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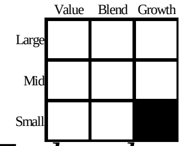
Rating: Buy
Suitability: 4
Technology



InterDigital, Inc.

(IDCC-NASDAQ)

Raising Rating to Buy. Possible 3G Deal with Nokia by Year-End and Disposal of SlimChip Business Potential Catalysts.

Recent Price	$22.70	**December Fiscal Year**	**2008A**	**2009E**	**2010E**
52-Week High Price	$33.69	Earnings Per Share	$0.54	$2.01	$3.51
52-Week Low Price	$16.20	P/E Multiple	42.0x	11.3x	6.5x
Indicated Dividend	NA	Weighted Return on Equity ('08)			40%
Annual Yield	NA	Long Term Debt/ Total Cap. (12/08)			11%
Market Cap.	$1.0 billion	Est. 3-Year EPS Growth Rate			25%
Price Target	**$33**	Insider / Institutional Ownership			2%/60%

Company Description: InterDigital designs and develops technology content and systems solutions for advanced digital wireless communications applications. The company licenses 2G and 3G technology to wireless communications firms. Please see p. 4 for a Wireless Glossary.

- **We are raising our rating to Buy from Neutral.** We believe the 32% share price reversal since early February 2009 is overdone. By the end of March, we expect InterDigital to announce a direction for its SlimChip business, which could be: 1) Selling to another firm, 2) Partnering with another firm, 3) Buying technology and adding to the product, or 4) Shutting the unit down. The unit has helped in licensing discussions, but given tens of millions of development costs, we are in favor of divestiture. This would save $25 million to $30 million annually, according to our calculations, and could result in EPS rising by $0.40.

- **InterDigital's 3G patent infringement case is moving towards a scheduled ruling by year-end.** Nokia has tried several times over the past eighteen months to stall the process, and was successful at one point until an U.S. Appeals Court unanimously overturned a Federal judge's ruling enabling Nokia to take the issue to arbitration. Given Nokia's history of stall/delay attempts in 2G and 3G licensing with InterDigital over the past five years, we expect another legal maneuver or two from Nokia. However, we do not expect these tactics to interrupt the International Trade Commission's (ITC) timeline. InterDigital filed a 3G patent infringement claim against Nokia at the International Trade Commission (ITC) in September 2007. There is an evidentiary hearing at the ITC May 26-29, 2009. The administrative law judge (ALJ) is scheduled to rule by August 14, 2009, with a final ruling by the ITC on December 14, 2009. If the Nokia case mirrors Samsung's, Nokia and InterDigital could settle before the ALJ's ruling. We believe it will be an uphill battle for Nokia to claim it does not use InterDigital's patents when manufacturers such as Samsung (#2 market share), LG Electronics (#4 manufacturer), Apple, Research in Motion, Sharp, NEC, Panasonic, Kyocera, Toshiba, and HTC have licensed InterDigital's 3G patents. While Nokia could settle early with InterDigital, in the almost eight years we have followed InterDigital, we cannot think of an instance where Nokia has made it easy for InterDigital.

- **InterDigital could generate over $500 million in new revenue from 3G licenses with Nokia and Sony Ericsson**. If InterDigital licenses Nokia for its 3G patents, we believe the rate will be between

Note Important Disclosures on pages 8-9.
Note Analyst Certification on page 8.

$0.35 per handset and $0.50 per handset. This translates into a potential $331 million to $473 million revenue contribution for InterDigital for the years 2010-2014. A 3G license with Sony Ericsson (at $0.50 to $0.75 per handset), which has approximately 8% market share, could generate $200 million over five years, in our view. Given healthy dialogue (and no legal actions between the firms over the past five years), we believe InterDigital and Sony Ericsson will sign a 3G agreement soon after InterDigital and Nokia finalize an agreement.

