

Monday, November 23, 2020

ParkerVision, Inc. (PRKR)

SOTP Valuation Suggests Intrinsic Value of \$10/share

VALUATION

Current Price **\$0.36**
52 Week Range \$0.09– 0.65

Market Cap (\$-Mn) 19
Ent. Value (\$-Mn) 21
Shares Out. (Mn) 59
Short Int (% Flt) 0%

Daily Vol 63K
P/Book NM
EV/ Sales NM
EV/EBITDA NM
P/E (CY20) NM

FUNDAMENTALS

Sales (CY19) \$74K
EBITDA (CY19) (\$6.4M)
FCF (CY19) (\$3.4M)

Insider Owner 3%
Inst. Owners 10%
Retail Owners 87%

ROIC NM
Net Debt (\$-Mn) \$2

RELATIVE PERFORMANCE



CONTACT

Peter Wright

Intro-act
617-454-1088
peter@intro-act.com

Please refer to disclaimers at the end of this report for more information about Intro-act, and this report.

Markman Rulings in Cases Against INTC Are the Key Catalysts

Key Takeaways:

- New case filings and fund raising strengthen PRKR's legal and liquidity position. Expect incremental cases to be filed in coming quarters. Settlement in those cases will boost PRKR's ability to buy-back lawyer's share and boost shareholder value.
 - Favorable Markman rulings in early 2021 in cases against Intel (INTC) are the key near-term catalysts for investors to monitor, in addition to new case filings.
 - Stock is trading cheap (\$0.37/share) vs. our probability adjusted SOTP estimate of \$10.00/share.
- **New case filings and fund raising strengthened PRKR's legal and liquidity position in 3Q20.** Along with its 3Q20 earnings, PRKR recently announced new cases against Zyxel Communications Corporation of Taiwan and Buffalo Corporation of Japan. The complaints request a jury trial to determine the financial damages for the unauthorized use of PRKR's patented technologies used in each company's wireless products. These new cases build on the case filed against Hisense that we covered in our note [The Road to Orlando](#) earlier in the quarter. Further, a review of the company's 424B3 filings shows that the company is burning (\$1.5Mn)/Quarter and raised ~\$4.3 million of equity and an additional ~\$1.2 million from exercise of outstanding warrants in the last 9 months. This suggests the company is able to continue to finance litigation requirements from existing investors.
 - **We expect incremental cases to be filed in the coming quarters. Settlement in those cases and current fund raise enhance PRKR's ability to buy-back lawyer's share of the suits and boost shareholder value.** Goldberg Segalla is representing PRKR in new cases and we expect incremental cases to be filed in coming months as the company seems to be following a well-defined strategy of identifying infringing companies and launching suits to enforce its' patent rights. We believe that PRKR could settle some of these cases – especially the smaller ones – this will boost the company's liquidity position and enable it to buy-back lawyer's share of some of the existing cases, thus increasing the value for equity shareholders (contingent on favorable rulings).
 - **Favorable Markman rulings in cases against Intel (INTC) are the key near-term catalysts for investors to monitor, in addition to new case filings.** PRKR announced that the two cases against Intel are scheduled for Markman hearings in January and February 2021 with trials scheduled for February and March 2022. Given that the April 2020 Markman order in the case against Qualcomm (QCOM) adopted PRKR's position as to the proper interpretation of the majority of the key terms, it is reasonable to expect the Markman hearings in the cases against INTC to favor PRKR. This is important since historically the party winning the Markman has a high probability of winning the jury trial. Based on analysis of publicly available information, the damages against INTC could total \$500 million, implying that the early 2021 Markman hearings will likely be key catalysts for the PRKR stock.
 - **Stock is trading cheap (\$0.37/share) vs. our probability adjusted SOTP estimate of \$10.00/share.** Our SOTP estimate (see model on next page) takes into account potential damages in each case based on publicly available information. We then assign a 62% probability of success to cases where PRKR has already received a favorable Markman ruling, 40% in cases where the Markman ruling is expected in the near future, and 20% in newly-filed cases. Assuming 75 million shares outstanding at time of trial and 40% of net paid to legal expense and 60% net to shareholders, we arrive at a SOTP valuation of \$10.00 per share, a huge upside vs. CMP of \$0.37. Note that we are currently assigning a 40% success probability in the case against INTC; however, should the January 2021 Markman hearing be in favor of PRKR, that probability and thus PRKR's SOTP valuation will be boosted even further.

