

INTERDIGITAL (IDCC-Q)

Rating: Buy
12-Month Target: \$54.00

MORE HAPPY TO COME ...

MARKET INFO: IDCC-Q			
Closing Price			\$42.63
Quarterly Dividend			\$0.10
Annualized Yield			0.94%
Target Price			\$54.00
Potential ROI			26.7%
52 Week Range (\$)			\$22.30 / \$40.08
Market Cap (\$mm)			\$1,889.32
Cash (mm)			\$563.58
Debt (mm)			\$0.54
Enterprise Value (mm)			\$1,326.28
Shares o/s (mm)			44.3
Avg Volume (previous 3 months)			650,910
FYE: Dec 31	FY2009A	FY2010E	FY2011E
Revenue (mm)	297.40	395.30	451.66
EBITDA (mm)	185.16	266.76	315.27
EBITDA margin (%)	62.3%	67.5%	69.8%
EPS	\$1.95	\$3.49	\$4.07
VALUATION	FY2009A	FY2010E	FY2011E
EV/Sales	4.5X	3.4X	2.9X
EV/EBITDA	7.2X	5.0X	4.2X
P/E	21.9X	12.2X	10.5X

Source: Capital IQ, M Partners



- InterDigital closed at \$42.63 yesterday, up 9.1% from Friday's close on 3.8x its average volume. Despite the significant call-to-date appreciation, we continue to believe that we are still in the early stages of potential gains for investors.
- With 50% of the 3G device market under license and second largest portfolio of 4G/LTE essential patents, we believe that IDCC continues to be attractively priced on both an absolute (sum-of-parts) and relative (comparable company) basis.
- Recall that the basis of our valuation is a sum-of-parts analysis which originally pegged our target price at \$48.00. Last week we updated our valuation to reflect higher than originally anticipated device shipments by licensee, HTC. This resulted in an increase to our target price to \$54.00. Factors that could facilitate further upward near term revisions to our target price include:
 - A successful settlement with Nokia in respect of the appeal of the USITC decision;
 - An LG license renewal that includes a 4G/LTE license;
 - More rapid proliferation of M2M devices; and
 - Faster than anticipated adoption of 4G/LTE devices – notably, AT&T announced yesterday that it had acquired \$1.93B worth of 4G spectrum from Qualcomm to speed up the upgrade of its networks.
- Even with the recent run-up, IDCC still trades at 4.2x our FY'11E EBITDA estimate which represents a 66% discount to the median of its peer-set of IP licensing companies and the lowest multiple within the group.
- Our target price of \$54.00 implies EV/EBITDA multiples of 6.7x our FY'10E and 5.8x our FY'11E estimates.

Company Name	Market Cap (mm)	Ent. Value (mm)	LTM Revenues (mm)	Cash & Equiv. (mm)	LTM EBITDA (mm)	LTM EBITDA Margin (%)	Valuation Multiples			
							FY'10 TEV/ EBITDA	FY'11 TEV/ EBITDA	FWD P/E	TEV/ LTM Revenues
QUALCOMM Incorporated (NasdaqGS:QCOM)	\$79,979.7	\$71,009.7	\$10,991.0	\$10,279.0	\$3,949.0	35.9	13.4x	12.4x	17.8x	6.5x
Tessera Technologies Inc. (NasdaqGS:TSRA)	\$1,041.5	\$567.9	\$277.4	\$473.7	\$133.7	48.2	5.4x	7.4x	18.4x	2.0x
CEVA Inc. (NasdaqGM:CEVA)	\$446.7	\$344.7	\$42.1	\$102.0	\$8.1	19.3	30.7x	24.4x	38.5x	8.2x
Rambus Inc. (NasdaqGS:RMBS)	\$2,196.6	\$1,830.5	\$263.3	\$484.9	\$96.4	36.6	6.9x	69.0x	16.6x	7.0x
Acacia Research Corporation (NasdaqGM:ACTG)	\$917.4	\$837.5	\$138.6	\$83.4	\$48.3	34.9	15.0x	12.6x	22.2x	6.0x
Wi-Lan Inc. (TSX:WIN)	\$441.1	\$350.4	\$30.5	\$94.8	\$14.8	48.3	55.4x	9.8x	45.2x	11.5x
MOSAID Technologies Inc. (TSX:MSD)	\$343.9	\$233.3	\$76.0	\$110.6	\$44.2	58.2	5.1x	5.0x	10.4x	3.1x
Average							18.9x	20.1x	24.2x	6.3x
Median							13.4x	12.4x	18.4x	6.5x
InterDigital, Inc. (NasdaqGS:IDCC)	\$1,889.3	\$1,326.3	\$375.7	\$563.6	\$244.0	64.9	5.0x	4.2x	12.1x	3.5x

Source: Capital IQ, Bloomberg, M Partners

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Under Review	1	3%
Total	32	100%