- **We project that InterDigital will generate $312 million of revenue and $2.01 of EPS in 2009.** This includes Samsung, but does not include Nokia and Sony Ericsson. Our 2010 estimate is $410 million of revenue and $3.51 of EPS, and includes revenue from Nokia and Sony Ericsson**.**
- **We believe InterDigital will dispose of its SlimChip modem and data card business.** Management announced on the 3Q08 and 4Q08 earnings calls that it is exploring options for its SlimChip modem and data card business. Over the past year, leading semiconductor manufacturers have announced competing products, making it an uphill battle for InterDigital where scale is necessary for profits. We are in favor of divestiture; the business has required $25 million to $30 million of yearly development expense, with only limited revenue contribution. On February 4, 2009 InterDigital announced additions to its SlimChip modules, including modems optimized for smartphones, notebooks, mobile internet devices, and consumer electronics. IDCC's new SlimChip modules have been pre-integrated with Texas Instrument's OMAP34x processor-based development platform, and Google's Android mobile platform. We believe InterDigital could have an unofficial alliance with Texas Instruments given TXN's need for someone to supply an operational 3G baseband now that TXN is out of that business. If InterDigital sells or shuts down its SlimChip business, the firm will likely have noncash and cash charges. We estimate the firm could take approximately $25 million in noncash charges for intangible assets and property, plant, and equipment. We estimate cash charges for severance at $4 million to $6 million.
- **InterDigital's 4Q08 results met our expectations.** Revenue of $58.7 million included $46.3 million of recurring patent license royalties, $5.1 million of technology solutions sales, and $7.3 million associated with recognizing remaining amortized revenue from a licensee exiting the handset business. Technology solutions revenue grew 132% q/q as license fees from sales of Infineon's chipsets grew. GAAP EPS were $0.09, while our adjusted EPS were $0.14. Our adjusted EPS calculation excludes: 1) $7.3 million of revenue from a licensee exiting the handset business and 2) A $9.4 million charge to adjust the accrual rate on a long-term performance based cash incentive.
- **We expect InterDigital's $142 million cash position ($3.20 per share) to grow in 2009 and 2010.** The $142 million was enhanced during 1Q09 by the first of four $100 million payments from Samsung. We believe the three subsequent $100 million payments will likely be every other quarter through 3Q10. The $100 million payment will add another $2.26 per share of cash (pretax) to IDCC's cash position. Samsung's $400 million in payments represents $9 per share to InterDigital (pre-tax). Combined with our estimated $530 million in potential license payments from Nokia and Sony Ericsson, InterDigital could have a mid to high teens per share cash balance, assuming it doesn't use the cash in the interim for patent acquisitions, going private, dividends, share repurchases, etc. We are in favor of the firm implementing a modest dividend, acquiring 4G patents, acquiring media independent handover technology, going private, or tactically repurchasing shares. InterDigital announced a $100 million share repurchase program on March 11, 2009, which if done at current prices, would retire 10% of outstanding shares. Given InterDigital's potential for a high cash position relative to its market capitalization, we believe the firm could attract interest from private equity firms.
- **We believe Nokia and Qualcomm's 3G and 4G settlement and InterDigital's 3G agreement with Samsung provides a framework for InterDigital and Nokia/Samsung to agree upon a 3G royalty rate.** There are many confidential terms in the Nokia/Qualcomm settlement, but it appears that the blended 3G royalty rate that Nokia is paying Qualcomm is approximately 2%, or a little over

$4 per phone at today's average selling price per 3G handset. We believe InterDigital will receive between $0.35 to $0.50 per phone from Nokia once the firms finalize a 3G agreement. Although a modest rate, it would mean hundreds of millions of dollars of royalty revenue to InterDigital over a five-year period, which is a common length of InterDigital licenses. The licenses then renew for another five years, and so on. Please see Exhibits I, II, and III for the impact of licensing agreements with Nokia, Samsung, and Sony Ericsson on IDCC's financials.

