropriate product and technology for mobile handsets. That started about seven years ago. And our focus was on more efficient use of the transmit-and-receive signals, reducing or eliminating redundant circuits. The radio transmitter and receiver hardware in your handset today is still based on older analog circuits that have been used for many, many decades. So our focus back then was how to make smaller implementations that use less power and can do multiple mode operations with the same circuits rather than redundant circuits. That remains our focus, and we believe even more strongly today that it is appropriate and has a lot of potential. If you look at the way the mobile handset space has moved, I'd say if anything, we underestimated the potential for achieving those goals in terms of what the markets are looking for. Who would have believed six or seven years ago that the number of mobile handsets shipped worldwide annually would be over a billion units and growing to what's likely to be 1.5 to 2 billion annually in the next four or five years? So there is an amazing market in terms of the size and scope.

TWST: What is ParkerVision's agenda for the next 12 months? What would make that time frame a success?

Mr. Parker: That's a great question. Until recently, our company has been focused primarily on, I'd say, research with a big "R," and then on appropriate development to support our research. Today we find ourselves now in a transition where the research is largely behind us and it's really all about crafting our technology into the product forms that our customers desire. So we have sample handsets that we developed or co-developed with one of our customers that proves conclusively the technology has the merits and is appropriate for use in the mobile handset space. It delivers the power savings we always predicted it would, shrinks the form factor and helps reduce cost. So everything over the next 12 months that Parker would be involved in is product oriented and centric. What I would quantify as a success over the next 12 months would be that our customers have our technology designed into mobile handsets, and those handsets are shipping in the market in volume starting sometime in the first half of 2010. In other words, these mobile handsets actually find their way into the marketplace with growing usage and shipments throughout the year. I would expect that by the end of the year, obviously with significantly higher volumes than at the beginning because it will take time to ramp up — that is, to get through the production and test phases.

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TWST: What's the competitive landscape like today? What's changing and what are some of the barriers to entry that newcomers experience?

Mr. Parker: The barriers to entry in the portion of the mobile handsets that we are focused on are formidable because the radio frequency section has been based on traditional types of circuits for a very long time now. People are comfortable with those circuits, and they also understand that the RF portion of the mobile handset requires a lot of expertise to design and to succeed in a design that is capable of high volume and appropriate costs simultaneously. So the barrier to entry for any new entrant into the RF space in mobile handsets is proving that the technology does in fact converge with the merits of a wider technology that was developed in the first place. In our case, that would be lower-power consumption and good form factors. Simultaneously with being appropriate for high-volume production, you need good yield, good cost. And so all those things have to converge in the RF section. Our competitors today are really in various categories of companies. What we do in our technology is consolidate the functions of several different building blocks that are built typically by different companies. Today you have a group of companies who might build the RF transceiver, but those companies don't generally build the power amplifiers, which are attached to those transceivers — that's a different group of companies. Then there is a third group of companies that build filters that are used in various portions of the transmit-receive functions. So we've taken what's done by a collection of companies and collapsed that into a single function block. Therefore, while we still require some of the supporting circuitry that a traditional RF section would require, we eliminate a lot of the traditional components, like certain filters, to allow an adopter of our technology to work with a single company that is responsible for the entire function, from the digital baseband processor all the way to the antenna. That has a lot of appeal. Since there is no company like that today besides ParkerVision, it also is a barrier to entry. We see companies today further commoditizing these individual building blocks and the margins are continuing to get thinner. Those trends, however, make me even more encouraged because throughout my career, what I've seen is as certain functions in electronics and probably products in general tend to get commoditized and people get a little discouraged by thin margins, it oftentimes opens up opportunities for new ways of doing something that brings additional benefits, additional features that people have been looking for but haven't been able to find. In other words, it refreshes that whole market space. And you see this all the time. So I'm actually quite encouraged by the fact that it is a competitive market. But it's competitive because the offerings tend to be based on old commodity approaches. There isn't really much product differentiation from each other.

TWST: What's the financial snapshot of ParkerVision's balance sheet? What are the strengths and the items you are focused on for improvement?

Mr. Parker: We've been, for the last several years, a pre-revenue company. Once we sold our video business to Thomson, we took a step back to the pre-revenue days. And we are just now transitioning to where we see revenue opportunities on the near horizon. So from a financial snapshot, the company has no debt. We just completed with our underwriter, Piper Jaffray, a $15 million equity offering, layered on top of several million dollars that we still had in the bank. And we historically have used cash at a rate of about $3.5 million a quarter. So our goal as a company is to start gaining as much traction as we possibly can early this year and generating revenue through the sale of our products with our customers. We want to start to generate cash flow, start to generate margins and income, and we are very optimistic that we'll be able to do so. We are confident that we'll be able to start to whittle away at those quarterly cash uses at ParkerVision as we generate margin dollars through the adoption of our technology as product now. So that's where we are currently.

TWST: As investors track and assess your performance, what are the key metrics they should focus on? What should matter to the investor? What matters to you?

