



InterDigital, Inc.

NASDAQ: IDCC, \$41.64
United States

HOLD

Downgraded 8/15/09

IDCC has a P/S ratio of 3.90 versus the group's median of 1.32.

Thomas White's Stock Rating

The Thomas White quantitative stock selection model for the technology sector projects that over the next year an investment in IDCC should return from 1% to 6%. It should perform in line with the market and match its industry's return. This conclusion suggests taxable investors replace IDCC with a stock the model rates "most favorable" unless this would result in a short-term taxable gain.

Thomas White's Recommendation

BUY	Most Favorable
	Favorable
HOLD	Neutral
	Unfavorable
SELL	Most Unfavorable

Current Recommendation (9/12/09) **Neutral**
Previous Recommendation (8/15/09) **Unfavorable**

Stock Classifications

Region	North American
Sector	Technology
Industry	Computer Products
Asset Class	Small-Cap
Investment Style	Growth
Risk Profile Rank	Below Average Risk
Financial Quality	Above Average

Company Fundamentals

Market Capitalization (Billions)	\$1.8
Price/Earnings Ratio	11.9x
Price/Cash Flow Ratio	10.3x
Price/Book Ratio	6.03x
Dividend Yield (Indicated)	Nil
Net Profit Margin	42.1%
Return on Equity	72.7%
Debt/Equity	0.2%
Beta	0.75

In Line Performance Expected

InterDigital is in Thomas White's small telecom equipment valuation group. The factors explained below incorporate this group's historical valuation pattern, its accounting conventions and the buying and selling habits of its investor population. The company's fundamentals are first compared with its industry peers to confirm the accuracy of its financial ratios. The stock's rating is calculated using a multi-factor valuation framework, where the score reflects a formula weighted sum of a series of valuation factors. This disciplined approach produces a more thorough appraisal of the company's value relative to its industry peers.

Valuation Model Rating: Hold

Thomas White's quantitative analysis rates IDCC a Hold. This historically tested industry-specified valuation model incorporates the following components to make a more accurate projection of the stock's future performance. As these factors are not weighted equally, the final rating may occasionally appear inconsistent with the pattern of factor scores.

Valuation: Book Value - Very Negative

Price to book value ratio (P/BV) compares the company's market value to its shareholder equity. It reflects how much investors are willing to pay for the stated 'accounting value' of the company. This ratio is a traditional tool for valuing private companies. IDCC has a P/BV of 4.79 against the group's median of 2.12.

Valuation: Sales - Very Negative

For companies with highly cyclical earnings or that have losses, the price to sales ratio (P/S) can be a useful valuation measure. This ratio is also helpful in valuing companies in industries with narrow profit margins. In this group we find that a lower P/S ratio is effective in signaling undervaluation and therefore outperformance.

Valuation: Cash Flow - Very Positive

Cash flow reflects the actual cash generated by a company so in some ways it gives a clearer picture of its true earnings. Stocks with lower price to cash flow ratios are favored in this valuation group. IDCC has a P/CF ratio of 8.49 compared to the group's median of 15.54.

Valuation: Net Income (FY0) - Very Positive

As is common elsewhere, undervaluation is favored in this group. A key component in determining a company's proper valuation is the P/E ratio. This P/E ratio uses an EPS that the company believes best represents its recurring earnings for its most recent fiscal year. These earnings may or may not be the actual GAAP earnings that the regulators require it to report. IDCC's P/E (FY0) ratio is 10.14 versus the group's median of 20.49.

Valuation: Net Income (FY1) - Very Positive

Undervaluation indicates the potential for long-term outperformance, although it does not suggest when it will occur. A company's share price to its net earnings per share (EPS) is the most common ratio used to detect undervaluation. Because there are many versions of earnings, there also are many versions of P/E's. This P/E ratio uses a forecast of EPS for the current fiscal year. IDCC's P/E (FY1) ratio is 9.50 versus the group's median of 16.91.

