

Wednesday, January 27, 2021

ParkerVision, Inc. (PRKR)

Parker's Day in Court – Total Slam Dunk

VALUATION

Current Price	\$0.74
52 Week Range	\$0.23– 0.75
Market Cap (\$-Mn)	54
Ent. Value (\$-Mn)	56
Shares Out. (Mn)	73
Short Int (% Ft)	0%
Daily Vol	90K
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	13%
Inst. Owners	10%
Retail Owners	77%
ROIC	NM
Net Debt (\$-Mn)	\$2

RELATIVE PERFORMANCE



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Texas Court's Markman Ruling in INTC Case Favorable for PRKR

Key Takeaways:

- Court order denies transfer of venue to Portland (case staying in Western Texas).
 - Markman ruling a win for PRKR with a shut-out (15-0) to be precise.
 - Ruling suggests increased return and reduced risk for PRKR shareholders. We now assign a 60% success probability to PRKR in the case against INTC and arrive at a probability-adjusted SOTP estimate of \$10.64/share.
 - Positive externality – we think Markman will trigger settlements in smaller cases.
- **Texas Court denied Intel's motion to transfer this case to another district court venue (Portland); the case is now staying in Western Texas with Judge Alan Albright.** This is important for PRKR because it means that the case will be heard by a judge who is known to take patent holders rights very seriously. Judge Albright believes that patent rights should be treated as seriously as any other property rights. He recently issued a revision to procedures for patent cases in his courtroom that expedites the litigation process.
 - **Markman ruling a win for PRKR with a shut-out (15-0) to be precise.** The Markman hearing is a win for PRKR as the court indicated that it will adopt for its claim constructions order the court's preliminary ruling which the court issued to the parties in advance of the January 26 hearing. The court's ruling adopts ParkerVision's proposed constructions for the majority of the terms (15 out of 26) in dispute in the litigation. For the remaining 11 disputed terms, the court created its own constructions which ParkerVision agrees accurately capture the essence of the patented inventions. We note that a couple of the modifications are specifically important as they took a broader definition and avoid including "prior art". None were taken from INTC. This is important because historically the party winning the Markman has a high probability of winning the jury trial.
 - **These developments point to reduced risk and higher returns for PRKR shareholders; stock is trading cheap (\$0.74/share) vs. our probability adjusted SOTP estimate of \$10.64/share.** The court requested a scheduling proposal from the parties for breaking this nine- patent case into two cases in order to make the jury trials more manageable. The first case would maintain the current trial schedule commencing February 7, 2022, and the second case will be tried ~two months following the first. Judge Albright is totally focused on PRKR in 2022 and the other outstanding case against INTC will likely be scheduled for Summer 2022. We view the splitting of the case as favorable for PRKR as this is a way that PRKR could split damages into specific parts that could total greater than 1 case while reducing the risk associated with a single case. Given these favorable courtroom developments, we now assign a 60% success probability to PRKR in the case against INTC (vs. 40% earlier) and arrive at a probability-adjusted SOTP estimate of \$10.64/share. (See table on next page for Case Updates and Probability-Adjusted SOTP Valuation.)
 - **Positive externality – we think Markman will trigger settlements in smaller cases.** We believe that the four smaller cases – against TCL, Zycel Communications Corp., Hisense, and Buffalo Corp. – all are now more likely to settle vs. litigate with PRKR given high costs to litigate as all firms are foreign (Asia-based). The irony if foreign companies settle and U.S. companies (big tech) continue to infringe will not be lost on the court. Further, these settlements will boost PRKR's liquidity position and enable it to self-fund \$2.5 - \$3 million in annual burn with no further dilution.

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	January 2021 Markman ruling favorable for PRKR. Judge Albright thinks 9 patents are too much for 1 case, requested break into 2 cases.	First Case – Feb 7, 2022 Second Case – April 2022	\$300-500Mn (Estimate based on publicly available info of shipments during the infringing period)	60%	60% (favorable Markman next catalyst)	\$144Mn (\$1.92/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.	Summer 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.

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