Mr. Parker: I think what should matter to the investor also certainly matters to everyone here at the company, and that is seeing our customers incorporate the technology early this year. Also that we could point to design-ins and design wins that we can show this year — handsets physically on the shelf that have our technology in them. Moreover, that we book revenue that's announcable. The theme for us this year is really a transition from what has been a technology-centric theme to a revenue-generating theme. I believe that's what's going to be key to both the investment community who follows us as well as to the employees of the company — because we all understand that ultimately when you develop technology, you have got to push it into the marketplace and start generating margin dollars. That's how you are going to be measured as to whether it's a successful development or not. So I think that's what everybody in the community is looking for: It is the generation of revenue through design-ins and mobile handsets on the shelf that contains ParkerVision technology.

TWST: Earlier you mentioned research. What should the investor understand about ParkerVision's technology and R&D? What's new and what could be disruptive?

Mr. Parker: We've invested over the last several years and own over 100 patents that have been issued in our technology, with about 100 still pending. I don't believe that we're going to see anyone challenge quickly what we developed over many years. If they do, it's something that we certainly haven't identified on the horizon. On the research side, it takes years of development to really innovate something in the RF space that's truly disruptive, disruptive in our view being technology that genuinely uses significantly less power but maintains the very high integrity of the signal quality that you must have on the mobile handset network because of the requirements of the carriers on their networks and the standards which they have adopted. I believe that we have a great enough lead on the technology at this point to truly focus on product and not continue to advance our technology other than through the requests of our customers, who may want certain features as they continue to adopt it into different types of mobile handsets or different types of standards.

TWST: What historically has been the shareholder base of ParkerVision? Has that base undergone any changes?

Mr. Parker: We've had investors who have been with us for a substantially long period of time, and others who have invested and who have gone. We had a lot of good support from certain institutional investors. For example, Wellington has been an investor in ParkerVision in the 10% to 15% ownership range for a number of years. The Pinnacle Fund has been an investor in the company for the last three to four years. My family and I have held a significant portion of the company since its inception and have not reduced that. We've had a fairly loyal, large investor base that's been cheering the company on, understands its fundamental technology we've been developing and are very mindful that this type of technology takes a long time to develop. I believe the view of our long-term investors is that if it can be done in a way that is appropriate for the marketplace, there's a lot of upside potential for creating a really significant company.

TWST: In your discussions with the investment community, do you find there any recurring questions or misperceptions? Is the ParkerVision story understood?

Mr. Parker: By some I think it's understood well; by others I think they're still trying to understand it. And then you know, it's not completely uncommon for a disruptive technology, especially one that's been developing in a public company where you are reporting your prediction of what you are going to do in advance of something that's actually been achieved, that you attract the skeptics. Our company has had a particular group of skeptics that have quantified what our technology is and what it does, or in their opinion, what it doesn't do. They're incorrect. They've made statements in various public forums, Web sites and other such forums as to what they think our technology is capable of. And I haven't been shying away from saying that they're just flat-out wrong. Their definition of what our technology does is incorrect; their assumption of what the technology's operating performance is, is incorrect. And so they base a lot of their predictions and their future assessment of our company on that; they're starting from a flawed starting point. Unfortunately, these are people who came to a conclusion about our technology without ever having spoken to the company, never have seen the technology, have never contacted the company directly for any kind of explanation about the technology and just took a position about what it wasn't on their own. But that's not uncommon. Those kinds of disbeliefs one sees in many new technologies. Sometimes those types of people are right, sometimes those people are wrong. In our case, they are completely wrong.

TWST: Introduce us to two or three key members of your top-level management team, including yourself.

Mr. Parker: David Sorrells is our CTO and a very brilliant inventor. David has been working with me for a number of years. Originally, we developed microelectronics for heating air conditioning control systems back in the 1980s. That was very disruptive, also a very hard market to penetrate. But we ultimately did. We ended up in a joint venture with Carrier Air Conditioning Corporation, built that company into a very large concern and ultimately it was acquired by United Technologies, which is Carrier's parent. David has a great mind for thinking out of the box when it comes to taking a look at traditional approaches to electronic solutions and coming up with ways of innovating a solution that other people just candidly haven't thought of. And usually his ideas are highly intellectually protectable. That makes me enthusiastic to invest in something like that. Then there is Gregory Rawlins, our Chief Staff Scientist. Greg and David work closely together. We actually acquired Greg's business back in 2000. He has a long history in wireless communications, semiconductor development, and Greg worked previously with Motorola, GEC Plessey, General Electric and a number of the military contractors. Greg's company was actually used as a foundation for our chip development group. He has a vast wealth of knowledge about system architecture and the needs of wireless communications, and how to tie those ideas to actual product solutions. Domingo Figueredo, our Vice President, Engineering, joined us after a long career at various Hewlett-Packard companies and has brought very high-volume components to the mobile handset space. He has been credited for being a major contributor to a particular filter, which is in many, many mobile handsets today. I think they produced over a billion units a year or two ago. He has a long history of engineering management and product management. Cindy Poehlman is our CFO, and she has been with us since our inception as a public company. She brought a lot of experience in public company auditing and compliance requirements from one of the big accounting firms, where she worked prior to joining us. She has done a terrific job of making sure that the company has been compliant all the way through our history with all of the large changes that have occurred in the needs of public company compliance, including in the securities laws. Then there is John Stuckey, our Vice President. John joined us actually after his career at Thomson. He was part of the acquisition team that took a look at our business that was acquired by Thomson. And in his due diligence, he saw our wireless technology and our desire to focus on that, and ultimately he became very interested in joining us. John is very involved in the business development side, relationships with customers, and their needs and future business development opportunities. As for me, I've been an entrepreneur all my life, starting with this joint venture that was put together after a few years as a startup company with Carrier Corporation and the microelectronics company that I mentioned earlier with microelectronic air conditioning control systems, all the way through the sale of that