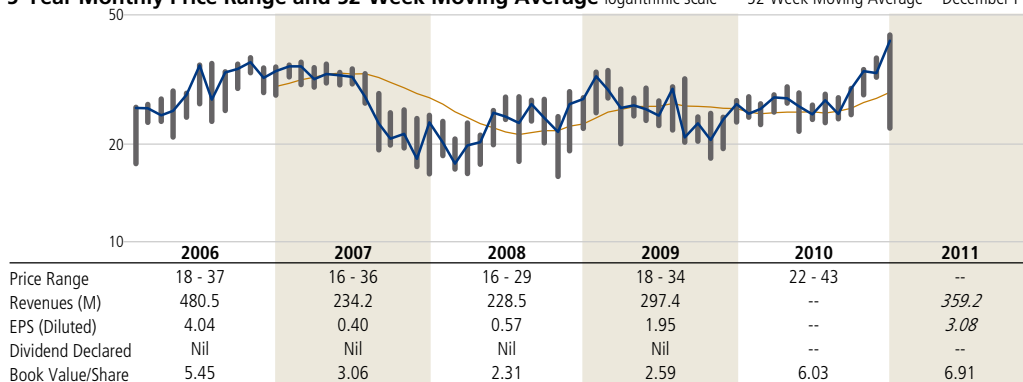
Valuation: Composite Adjustments - Neutral

Our valuations are adjusted to reflect the accuracy of the company's past earnings and revenue projections and the historical stability of its balance sheet and cash flow.

Business Model: Share Issuance - Negative

A superior business model implies a firm may generate the cash it needs for growth and acquisitions internally. These companies rarely dilute shareholders by issuing stock and often repurchase shares. Our analysts monitor changes in a company's outstanding shares to identify efficiently managed firms. Low share change over the last 12 months suggests strong performance, while high dilution is a negative. Over the last 12 months IDCC's share change is 2.81% versus the group's median of 0.72%.

5-Year Monthly Price Range and 52-Week Moving Average logarithmic scale — 52-Week Moving Average December FY



Prices: CY Financials: CY

TWI consensus estimates in italics



InterDigital, Inc.

NASDAQ: IDCC

Thomas White's Recommendation

BUY	Most Favorable
	Favorable
HOLD	Neutral
	Unfavorable
SELL	Most Unfavorable

Current Recommendation (9/12/09)
Previous Recommendation (8/15/09)

Neutral
Unfavorable

A Valuation-Oriented Research Philosophy

Thomas White believes that original research is the surest path to superior stock selection. Since most investors are shortsighted, they overvalue a company when its short-term outlook is rosy and undervalue it when times are discouraging. This cycle of exaggeration creates wide stock swings around a company's actual business value. This behavior produces a never-ending series of investment opportunities.

Thomas White Quantitative Stock Ratings

The investment rating in this report comes from one of a series of quantitative models developed and improved at Thomas White International and its predecessors over 30 years. These stock selection models are designed to enable investors to focus their attention and further research on securities that may have superior return potential. We are proud that the model's strong performance record has long assisted investors in making their investment decisions. Please note investors should not misinterpret this stock rating as a final recommendation; a thoughtful investment decision requires reviewing multiple research sources.

Thomas White ratings come from rule-based conclusions. A series of detailed financial ratios are used to calculate the relative value of a stock versus its peers in its industry. How is our stock selection approach different? We employ tailor-made valuation methods for each industry, asset class and country. For example, in the global banking industry we have designed unique valuation methods for large-cap U.S. banks, small-cap U.S. banks, Canadian banks, U.K. banks, European banks, Japanese banks, Australian banks, etc. The valuation models used are not just a simple combination of financial and market metrics. They represent a perfectly fitted glove that is designed to deal with the distinctive accounting, business, regulatory and investor behavior patterns in each region and industry.

Thomas White seeks to maintain its rating accuracy by using over 190 unique industry-specific stock selection methods. As a global research and asset management firm, our professionals are continually improving the models, using their industry knowledge and long experience designing valuation techniques.



