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Reason for Report:
Estimate Revision

Changes	To (Current)	From (Previous)
Rating	Strong Buy	--
Price Target	\$40.00	--
FY06E EPS	\$3.97	\$4.02
FY07E EPS	\$0.91	\$0.90
FY06E Rev (M)	\$478.4	\$482.8
FY07E Rev (M)	\$212.0	\$211.8

Current Price	\$32.79
52 Wk High:	\$36.91
52 Wk Low:	\$17.25
30-Day Avg Daily Vol:	940,347
Market Capitalization:	\$1,787.1M
Shares Outstanding:	54.5M
Dividend:	NA
Cash:	\$304.2M
Cash/Share:	\$5.58
Debt/Capital:	0.60%
Book Value:	\$289.63M
Book Value/Share:	\$5.31
Dividend Yield:	NM
3 yr EPS Growth:	NM
Fiscal Year End:	Dec

Earnings Per Share

	2005A	2006E	2007E
Q1	(\$0.02)A	\$0.23A	\$0.27E
Q2	\$0.07A	\$2.98A	\$0.18E
Q3	\$0.11A	\$0.40A	\$0.22E
Q4	\$0.03A	\$0.30E	\$0.25E
Year	\$0.21A	\$3.97E	\$0.91E
P/E Ratio	156.1x	8.3x	36.0x

Revenue (\$mil)

	2005A	2006E	2007E
Q1	\$35.5A	\$51.6A	\$59.3E
Q2	\$38.6A	\$296.6A	\$48.8E
Q3	\$48.5A	\$67.2A	\$51.8E
Q4	\$40.5A	\$63.0E	\$52.0E
Year	\$163.1A	\$478.4E	\$212.0E
RM	11.0x	3.7x	8.4x

FY2006 EPS: Full-year total does not add up due to average share count effect.

InterDigital Communications Corp. (IDCC - \$32.79)
Strong Buy

Company Issues 4Q:06 Guidance; Reiterate Strong Buy

Regulation AC Certification

Each analyst and associate who has participated in the preparation of this report certifies that the views expressed in this publication accurately reflect the personal views of the analyst about the subject company(s) and its(their) securities. The analyst and associate further certify that they have not received and will not be receiving direct or indirect compensation in exchange for expressing the recommendation contained in this publication.

Specific required disclosures with regard to the companies mentioned in this publication can be found beginning on page 3.

Action

We reiterate our Strong Buy rating and \$40 price target.

Key Points

- InterDigital released revenue guidance for 4Q:06 after last night's close.
- The company expects revenue to be in the range of \$62-\$63 million, including \$48-\$48.5 million of recurring patent license royalty revenue from existing licensees, \$12.5 million associated with the earlier resolution of patent licensing issue with Nokia (NOK-\$20.46-Not Rated), and \$1.5-\$2 million of revenue related to technology solution agreements. Our revenue estimate for 4Q:06 was \$67.4 million.
- The shortfall versus our estimate was in recurring patent licensing royalty revenues. According to the company, fourth-quarter revenues were negatively impacted by delays in 3G handset purchases during the third quarter of 2006 in Japan. The company anticipates 1Q:07 recurring royalty revenues from licensees in Japan should be higher than those for 4Q:06.
- We adjusted our model to reflect the company's guidance by reducing recurring revenue estimates for NEC (NIPNY-\$4.78-Not Rated) and Sharp (SHCAY-\$16.85-Not Rated). For 4Q:06, we have lowered our revenue estimate to \$63.0 million from \$67.4 million.
- IDCC shares sold off more than we would have thought on the guidance, in part because of the consensus estimate being skewed by one estimate that includes the revenues from the settlement of the company's litigation with Samsung. The consensus revenue estimate was \$105 million due to one estimate at \$248 million. We reiterate our Strong Buy rating.