- **Investors may ask about InterDigital's patents in 4G and its ability to license handset manufacturers for the next generation of wireless technology**. We believe InterDigital has a large number of patents in 4G and 802.xx technology, as well as a greater number of patent applications. The firm has licensed a few small manufacturers to its 802.xx patents, but has not licensed any manufacturers to Long Term Evolution (LTE), which appears to be the main air interface standard to 4G. Over the next three years, we expect InterDigital to begin licensing its 4G patents to manufacturers. A key issue, in our view, will be the firm's success in licensing manufacturers to 4G without legal means. Given that the firm licensed all the main Japanese handset manufacturers, along with Apple, LG Electronics, and Research in Motion to its 3G technology through negotiations, we believe the firm can license a majority of the 4G handset providers without using the court system. Another key issue will be the royalty rate. We believe 4G rates will be lower due to a greater dispersion of patents among patent holders than in 3G technology. However, it appears many more devices than just handsets could use 4G and 802.xx technology, possibly increasing the number of potential licensees and revenue base.
- **We rate the shares Buy with a $35 price target.** We are positive on InterDigital's ability to sign 3G licensing agreements with Nokia, Sony Ericsson, and Motorola (if it remains a viable handset manufacturer). We believe InterDigital's case against Nokia at the ITC, with its evidentiary hearing and infringement ruling dates provide the parties a time frame to settle. Given Nokia's past with InterDigital (stall and delay through any and all legal means in any jurisdiction or country – approximately 12 court cased filed by Nokia since 2003), we believe it is possible that Nokia attempts to delay the proceedings, but we do not expect them to be successful. 3G agreements with Nokia, Sony Ericsson, and Motorola could add hundreds of millions of dollars of licensing revenue to InterDigital over a five year period, and this leads us to project InterDigital's earnings power at over $3.00 per share if it signs Nokia and Sony Ericsson, and the licensing terms are structured as fixed payment/ratable deals. We derive our $33 price target by applying a 13x multiple to our adjusted 2010 EPS estimate of $2.92, which yields $38. Then, we discount the $38 back one year to account for using a 2010 EPS estimate, which entails dividing $38 by our estimate of InterDigital's cost of capital (we use 15%). This yields a $33 one year price target. The target multiple compares to 13x for the NASDAQ Composite. Note: our adjusted price target excludes $37.5 million of 2010 revenue that we account for as past money for Samsung's 2G obligation, not as recurring 3G revenue.

RISKS

Risks to our Buy rating include:

- InterDigital loses its 3G patent infringement case at the ITC against Nokia.
- Nokia delays the proceedings at the ITC.
- Nokia pays InterDigital less than $0.35 per 3G phone.

Additional information available upon request.

Prices of other companies mentioned in this report:

Apple (AAPL - $95.93 – not rated)
Ericsson (ERIC - $8.72 – not rated)
Google (GOOG - $324.42 – not rated))
HTC (HTCCF - $21.84 – not rated)

Infineon (IFX - $0.59 – not rated)
Kyocera (KYO - $64.80 - not rated)
Motorola (MOT - $3.75 – Long-term Buy)
NEC (NIPNF - $2.45 – not rated)
Nokia (NOK - $10.91– Long-term Buy)
Panasonic (PC - $10.87 – not rated)
Qualcomm (QCOM - $36.75 – Long-term Buy)
Research in Motion (RIMM - $40.18 – not rated)
Sharp (SHCAY - $7.70 – not rated)
Sony (SNE - $19.38 – not rated)
Texas Instruments (TXN - $16.21 – not rated)
Toshiba (TOSBF - $2.50 – not rated)