Chart 1: PRKR – Case Updates and Probability-Adjusted SOTP Valuation

Case	Update	Trial Timing	Potential Damages*	% PRKR Shareholders (Net Legal Fees)	Probability of Success	Value/PRKR Share
Qualcomm Orlando	Damages are filed for \$1.3Bn, which we believe represents a bare bones damages claim, as it doesn't include past interest, legal fees and most importantly willfulness, which would be a multiplier on the damages.	May 3, 2021	\$1.3Bn	60%	62%	\$520Mn (\$6.45/share)
Qualcomm Jacksonville	Infringement period is approximately 1/3rd of Orlando infringement period. Also includes Apple as an infringer. Until more visibility on damages will assume 1/3rd damages compared to Orlando. Note that different patents are used in this case, which we view as a hedge.	Set after Orlando trial (est. year-end CY21)	\$400Mn (incremental)	60%	62%	\$160Mn (\$1.98/share)
LG New Jersey	This is the same case in most respects as the Jacksonville, case, but having to follow LG to their place of business as they have no FL operations. This case covers handsets that are not covered by the Qualcomm case.	<i>Same date as Jacksonville</i>	\$50Mn (Incremental)	60%	62%	\$20Mn (\$0.25/share)

Intel WDT	The next significant catalyst in this case is the Markman, which is scheduled to be released in January 2021.	January 2022	\$300-500Mn (Estimate based on publicly available info of shipments during the infringing period)	60%	40% (favorable Markman next catalyst)	\$96Mn (\$1.28/share)
Intel WDT (2)	This case has some overlap with the first case but has different patent claims, and more importantly different technologies including transmitter technologies, which similar to Jacksonville provides PRKR shareholders with a hedge. The Markman for this second case is due in February 2021.	February 2022				
TCL WDT	Moved to TX, which is a more favorable jurisdiction for PRKR shareholders. Note that damages are a placeholder until more information is released.	March - June 2022	\$10-20Mn	60%	20%	\$2Mn
Hisense WDT	Note that damages are a placeholder until more information is released.	March - June 2022	\$10-20Mn	60%	20%	\$2Mn
Zyxel WDT	This is a new case recently launched, note that damages are a placeholder until more information is released.	May - Aug 2022	\$3-5Mn	60%	20%	\$0.5Mn
Buffalo WDT	This is a new case recently launched, note that damages are a placeholder until more information is released.	May - Aug 2022	\$3-5Mn	60%	20%	\$0.5Mn

Source: Intro-act, Company

Assumes 75Mn shares outstanding at time of trial and 40% of net paid to legal expense, 60% net to shareholders.

(*) Damages are entirely based on publicly available information.

General Disclaimer and Copyright

This report has been issued by Intro-act, Inc., in consideration of a fee payable. Fees are paid upfront in cash and/or equity without recourse. Intro-act, LLC may seek additional fees for the assistance with investor targeting, access, and further investor preparation services, but does not get remunerated for any investment banking services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources who are believed to be reliable. However, we do not guarantee the accuracy or completeness of this report, and have not sought for this information to be independently verified. Opinions contained in this report represent those of the Intro-act analysts at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Intro-act, LLC shall not be liable for any direct, indirect, or consequential losses, loss of profits, damages, or costs or expenses incurred or suffered by you arising out or in connection with the access to, use of, or reliance on any information contained in this note.

No personalized advice: The information that we provide should not be construed in any manner whatsoever as personalized advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Intro-act's solicitation to affect, or attempt to affect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Intro-act has a restrictive policy relating to personal dealing and conflicts of interest. Intro-act, LLC does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees, and contractors of Intro-act may have a position in any or related securities mentioned in this report, subject to Intro-act's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2020 Intro-act, Inc. (Intro-act).

Intro-act is not registered as an investment adviser with the Securities and Exchange Commission. Intro-act relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a) (11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Intro-act does not offer or provide personal advice, and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell, or hold that or any security, or that any particular security, portfolio of securities, transaction, or investment strategy is suitable for any specific person.