Summarizing IDCC

InterDigital, Inc. designs and develops digital wireless technologies. It develops and licenses circuitry designs, software and other technology using code-division multiple access (CDMA) and other wireless communications standards. In addition, InterDigital is developing semiconductors and software that enable voice and data transmissions in mobile phones and portable computing devices. Headquartered in Pennsylvania, InterDigital sells to semiconductor, telecom equipment and software companies across the globe. Its customer list includes bigwigs LG Electronics, NEC, Sharp, Sony Ericsson and Siemens. InterDigital faces stiff competition from Alcatel-Lucent, Freescale Semiconductor, and Qualcomm.

Strong Recent Relative Performance

InterDigital's performance reflects the fact that it is a small-cap growth stock in the computer products industry. Over the past year the stock has pleased investors by producing strong relative performance. Its 55% advance led 80% of stocks in the TWI Small-Cap Index (similar to the Russell 2000 Index) and 81% of the computer products stocks in that index. Over the same period the company's earnings per share rose 199% and its sales rose 34%.

Earnings Expected To Rise 78%

The company reported September 30 interim earnings of \$0.79 versus \$0.69 the previous year. The company's latest interim earnings were above analysts' expectations. IDCC's earnings for the year 2010 are projected to advance roughly 78%.

IDCC has a Below Average Risk Profile

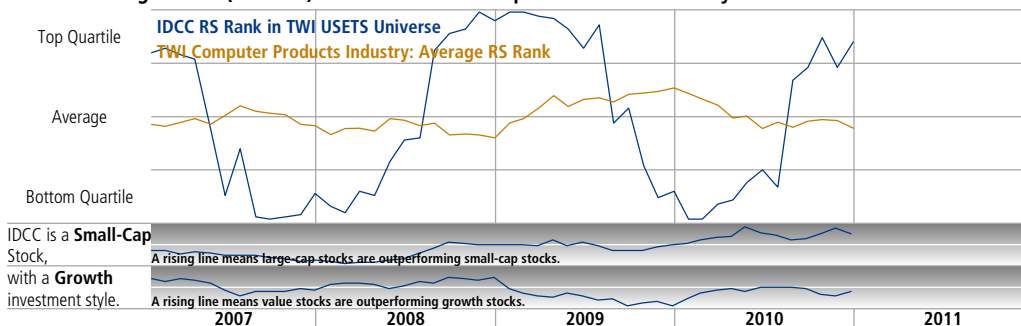
Understanding IDCC as an investment means developing a clear picture of its risk profile as well as its reward potential. A risk profile describes the

influences on a stock, which explain its particular pattern and level of volatility. Our risk ranks range from low (10%) to high risk (100%), with 50% being the average. IDCC has a risk rank of 30%. Unlike beta, a stock's response to the market's movement, our risk profile incorporates both business risk and investor driven stock variability. A firm's business risk varies with the stability of its revenues, the breadth of its operating divisions, the quality of its working capital and its financial leverage. A stock's variability reflects its weekly price movements over the last 7 years.

18% L-T Growth; Above Average Quality

IDCC's interim price direction and volatility is only partially the result of the company's fundamentals. The strongest external influence is its position in the technology sector and the computer products industry. This area is noted for its above average sensitivity to the business cycle and for the wide swings in its stocks. Company specific influences relate to the variability of IDCC's earnings and the characteristic behavior of investors that own it. We project it will grow with average persistence and at a long-term rate of 18%. Its overall financial quality is above average versus other firms. The investor-related influences in our risk profile model include the stock's lack of dividend yield, its NASDAQ membership, its 60% institutional ownership, its market capitalization of \$1.85B and its below average sensitivity to market moves (0.75 beta).