Figure I: Wireless Glossary
802.xx – specification for various wireless local area networks. The xx after the period is representational. 802.11b and 802.11g are examples of real wireless local area networks.
GSM – Global Standard for Mobile Communications, a 2G technology.
CDMA – Code Division Multiple Access.
CDMA2000 1x – a 3G air interface standard for wireless technology
EDGE – Enhanced Data Rates for GSM Evolution.
HSDPA – High Speed Downlink Packet Access. A packet-based data service that features downlink transmission rates up to 8-10 Mbps (megabits per second). It is expected that HSDPA will increase the viability of over-the-air downloads of music, movies, and related media.
HSUPA – High Speed Uplink Packet Access. A packet-based data service that enables communication from a terminal to host (uplink) at transmission rates up to 5.75 Mbps. It is expected that HSUPA will find early success with PC card manufacturers and PC manufacturers looking to embed their devices with technology that enables users to send large files quickly.
LTE – Long Term Evolution. A 4G air interface standard.
TD-SCDMA – Tim Division-Synchronous Code Division Multiple Access. A 3G air interface standard that will likely only find widespread use in China.
UMTS – Universal Mobile Telecommunications System, basically the European name for WCDMA.
WCDMA – a 3G air interface standard, Wideband Code Division Multiple Access.
WiBro – Wireless broadband technology designed to offer 30 Mbs to 50 Mbs theoretical data speeds in a one-half to three mile radius of a wireless base station.
1G – First Generation. A circuit-switched, analog wireless technology that is not widely used today, except in rural or less developed areas. 1G only carries voice traffic.
2G – Second Generation. A digital wireless technology that enables voice and limited amounts of data. TDMA, GSM, and CDMA are examples of 2G air interface standards.
2.5G – Second and a Half Generation wireless technology that utilizes packet-switching, which facilitates increased data speeds. GPRS is an example of 2.5G.
3G - Third Generation wireless technology that uses packet-based wireless networks to deliver voice and advanced date services. WCDMA and CDMA 2000 1x are examples of 3G air interface standards.
4G – Fourth Generation wireless technology based on internet-protocol with theoretical data rates up to between 100 Mbit/s to 1Gbit/s. LTE is an example of a 4G technology.

Exhibit I: Nokia, Samsung, and Sony Ericsson Estimated Sales and Royalties to IDCC

Nokia ← Pay as you go model →

Year		2008	2009	2010	2011	2012	2013	2014	5-Yr. Total	Ratable
Industry Shipments		1,213	1,067	1,105	1,160	1,241	1,316	1,382		
Nokia Market Share		38%	37%	36%	35%	35%	35%	35%		
Nokia 3G phone %		20%	26%	37%	48%	65%	70%	75%		
Nokia 3G Phones		92	103	147	195	282	322	363		
Rate/phone	0.35	32	36	52	68	99	113	127	331	66
Rate/phone	0.5	46	51	74	97	141	161	181	473	95
Rate/phone	0.75	69	77	110	146	212	242	272	710	142
Rate/phone	1.00	92	103	147	195	282	322	363	947	189

Samsung ← Pay as you go model →

Year		2008	2009	2010	2011	2012	2013	2014	5-Yr. Total	Ratable
Industry Shipments		1,213	1,067	1,105	1,160	1,241	1,316	1,382		
Samsung Market Share		16.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%		
Samsung 3G phone %		36%	43%	52%	64%	75%	75%	75%		
Samsung 3G phones		72	80	101	130	163	173	181	546	
Rate/phone	0.35	25	28	35	45	57	60	63	191	38
Rate/phone	0.5	36	40	50	65	81	86	91	273	55
Rate/phone	0.75	54	60	75	97	122	130	136	409	82
Rate/phone	1.00	72	80	101	130	163	173	181	546	109

Note: Samsung 3G percentage is higher due to Samsung's high market share in CDMA 2000 1X phones

Sony Ericsson ← Pay as you go model →

		2008	2009	2010	2011	2012	2013	2014	5-Yr. Total	Ratable
Industry Shipments		1,200	1,296	1,387	1,484	1,588	1,699	1,818		
Sony Ericsson Market Share		8.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%		
Sony Ericsson 3G phone %		27%	33%	44%	53%	70%	70%	70%		
Sony Ericsson 3G Phones		26	32	46	59	83	89	95		
Rate/phone	0.35	9	11	16	21	29	31	33	130	26
Rate/phone	0.5	13	16	23	29	42	45	48	186	37
Rate/phone	0.75	19	24	34	44	63	67	72	280	56
Rate/phone	1.00	26	32	46	59	83	89	95	373	75

Notes:

1) Rates per phone are estimates. Actual dollars can vary due to prepayment discounts and caps per phone. Companies can also use a royalty rate % instead of dollar amount per phone. Dollar amount per phone is easier to explain.