Valuation

Using share price net of cash, IDCC is currently trading at 29.9x 2007E EPS. Our year-end \$40 price target is based on our DCF model, which assumes a 3.0% terminal growth rate and a 10% discount rate. In our DCF model we do not assume any new 3G licensees until 2007, and have not raised our assumption that IDCC will capture 35% of the remaining 3G market opportunity from 2007 to 2010 at \$1 per handset. Samsung is included in our DCF at \$115 million. Our DCF model does not include any incremental revenues from the company's technology partners, Infineon (IFX-\$13.24-Not Rated) and Philips (PHG-\$37.11-Not Rated), nor does it assume any revenues from Panasonic beyond the \$12 million that was booked in the June quarter.

Risks

Risks to our recommendation and price target are the company's inability to enforce its intellectual property rights; an inability to secure new design wins for its 2G/3G ASIC product; and the inability to keep its patent portfolio relevant in the face of new wireless network technologies.

Discussion

InterDigital released revenue guidance for the fourth quarter of 2006.

The company expects revenue to be in the range of \$62 million to \$63 million, including \$48 million to \$48.5 million of recurring patent license royalty revenue from existing licensees, \$12.5 million associated with the second-quarter 2006 resolution of patent licensing matters with Nokia, and \$1.5 million to \$2 million of revenue related to technology solution agreements. Our revenue estimate for 4Q:06 was \$67.4 million.

The shortfall of roughly \$5 million versus our model was in recurring patent licensing royalty revenues. According to the company, fourth-quarter revenues were negatively impacted by delays in 3G handset purchases during the third quarter of 2006 in Japan as customers awaited the launch of both mobile number portability and several new handset model introductions. Normally, we would expect to catch swings such as this in our model, leading us to believe the mix of 3G phones from NEC and Sharp are below our estimates. The company anticipates 1Q:07 recurring royalty revenues from licensees in Japan should be higher than those of fourth-quarter 2006.

We adjusted our model to reflect the company's guidance by reducing recurring revenue estimates for NEC and Sharp. For 4Q:06, we are lowering our revenue estimate to \$63.0 million from \$67.4 million.

IDCC shares sold off more than we would have thought on the announcement of the guidance, in part because of the consensus estimate being skewed by one estimate that includes the revenues from the settlement of the company's litigation with Samsung. The consensus revenue estimate was \$105 million due to one estimate at \$248 million. We reiterate our Strong Buy rating.