Relative Strength Rank (RS Rank): IDCC & the TWI Computer Products Industry





InterDigital, Inc.
NASDAQ: IDCC

Stock Classifications	
Region	North American
Sector	Technology
Industry	Computer Products
Sub-Industry	Major Tech Hardware

52-Week Sector Performance Order

Current	Past Order (Mos. Ago)			TWI Sector	Price Return	Median Rel. St. Rank
	3	6	12			
1	3	5	11	Capital Goods	46%	22
2	2	3	6	Chemicals	38%	28
3	1	2	2	Consumer Dura	35%	32
4	6	8	10	Industrial	31%	36
5	4	4	3	Retail	29%	38
6	11	14	1	Metals	27%	41
7	18	17	7	Energy	23%	44
8	12	12	8	Services	22%	46
9	14	10	4	Technology	21%	47
10	7	9	17	Transport	17%	53
11	13	6	14	Finance	16%	55
12	5	1	5	Forest Products	16%	55
13	10	7	16	Aerospace	15%	56
14	19	15	20	Banking	15%	56
15	8	13	13	Consumer Stapl	15%	56
16	17	11	19	Insurance	14%	58
17	15	16	12	Healthcare	12%	61
18	16	20	15	Telecom	12%	62
19	20	19	9	Building	10%	64
20	9	18	18	Utilities	8%	67

Global economy gains pace, but Asian inflation risks cause concern

Dec. 6, 2010 - Thomas White International Ltd -- Renewed fears about a sovereign debt crisis in Europe and concerns about slower growth in Asia offset continued improvement in global economic data during November. China increased its bank reserve requirements twice last month, as inflation accelerated again in October. Rising prices are a worry in several other Asian countries, including India, Korea, and Indonesia. It is expected that central banks in these countries may have to tighten monetary policy faster than currently thought, which will likely slow down the pace of growth.

Equity prices corrected across the globe in November, after gaining for the previous two months, and the trend extended to commodities as well. European markets declined the most, while Asia was relatively less affected. U.S. economic growth for the third quarter was revised higher and the Euro-zone continued to expand, though the rate of growth on the Continent slowed from the previous quarter. India's GDP growth accelerated during the September quarter, exceeding expectations. Manufacturing growth was sustained across major economies, including the U.S., Europe, China, and India, during November, indicating that the global economy is picking up pace.

Europe is institutionalizing its crisis response after renewed sovereign debt troubles

The specter of a rerun of the European sovereign debt crisis from earlier this year unnerved the financial markets in November, as Ireland accepted a nearly \$90 billion rescue deal from the European Union and the IMF. Despite large capital infusions by the Irish government over the last year, the country's banks remain grossly under-capitalized because of extensive credit losses. The EU and IMF support may help Ireland to rebuild bank balance sheets,

restructure the industry, and strengthen its financial system.

The troubles faced by Ireland have made bond investors more cautious about some of the other economies in the region which are also facing low growth and high public debt levels. Bond yields of Portugal and Spain are now at their highest levels in several years and the sell-off has forced the euro to retreat against other major currencies. Meanwhile, persistent fears about a credit market contagion in the region have encouraged the European Union to institutionalize its support systems for governments in distress. It is proposed that a new fund would replace the \$750 billion European Financial Stability Facility, but unlike now, bondholders may also be expected to share part of the losses.

Technology sector outlook remains buoyant but banks face more stress tests

Though the results of the stress tests for European banks conducted in July this year were better than expected, the banking industry in the region is again facing questions about its exposure to poor quality assets. The industry is also facing poor liquidity conditions, forcing banks to increasingly depend on European Central Bank funding. In the U.S., the Federal Reserve has asked for another round of tests for banks early next year to assess their ability to withstand financial market stress.

The technology sector continues to see good demand growth on increased business spending on hardware and technology services. Besides, consumer demand for new gadgets has sustained as manufacturers have kept up the pace of new product launches. As expected, third quarter revenue and earnings growth reported by technology companies were among the highest for all sectors.

Commodity prices corrected during November on concerns of slower Asian demand, especially from China. However, commodities remain much costlier than last year and better than expected global economic data have eased fears about demand growth. As a result, manufacturers are likely to face persistent input cost pressures.