2) Pay as you go model entails a phone manufacturer paying InterDigital every time it sells a 3G phone. As 3G phones represented approximately 15% of units shipped in 2007, initial payments are lower while 3G shipment represent a smaller part of overall market shipments.

3) Ratable involves taking the total over five years and dividing it by five. It gives a manufacturer a fixed payment, giving it certainty if its market share increases.

4) Numbers in millions

5) Nokia and Sony Ericsson 5-year totals are for 2010-2014

6) Samsung signed a $400 million agreement covering 2009-2012. The table with Samsung's numbers is for comparative purposes only. InterDigital will recognize $100 million per year from Samsung.

Source: Hilliard Lyons estimates

Exhibit II: InterDigital Quarterly Earnings: 2008A – 2009E

InterDigital (IDCC)
Earnings Model *in thousands, except per share data*

Fiscal Year (ends Dec)	Q1-08A	Q2-08A	Q3-08A	Q4-08A	Q1-09E	Q2-09E	Q3-09E	Q4-09E
Calender Year	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09
Revenue								
Recurring Licensing & Royalty	53,327	55,900	51,600	46,300	67,300	71,650	76,400	77,650
Product	2,200	2,500	2,200	5,100	4,000	4,000	5,000	5,500
Engineering Development	-	-	-	-	-	-	-	-
Other/one-time	500	306	1,259	7,277	-	-	-	-
Total Revenue	**56,027**	**58,706**	**55,059**	**58,677**	**71,300**	**75,650**	**81,400**	**83,150**
EXPENSES								
Cost of Revenues								
Total Cost of Revenues								
Gross Profit	**56,027**	**58,706**	**55,059**	**58,677**	**71,300**	**75,650**	**81,400**	**83,150**
Operating Expenses								
Research and Development	23,202	22,677	24,088	31,287	24,471	24,564	24,640	24,696
Sales & Marketing	2,388	2,049	1,855	2,869	2,417	2,488	2,596	2,652
General & Admininstrative	5,675	5,705	5,498	9,698	5,581	5,675	5,699	5,739
Patent Admin. & Licensing	15,051	20,436	13,310	10,088	11,189	14,897	15,216	13,880
Other	(1,200)		(2,740)					
Total Operating Expenses	*45,116*	*50,867*	*42,011*	*53,942*	*43,657*	*47,625*	*48,152*	*46,967*
Operating Income	**10,911**	**7,839**	**13,048**	**4,735**	**27,643**	**28,025**	**33,248**	**36,183**
Interest, net	438	1,231	1,117	643	650	670	700	740
Extraordinary Income (Expense)								
Net Income Before Taxes	*11,349*	*9,070*	*14,165*	*5,378*	*28,293*	*28,695*	*33,948*	*36,923*
Income Taxes	4,032	3,218	4,956	1,549	9,902	10,043	11,882	12,185
Income Tax Rate	36%	35%	35%	29%	35%	35%	35%	33%
Net Income	7,317	5,852	9,209	3,829	18,390	18,652	22,066	24,739
Preferred stock Dividends								
Net Income	**7,317**	**5,852**	**9,209**	**3,829**	**18,390**	**18,652**	**22,066**	**24,739**
EBITDA	19,278	16,055	21,248	13,312	36,143	36,425	41,588	44,483
EBIT	10,911	7,839	13,048	4,735	27,643	28,025	33,248	36,183
Average Shares Outstanding	**46,426**	**45,358**	**44,708**	**42,473**	**41,836**	**41,208**	**40,590**	**39,981**
Fully Diluted Shares Outst.	**47,323**	**46,450**	**45,813**	**43,522**	**42,870**	**42,226**	**41,593**	**40,969**
Earnings Per Share	**0.15**	**0.13**	**0.21**	**0.09**	**0.43**	**0.44**	**0.53**	**0.60**
Adj. Earnings Per Share	**0.13**	**0.13**	**0.14**	**0.14**	**0.43**	**0.44**	**0.53**	**0.60**
EBITDA Per Share	**0.41**	**0.35**	**0.46**	**0.31**	**0.84**	**0.86**	**1.00**	**1.09**
Margin Analysis								
Gross Profit	100%	100%	100%	100%	100%	100%	100%	100%
Operating	19%	13%	24%	8%	39%	37%	41%	44%
Net Profit	13%	10%	17%	7%	26%	25%	27%	30%
EBITDA	34%	27%	39%	23%	51%	48%	51%	53%
EBIT	19%	13%	24%	8%	39%	37%	41%	44%
Percentage of Revenues								
Research & Development	41%	39%	44%	53%	34%	32%	30%	30%
Selling & Marketing	4%	3%	3%	5%	3%	3%	3%	3%
General & Adminstrative	10%	10%	10%	17%	8%	8%	7%	7%
Patent Admin. & Licensing	27%	35%	24%	17%	16%	20%	19%	17%
Goodwill & Other Intangibles	0%	0%	0%	0%				
Year/Year Growth Rates								
Licensing Revenue	-7%	3%	-7%	-8%	26%	28%	48%	68%
Product Revenue	NM	NM	NM	381%	82%	60%	127%	8%
Total Revenues	-17%	7%	-3%	7%	27%	29%	48%	42%
Operating Expenses	3%	8%	-9%	-6%	-3%	-6%	15%	-13%
EBITDA	-39%	7%	14%	105%	87%	127%	96%	234%
Net Income	-59%	-233%	6%	NM	151%	219%	140%	546%
Diluted EPS	-62%	-3%	-22%	133%	230%	251%	279%	331%
Quarter/Quarter Growth Rates								
Total Revenues	2%	5%	-6%	7%	22%	6%	8%	2%
EBITDA	197%	-17%	32%	-37%	172%	1%	14%	7%
Net Income	NM	NA	NA	NA	151%	219%	140%	546%
Diluted EPS	117%	-3%	11%	0%	206%	3%	20%	14%