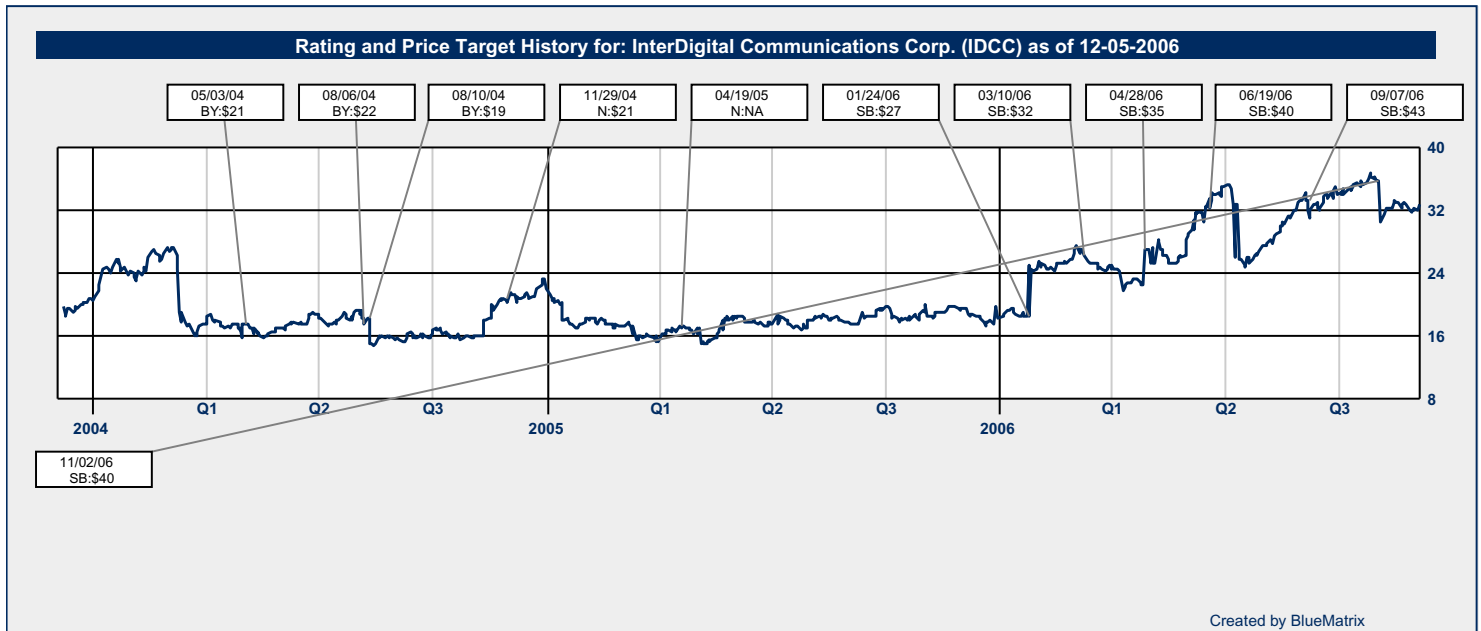
Company Description

InterDigital specializes in the architecture, design, and delivery of digital wireless technology and product platforms, and the invention of advanced wireless technologies. The company develops TDMA and CDMA wireless technologies, two main technologies currently used in digital wireless communication networks, and its inventions are embedded into wireless products, such as mobile phones, PDAs, laptops, PC cards, and base stations and other infrastructure equipment. The company's primary business is to create intellectual property and to then earn revenue by collecting license fees from users of its patented know-how. Current licensees include NEC (3G handsets and infrastructure), Sharp (2G/2.5G and 3G handsets), Ericsson (2G/2.5G infrastructure), Sony Ericsson (2G/2.5G handsets), Kyocera (2G/2.5G/3G), LG Electronics (2G/2.5G/3G), Panasonic (3G), and Research In Motion (2G/2.5G devices). The company's agreements for 2G and 2.5G expire in 2006 and InterDigital's goal is for revenue from next-generation (3G) products and technology to drive the business in 2007 and beyond.

Required Disclosures

Price Chart

For our latest pricing chart for any of the companies mentioned in this report for which First Albany has maintained a rating for more than one year, depicting price target and rating revisions, please refer to <http://www.firstalbany.com/download3.asp?categoryID=180>.



Market Maker

First Albany Capital makes a market in the securities of InterDigital Communications Corp.

FAC NB Client

InterDigital Communications Corp. is currently a client of First Albany Capital which provides non-banking services for this company.

FAC Non Bank Services

Within the last 12 months First Albany Capital provided non-banking services for InterDigital Communications Corp.

Non Bank Compensation

First Albany Capital received compensation for non-banking services from InterDigital Communications Corp. within the last 12 months.

First Albany Capital's Rating System

Strong Buy - Potential return of 20% or more.

Buy - Potential return of 10%-20%.

Neutral - Fairly valued.

Underperform - Negative potential return of 10%-20%.

Sell - Negative return of 20% or more.

Restricted - Applicable laws and regulations preclude certain types of communications during the course of First Albany Capital's engagement in investment banking transaction and in certain other circumstances.

