

INTERDIGITAL INC

BUY

IDCC-\$41.64 · Exchange:NMS

January 03, 2011

Recommendation

Opinion	BUY	Opinion Date	7/26/2010	Current Price	41.64
		Opinion Price	27.26	Prior Opinion	SELL

Summary:

The positive fundamental factors for IDCC outweigh the negatives by a significant margin. The stock is fairly valued when compared to other stocks in its industry group but still has the potential for price appreciation.

IDCC's management is effectively managing its total resources to generate profits for the company when compared to industry averages. The company's long and short term debt ratios are in line with industry averages reflecting a solid financial condition. Operating margins declined last quarter but operating cash flow remains positive. Demand for the company's products and services has been strong as sales for the last quarter grew 21.65% rising to \$91.15 million. Looking forward, the analyst consensus forecast for revenue for the next two quarters is expected to show improvement but earnings are expected to slow.

Price momentum is strong and the stock has outperformed the market when compared to the S&P 500. As long as the positive fundamental outlook does not change, this stock should be a strong performer over the intermediate term.

Business Description:

InterDigital, Inc. engages in the design and development of digital wireless technologies for use in cellular and wireless IEEE 802 related products.

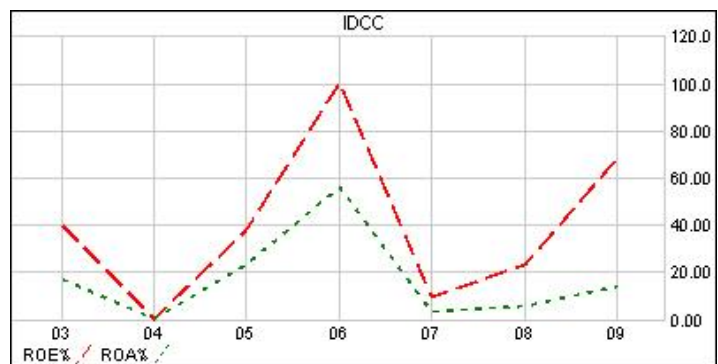
Economic Sector: Technology

Industry: Comm. Equip.

Number of Employees: 299

Share Information

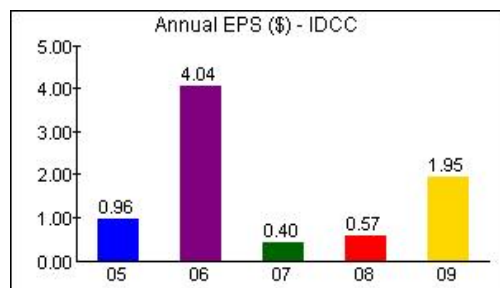
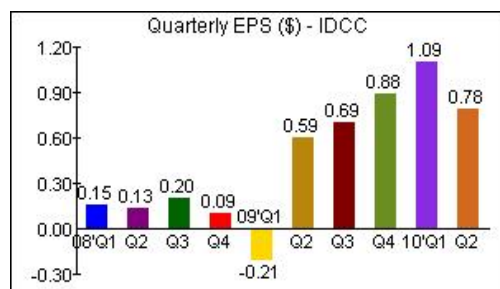
52-Week Range:	\$22.30-43.35
Market Capitalization:	\$1,875 mil
Common Shares Outstanding:	44 mil
Number of Institutional Shareholders:	406
Shares Held By Institutions:	27 mil
% Held By Institutions:	61.78%
Dividend:	N/A
Dividend Yield:	N/A
Last Stock Split:	N/A
Last Split Date:	N/A
Book Value Per Share:	\$5.70
EPS Estimate 2010:	\$3.19
EPS Estimate 2011:	\$2.45
P/E on Estimate 2010:	13.05
P/E on Estimate 2011:	16.99