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to their parent company, United Technologies. Then I started this company initially as a video technology company, which was disruptive in its own right. We did certain kinds of automation in television broadcast studios that people said couldn't be done and which was ultimately adopted in about 70 or so large television newsrooms in North America. Then it caught the attention of Thomson Electronics and they were interested in acquiring that technology. At the same time, we wanted to focus on our wireless communication business, and that's exactly where we are today.

TWST: Tell me about what's involved in getting the company and its strategies aligned.

Mr. Parker: It takes a lot of discipline when you're developing a new technology that has the potential to be used in a lot of different spaces. The challenge is to keep the activities focused so that you are making a laser-drive toward those applications that you intend to ultimately introduce into the market first and to not get distracted by other ways technology can be used. We get contacted all the time for all kinds of other applications for our technology. And the challenge is to keep focused on the optimal solution for our space. So that's always been the challenge: keeping our focus on the place we want to emerge without being distracted into other applications.

TWST: What is your criteria for mergers, acquisitions and strategic partnerships? What opportunities are there for that type of growth?

Mr. Parker: A company like ours, with the strength of the technology we have, has the potential for all of what you've just listed. We have a piece of the solution to a total mobile handset. Not the complete solution — no one has that — because mobile phones are so complex, as is the complete solution. Companies have pieces and some, of course, have more than others. For a company like ours to do strategic relationships where our solution can be paired up with other people's solutions to make for an even more highly integrated or better solution, it is absolutely appropriate. We are actively looking for things like those sorts of strategic partnerships. Currently, we are in a relationship with a mobile handset chipset company. It's confidential and I am unable to share the company's name, and we're working closely with them. By closely developing what they have with what we have, we can come out into the marketplace with a solution that's easy for customers to use and very, very powerful with what it delivers as to the benefits. We have another relationship with LG Innotek, who has a lot of expertise in packaging chips. Again, working closely with them, we can come up with solutions for mobile handset customers that are even more powerful than if we don't have a relationship with a company that has that other complementary packaging technology, which complements our own. So in today's world, it really is all about strategic partnerships and relationships, and working closely together — where one plus one equals a lot more than two. There are a number of opportunities for ParkerVision in the coming year or two to seek out strategic relationships like that, especially now that we have a product line that we're transitioning to, not just the technology development.

TWST: Would you care to comment on your current stock price?

Mr. Parker: The stock price is whatever the investment community believes should be the value given the last trade. My job as the CEO is to enhance our value. And I believe with the technology, the company will achieve the goals that will provide investors with a much more enthusiastic view on what our stock price should be. But that will be based more on what we achieve now and less on what we say we're going to achieve. I think that's appropriate, especially in today's market economy, where we've certainly gone through rough times in the economy. And people have had their choice of lots and lots of stocks, probably at very good prices. So we're certainly in competition with that. And as a pre-revenue company, I'd say the market takes a tougher look at those types of companies. And so I think we have a great opportunity to increase shareholder value in this company in the coming year by a significant amount if we just execute our business plan and do what we say we're going to do to generate revenue, get design-ins and put handsets on the shelf with ParkerVision technology inside.

TWST: What would compel investors to include ParkerVision as a part of their current portfolios and of their long-term investment strategies?

Mr. Parker: I think if an investor is looking for an equity investment that has a very large upside, then our company is well situated. There is a total available market opportunity for ParkerVision for selling silicon chips estimated at about $2 billion or $3 billion dollars annually. So we're starting with zero revenue right now and working in the largest consumer space in the world, and it's growing. And our market segment is growing rapidly, too. It's growing from almost 350 or 400 million handsets a year, which is our focus on the standards we work with to approximately a billion handsets a year by the year 2013. So I would think what would compel investors is if they believe we're going to make market share penetration with that type of total available market, and we actually deliver the design-ins and the shipments, and the revenue growth that I see on the horizon for this company. From a market cap of where we are today, there is a very large upside if you look at other companies in our market space to see our company return to its shareholders in the coming year or two a multiple of where we're trading currently. Longer term, if I'm correct in my assessment, if the technology is significantly ahead of anything else that we have in the market, then that will also result in good margins that are sustainable. And sustainable margins in a market this big with the kind of growth that's taking place would make ParkerVision a very nice longer-term investment and would show us a sustainable increase in return on shareholder value. So I think for the short term, there is a real upside for this company's value. And in the longer term, I think that applies just as well.

TWST: Thank you. (KL)

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