Quarterly Report for 12/6/2006

Entire Universe - Total: 225

Buys: 149(66.2%) Sells: 6(2.6%) Holds: 67(29.8%)

Banking Client Universe - Total: 28

Buys: 24(85.7%) Sells: 0(0%) Holds: 3(10.7%)

Entire Universe By Vertical - Total: 225

Consumer	Buys: 14(6.2%)	Sells: 0(0.0%)	Holds: 4(1.8%)	Total: 18
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 32(14.2%)	Sells: 0(0.0%)	Holds: 9(4.0%)	Total: 42
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 53(23.6%)	Sells: 3(1.3%)	Holds: 26(11.6%)	Total: 83
Special Situations	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Technology	Buys: 50(22.2%)	Sells: 3(1.3%)	Holds: 28(12.4%)	Total: 82

Banking Client Universe By Vertical - Total: 28

Consumer	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Economics	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Energy	Buys: 13(46.4%)	Sells: 0(0.0%)	Holds: 1(3.6%)	Total: 14
Equity Research	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Fixed Income	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Healthcare	Buys: 10(35.7%)	Sells: 0(0.0%)	Holds: 2(7.1%)	Total: 13
Special Situations	Buys: 0(0.0%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 0
Technology	Buys: 1(3.6%)	Sells: 0(0.0%)	Holds: 0(0.0%)	Total: 1

Other Disclosures and Disclaimers

Although not compensated directly for any banking deals, an analyst may receive income from a bonus pool that may include monies derived from banking revenues.

Blue Sky Exceptions

IDCC:

More information is available on request. The material herein, while not guaranteed, is based on information believed reliable and accurate. It is not to be deemed an offer or solicitation on our part with respect to sale or purchase of any securities. Due to differing disciplines and criteria utilized, our quantitative and fundamental analysts may have differing opinions on these securities. Should you have any specific investment questions, please contact your First Albany Registered Representative. Our main office is located in Albany, NY. First Albany Capital, Member New York Stock Exchange, Inc. and other principal exchanges. Copyright © 2006

InterDigital Communications (IDCC)