Comparing IDCC to its Sub-Industry Peers

Sources: TWI consensus estimates

Market Cap. (\$)	Price (\$)	TWI USETS Universe: Over 3,000 U.S. exchange-traded stocks, both domestic & international	52-Week Price Return & Rel. Strength Rank		Estimated PE Ratios & Relative Rankings				Estimated EPS Growth & Relative Rankings				EPS Revisions (3 mos) & Relative Rankings				Estimated P/Sales Ratios & Relative Rankings			
			Return	Rel. Rank	Cur. Year	Next Year	Cur. Year	Next Year	Cur. Year	Next Year	Cur. Year	Next Year	Cur. Year	Next Year	Cur. Year	Next Year				
2.17B		TWI USETS UNIVERSE	19%	51	17.3	51	14.9	51	19%	51	15%	51	1%	51	0%	51	1.6	51	1.5	51
2.17B		TWI Computer Products	19%	51	17.3	51	14.9	51	19%	51	15%	51	1%	51	0%	51	1.6	51	1.5	51
2.72B		Peer Group	24%	44	10.9	14	10.4	16	74%	25	8%	74	5%	26	3%	31	1.2	39	1.1	38
1.85B	41.64	IDCC	57%	15	12.0	19	13.5	38	101%	20	-11%	96	8%	18	19%	6	4.7	87	5.1	91
3.22B	14.48	JDSU	76%	8	19.6	60	16.6	61	81%	23	18%	46	6%	22	5%	23	1.9	57	1.7	57
2.05B	44.02	TECD	-6%	85	10.5	13	9.3	10	22%	48	13%	60	6%	23	8%	15	0.1	1	0.1	1
2.45B	15.37	NCR	38%	28	10.4	12	10.0	13	147%	15	3%	85	4%	30	-7%	80	0.5	12	0.5	13
2.99B	19.09	IM	9%	65	10.3	12	9.0	8	40%	35	15%	53	0%	60	1%	43	0.1	1	0.1	1
12.07B	18.55	MRVL	-11%	89	11.2	16	10.8	18	67%	26	4%	85	2%	41	-2%	64	3.3	77	3.1	78



InterDigital, Inc.
NASDAQ: IDCC

This Report's Objective

This Thomas White investment report is designed to be a valuable resource to investors who buy and sell stocks based on their own research. It is provided by an institutional asset management organization whose security analysts use it as one of a number of inputs when making their investment decisions. They also seek to develop confidence in the company's outlook by evaluating the company's management and the quality of its products. Please recognize that this report does not offer opinions on these important research areas.

The Thomas White Quantitative Research Approach

The goal of our quantitative research reports is to provide ratings that align stocks by their future 1 to 2-year total return performance. We use a valuation-oriented strategy that takes advantage of the fact that investors are often shortsighted, overpricing a company when it is doing well, and underpricing the company during difficult times. As such, a stock is ranked Most Attractive when our quantitative model suggests it is at the lowest point of its undervaluation and Most Unattractive when the stock is at the peak of its overvaluation.

How do we determine the stock's value? Our analysts study a stock's 20-year performance relative to other companies in its industry. Stocks tend to be priced by a common valuation definition within their industry. Studies identify these industry-specific common denominators, which are combinations of financial ratios. This approach is classical fundamental valuation analysis, but with our large financial databases and use of computer processing, we are able to perform this research far more thoroughly than earlier value managers. Our report is considered quantitative because our ranks do not include the additional qualitative analysis investors need to make a well-researched decision.

Thomas White International, Ltd.

The firm was founded in 1992 by five professionals from Morgan Stanley Asset Management. Its President, Thomas S. White, Jr., was a Managing Director in charge of the firm's value style equity investing. The valuation methods used in this research were initially produced in 1976 exclusively for Sir John Templeton, who heavily influenced their design and refinement over many years.