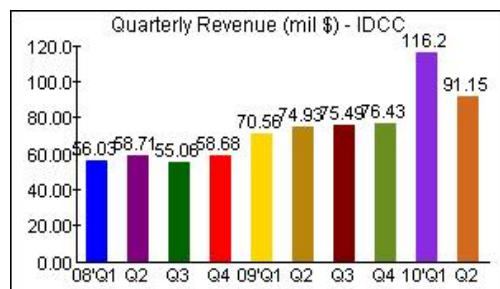
Analysis

Quarter EPS	2010	2009	2008
Q1	1.09	-0.21	0.15
Q2	0.78	0.59	0.13
Q3	E0.70	0.69	0.20
Q4	E0.70	0.88	0.09
Year	E3.19	1.95	0.57

Annual EPS	\$	Yr. Over Yr. Growth %
2010	E3.19	63.59%
2009	1.95	242.11%
2008	0.57	42.50%
2007	0.40	-90.10%
2006	4.04	320.83%
2005	0.96	



Revenue	mil\$	Yr. Over Yr. Growth %
2010	E375	25.94%
2009	297	30.17%
2008	228	-2.46%
2007	234	-51.25%
2006	480	194.54%
2005	163	



Positive Factors on IDCC

Valuation:

- The TTM (Trailing Twelve Month) Price/Earnings (P/E) ratio is 12.13. This ratio is lower than the average P/E for this Industry Group (Comm. Equip.) which is 42.94. The P/E of the S&P 500 is 21.88.
- The Price/Cash Flow ratio is 43.83. A low ratio shows a strong ability to generate cash and reflects well on a company's stock price and liquidity. The average Price/Cash Flow ratio for this Industry Group (Comm. Equip.) is 81.23.

Profitability:

- The Return on Assets (ROA) is 13.71. A high ROA is a good profitability measure since it reflects the ability of management to produce profits from each dollar of company assets. The average ROA for this Industry Group (Comm. Equip.) is 3.64.
- The Operating Cash Flow was Positive in two of the last three years.
- The Return on Equity (ROE) is 118.07%. This ratio helps represent the future ability of a company to grow earnings. The average ROE for this Industry Group (Comm. Equip.) is 5.15%.

Balance Sheet Strength:

- The Current Ratio is 2.86. Current ratios above 1 mean that a company's short-term debts are less than its assets. The higher the ratio, the stronger the company's finances.
- The Long-Term Debt/Capital is 0.24%. This indication of financial leverage measures the extent of a firm's capital that is provided by lenders. Below 25% reflects well on a company's financial stability. The average LT Debt/Capital for this Industry Group (Comm. Equip.) is 9.75%.

Growth Potential:

- The prior quarter Earnings Per Share (EPS) of \$0.78 is greater than the EPS of the year over year quarter of \$0.59.
- The TTM Sales Per Share (SPS) growth rate of 38.60% is greater than the three-year cumulative average SPS growth rate of -7.85%.
- The TTM EPS growth rate of 411.94% is greater than the TTM SPS growth rate of 38.60%.
- Earnings Trend is Positive for the last three quarters on a year over year basis.

Analyst Consensus Forecast:

- The Revenue forecast for the next two quarters is greater than the prior quarter Revenue.

Negative Factors on IDCC

Valuation:

- The Price/Book Value ratio is 7.30. The average Price/Book for this Industry Group (Comm. Equip.) is 2.58.

Income Stmt. (mil\$)	2009	2008
Revenue	297	228
Oper. Inc.	152	33
Depr.	6	10
Int. Exp.	-	-
Pretax Inc.	113	40
Eff. Tax Rate	22.58%	34.42%
Net Inc.	87	26

■ The Price/TTM Sales ratio is 5.10. A stock with a low Price/Sales ratio indicates a stock is not overvalued. The Price/Sales ratio is significant since it is harder to manipulate sales than earnings. The Price/TTM Sales ratio for this Industry Group (Comm. Equip.) is 2.30.