	QUARTERLY INCOME STATEMENT (\$000's)								ANNUAL (\$000's)		
	CY Ending 2006E				CFY Ending 2007E				2005	2006E	2007E
	3/31A	6/30A	9/30A	12/31E	3/31E	6/30E	9/30E	12/31E			
Revenue											
Royalty	51,606	296,617	67,175	63,003	59,331	48,834	51,775	52,019	163,125	478,401	211,960
Revenue	\$51,606	\$296,617	\$67,175	\$63,003	\$59,331	\$48,834	\$51,775	\$52,019	\$163,125	\$478,401	\$211,960
Sales & Marketing	1,824	1,561	1,671	1,575	1,600	1,625	1,650	1,675	7,914	6,631	6,550
General & Admin.	5,021	5,695	5,045	5,070	5,095	5,120	5,145	5,170	24,150	20,831	20,530
Patents Admin. & Licensing	9,982	12,804	13,299	15,299	14,799	12,799	12,799	11,799	49,399	51,384	52,196
Development	16,010	15,887	16,805	19,405	18,500	18,000	17,000	16,000	63,095	68,107	69,500
Other	-	-	-	-	-	-	-	-	849	-	-
Total Costs & Operating Expenses	32,837	35,947	36,820	41,349	39,994	37,544	36,594	34,644	145,407	146,953	148,776
Operating Profit (Loss)	18,769	260,670	30,355	21,654	19,337	11,290	15,181	17,375	17,718	331,448	63,184
Net Interest Income	1,508	3,914	4,082	3,736	3,770	3,714	3,703	3,725	3,164	13,240	14,912
Pretax Profit/(Loss)	20,277	264,584	34,437	25,390	23,107	15,004	18,884	21,100	20,882	344,688	78,096
Provision for income taxes	(7,338)	(94,221)	(12,780)	(9,141)	(8,550)	(5,401)	(6,798)	(7,596)	(9,266)	(123,480)	(28,346)
Net Profit/(Loss), cont. ops.	\$12,939	\$170,363	\$21,657	\$16,250	\$14,558	\$9,603	\$12,086	\$13,504	\$11,616	\$221,209	\$49,750
Shares, Fully Diluted	56,884	57,128	54,543	54,543	54,543	54,543	54,543	54,543	55,350	55,775	54,543
EPS, Fully Diluted	\$0.23	\$2.98	\$0.40	\$0.30	\$0.27	\$0.18	\$0.22	\$0.25	\$0.21	\$3.97	\$0.91
	% of TOTAL REVENUE										
Revenues	100.0%	100.0%	100.0%	100.0%	100%	100%	100%	100%	100.0%	100.0%	100.0%
Sales & Marketing	3.5%	0.5%	2.5%	2.5%	2.7%	3.3%	3.2%	3.2%	4.9%	1.4%	3.1%
General & Admin.	9.7%	1.9%	7.5%	8.0%	8.6%	10.5%	9.9%	9.9%	14.8%	4.4%	9.7%
Patents Admin. & Licensing	19.3%	4.3%	19.8%	24.3%	24.9%	26.2%	24.7%	22.7%	30.3%	10.7%	24.6%
Development	31.0%	5.4%	25.0%	30.8%	31.2%	36.9%	32.8%	30.8%	38.7%	14.2%	32.8%
Total Costs & Expenses	63.6%	12.1%	54.8%	65.6%	67.4%	76.9%	70.7%	66.6%	89.1%	30.7%	70.2%
Operating Margin	36.4%	87.9%	45.2%	34.4%	32.6%	23.1%	29.3%	33.4%	10.9%	69.3%	29.8%
Net Margin, cont. ops.	25.1%	57.4%	32.2%	25.8%	24.5%	19.7%	23.3%	26.0%	7.1%	46.2%	23.5%
	% YEAR OVER YEAR INCREASE										
Revenues	45.4%	668.4%	38.4%	55.6%	15.0%	-83.5%	-22.9%	-17.4%	57.3%	193.3%	-55.7%
Sales & Marketing	-20.0%	1.6%	-7.1%	-31.5%	-12.3%	4.1%	-1.3%	6.3%	27.6%	-16.2%	-1.2%
General & Admin.	-23.5%	-3.7%	-6.9%	-18.9%	1.5%	-10.1%	2.0%	2.0%	11.7%	-13.7%	-1.4%
Patents Admin. & Licensing	-11.2%	27.0%	-9.5%	14.4%	48.3%	0.0%	-3.8%	-22.9%	62.8%	4.0%	1.6%
Development	-1.0%	6.5%	7.7%	18.4%	15.6%	13.3%	1.2%	-17.5%	23.2%	7.9%	2.0%
Total Costs & Expenses	-9.5%	10.8%	-4.0%	7.9%	21.8%	4.4%	-0.6%	-16.2%	32.9%	1.1%	1.2%
Operating Profit	-2540.7%	4137.8%	198.6%	897.9%	3.0%	-95.7%	-50.0%	-19.8%	-411.5%	1770.7%	-80.9%
Net Profit, cont. ops	-1567.0%	4147.4%	231.9%	728.7%	12.5%	-94.4%	-44.2%	-16.9%	3092%	1804%	-78%
	% SEQUENTIAL % INCREASE										
Revenues	27.5%	474.8%	-77.4%	-6.2%	-5.8%	-17.7%	6.0%	0.5%			
Sales & Marketing	-20.7%	-14.4%	7.0%	-5.7%	1.6%	1.6%	1.5%	1.5%			
General & Admin.	-19.7%	13.4%	-11.4%	0.5%	0.5%	0.5%	0.5%	0.5%			
Patents Admin. & Licensing	-25.4%	28.3%	3.9%	15.0%	-3.3%	-13.5%	0.0%	-7.8%			
Development	-2.3%	-0.8%	5.8%	15.5%	-4.7%	-2.7%	-5.6%	-5.9%			
Total Costs & Expenses	-14.3%	9.5%	2.4%	12.3%	-3.3%	-6.1%	-2.5%	-5.3%			
Operating Profit	764.9%	1288.8%	-88.4%	-28.7%	-10.7%	-41.6%	34.5%	14.5%			
Net Profit, cont. ops.	559.8%	1216.7%	-87.3%	-25.0%	-10.4%	-34.0%	25.9%	11.7%			

Source: Company reports and First Albany Capital Inc. estimates.