Thomas White International is primarily an institutional asset manager with domestic and international portfolios and mutual funds. Research analysts in its Chicago and Bangalore, India offices currently value stocks in 45 developed and emerging market countries. The firm's research reports provide stock ratings based on its quantitative models. These ratings should not be confused with the analyst-driven conclusions used in its asset management division.



Glossary

Thomas White Stock Coverage and Market Indices The Thomas White USETS© (US exchange-traded stocks) universe and indexes include roughly 3000 of the largest domestic and international stocks that trade on the major United States exchanges. A stock's industry and country placement is set according to the Thomas White General Industry Classifications (GIC).

Thomas White Asset Class and Investment Style Large-caps stocks include the largest 1000 US stocks by capitalization; the next 2000 are classified small-caps. Non-US stock asset classes have the same cap size breakpoint. Value, blend and growth styles are set in mid-year using their valuation ratios and growth rates.

Thomas White Risk Profile Rank This rank reflects the stability of the company's business and the price volatility of its stock. Risk ranks do not project price direction.

Thomas White Financial Quality This measure of a company's creditworthiness reflects Thomas White's assessment of its normal earnings power, debt ratios, working capital, business risk and potential legal liabilities.

Thomas White Consensus Sales & Earnings Estimates These are compiled by Thomas White weekly using fresh estimates from a select number of sell side security analysts.

Chart pg 2: Relative Strength Rank A stock's RS Rank is its 52-week return ranked from 1 (best) to 99 within the Thomas White USETS universe. This chart shows that a stock's price may be influenced by the popularity of its industry, asset class or investment style. An industry RS Rank is the average RS Rank of the stocks in that industry.

Large vs. Small and Value vs. Growth performance charts are presented to enable investors to observe their possible influence on a stock's performance.

Disclosures

This report offers investors quantitatively derived equity ratings and related return estimates from Thomas White International, Ltd. It uses a five-class Buy-Hold-Sell rating system: the most favorable and favorable ratings are buys; neutral ratings are holds and unfavorable and most unfavorable rates are sells.

Stock Ratings

The terms below are used to rate a stock's 12-month performance:

Buy: Expected to outperform the S&P 500 producing above average returns.

Hold: Expected to perform in line with the S&P 500 with average returns.

Sell: Expected to underperform the S&P 500 producing below-average returns.

As of September 30, 2010, the quantitative stock selection model at Thomas White International, Ltd. had Buy ratings on 30.0% of its universe, Hold ratings on 40.0% and Sell ratings on 30.0%.

All ratings and explanations of the models and their component valuation ratios that determine these ratings are from Thomas White International, Ltd. These ratings are strictly quantitative, using industry-specific valuation models developed by the firm over many years. They have not been reviewed or altered in any way by the traditional fundamental analysts at Thomas White. As such, these computer-driven ratings should not be compared to the investment conclusions that Thomas White's security analysts use in their asset management business. Quantitative conclusions should be used as an early step to identify stocks that merit further more qualitative analysis.

In an attempt to reduce potential conflicts with clients, Thomas White prohibits their employees from buying equity securities and from being officers or directors of listed companies. The investment companies and investment advisory accounts Thomas White advises own less than 1% of this company. Thomas White does not offer brokerage or investment banking services. It adheres to professional standards and abides by a formal code of ethics that put the interests of clients ahead of its own. Its compliance officer monitors adherence to these standards.

Disclaimer

Past performance is not a guarantee of future results. The material is based upon information Thomas White considers reliable, but does not warrant its completeness or accuracy, and it should not be relied upon as such. Assumptions, opinions, and estimates constitute a quantitative model's output as of this report's date, and are subject to change without notice. This material is not intended as an offer or solicitation for the purchase or sale of securities mentioned herein. The material does not take into account your particular financial situations, objectives, or needs, and is not intended as a personal recommendation. Before acting on recommendations in this material, you should consider whether it is appropriate for your particular situation, and, if necessary, seek professional advice.

©2010 Thomas White International, Ltd.