

September 22, 2011

INTERDIGITAL, INC. (IDCC-NASDAQ)

Rating: Buy
12-Month Target: \$118.00

BOD DECLARES REGULAR QUARTERLY DIVIDEND

MARKET INFO: IDCC-Q			
Closing Price			\$58.36
Quarterly Dividend			\$0.10
Annualized Yield			0.69%
Target Price			\$118.00
Potential ROI			102.2%
52 Week Range (\$)			\$22.81 / \$82.50
Market Cap (\$mm)			\$2,652.11
Cash (mm)			\$701.11
Debt (mm)			\$192.60
Enterprise Value (mm)			\$2,143.60
Shares o/s (mm)			45.4
Avg Volume (previous 3 months)			2,524,770
FYE: Dec 31	FY2010A	FY2011E	FY2012E
Revenue (mm)	394.55	396.86	483.56
EBITDA (mm)	263.80	258.88	344.00
EBITDA margin (%)	66.9%	65.2%	71.1%
EPS	\$3.48	\$3.14	\$4.26
FD EPS	\$3.43	\$3.11	\$4.22
VALUATION	FY2010A	FY2011E	FY2012E
EV/Sales	5.4X	5.4X	4.4X
EV/EBITDA	8.1X	8.3X	6.2X
P/E	17.0X	17.0X	13.8X

Source: Capital IQ, M Partners



DIVIDEND DECLARATION DOES NOT IMPACT PROCESS

- Last night the Board of Directors declared a quarterly dividend of \$0.10, unchanged from last quarter. Shareholders on October 5th, 2011 will receive a dividend payment on October 26th, 2011.
- The company had previously announced that it intended to declare regular quarterly dividends, and this is simply the company following through on its promise.
- We believe that the announcement, and related timing, has no bearing on the strategic process announced on July 19th, 2011. The actions by the Board of Directors, announced yesterday should not be considered meaningful to the process.
- In late August Bloomberg reported (based on unnamed sources “in the know”) that the company had set a deadline for first round bids at the end of this week. Bloomberg also reported that the first round of bidding would be followed by an accelerated second round. The company itself has not announced the timing of its process, but we believe that whatever timing has been determined by the BoD and its advisers remains in tact.

IT TRADES BELOW FUNDAMENTAL VALUE

- InterDigital shares now trade below our previous fundamental target of \$65.50, which excluded the possibilities of future cash flow related to litigation initiated against Nokia, Huawei or ZTE.
- We believe that parties interested in the Nortel patents, are likely to be interested in the InterDigital patent portfolios. Most third-party patent evaluators rank InterDigital essential patents for 3G/4G LTE standards to be ranked within the top three globally.

We reiterate our BUY recommendation and \$118.00 target price.

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Rating System

Buy: price expected to rise
Sell: price is inflated and expected to decrease
Hold: properly priced
Speculative Buy: price expected to rise; material risk to the investment exists
Under review: not currently rated

Summary of Recommendations		
As of June 30, 2011		
Buy	40	95%
Sell	1	2%
Hold	1	2%
Total	42	100%