■ The Market Edge PEG (Leading P/E Ratio / Earnings Growth Rate) ratio is -0.56. This ratio is the Leading P/E ratio divided by expected per-share earnings growth over the coming year. A PEG ratio greater than 1 indicates a stock may be overvalued or the market expects future EPS to be greater than the EPS consensus. The average Market Edge PEG ratio for this Industry Group (Comm. Equip.) is 1.16.

Profitability:

■ The prior quarter Operating Margin of 58.22% is less than the TTM Operating Margin of 60.35%.

Growth Potential:

■ The prior quarter EPS growth rate of 32.20% is smaller than the TTM EPS growth rate of 411.94%.

■ The EPS growth rate of -23.19% is less than the expected next year EPS growth rate for S&P 500 of 15.32%.

Analyst Consensus Forecast:

■ The EPS forecast for the next two quarters is less than the prior quarter EPS.

Balance Sheet (mil\$)	2009	2008
Cash	410	142
Curr. Assets	702	241
Total Assets	874	398
Curr. Liab.	253	127
LT Debt	-	-
Total Cap.	170	89
LT Debt/Cap.	0.28%	-
ROA	13.72%	5.71%
ROE	67.85%	23.32%

Industry: Communications Equipment

Peer Group: Wireless Equipment

PeerGroup	Symbol	Close (01/03/11)	P/E Ratio	Market Cap (mil\$)	TTM EPS	TTM Sales Growth%	TTM Operating Margin(%)	ROE (%)	Yield (%)
AVIAT NETWORKS	AVNW	5.07	NA	302	-2.19	-29.63	-11.02	-32.40	NA
BRIGHTPOINT INC	CELL	8.73	21.82	594	0.40	-8.48	1.74	12.16	NA
EMS TECHNOLOGIES	ELMG	19.78	NA	300	-1.04	-6.87	-1.43	-6.64	NA
INTERDIGITAL INC	IDCC	41.64	12.13	1,875	3.43	38.60	60.35	118.07	NA
NEUTRAL TANDEM	TNDM	14.44	12.77	479	1.13	22.95	33.92	18.23	NA
NOVATEL WIRELESS	NVTL	9.55	NA	307	-0.60	9.76	-0.80	-9.00	NA
PC-TEL INC	PCTI	6.00	NA	112	-0.18	-6.01	-6.59	-2.67	NA
POWERWAVE TECHNOLOGIES	PWAV	2.54	NA	335	-0.09	-23.20	1.58	N/A	NA
QUALCOMM INC	QCOM	49.49	25.91	80,869	1.91	-2.90	28.37	16.50	1.54
SUPERCONDUCTOR TECHNOLOGIES	SCON	1.52	NA	42	-0.48	35.00	-90.85	-56.34	NA
TELULAR CORP	WRLS	6.69	29.08	101	0.23	2.57	7.25	9.97	6.35

Market Edge Peer Group Comparison looks at key fundamental performance measures to help determine a stocks overall valuation and potential when compared to similar stocks in its industry.

Simple Moving Average(MA) Analysis

Simple MA	Price	%	Slope
10 Day	42.06	99	UP
21 Day	39.66	105	UP
50 Day	35.90	116	UP
200 Day	29.32	142	UP

Volume Analysis

Average Volume(00)	8,801
Monthly Change(%)	26.10%
Up/Down Ratio	1.60
Up/Down Slope	UP

Technical Analysis

Trend Line Resistance	N/A
Trend Line Support	35.85
Resistance Range	42.51-42.98
Support Range	38.45-38.71
Beta	0.98
MACD Long-Term	Bullish
50-Day Relative Strength	1.31
RSV	89

Technical Comments

- Chart pattern indicates a Strong Upward Trend. (See chart below.)
- Relative Strength is Bullish.
- Up/Down volume pattern indicates that the stock is under Accumulation.
- The 50 day Simple Moving Average is rising which is Bullish.
- The 200 day Simple Moving Average is rising which is Bullish.
- Look for Support at 35.85



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