Source: company data, Hilliard Lyons estimates

Exhibit III: InterDigital Yearly Income Statement

InterDigital (IDCC)
Earnings Model *in thousands, except per share data*

Fiscal Year (ends Dec) / Calender Year	FY F2004A	FY F2005A	FY F2006A	FY F2007A	FY F2008A	FY F2009E	FY F2010E	FY 2010E V2
Revenue								
Recurring Licensing & Royalty	103,685	144,136	233,520	217,924	207,127	293,000	400,000	362,500
Product	-	-	6,946	3,508	12,000	18,500	10,000	10,000
Engineering Development	-	18,989	-	-	-	-	-	-
Other/one-time			240,000	12,800	9,342			
Total Revenue	**103,685**	**163,125**	**480,466**	**234,232**	**228,469**	**311,500**	**410,000**	**372,500**
EXPENSES								
Cost of Revenues								
Total Cost of Revenues	-		-	-				
Gross Profit	**103,685**	**163,125**	**480,466**	**234,232**	**228,469**	**311,500**	**410,000**	**372,500**
Operating Expenses								
Research and Development	51,218	63,095	65,427	87,141	101,254	98,371	110,927	110,927
Sales & Marketing	6,201	7,914	6,610	7,828	9,161	10,153	11,520	11,520
General & Admininstrative	21,622	24,150	20,953	24,210	26,576	22,695	28,217	28,217
Patent Admin. & Licensing	30,340	49,399	51,060	67,587	58,885	55,181	37,202	37,202
Other	595	-	-	7,800	-	-	-	-
Total Operating Expenses	*109,977*	*144,558*	*144,050*	*194,566*	*195,876*	*186,401*	*187,867*	*187,867*
Operating Income	**(6,292)**	**18,567**	**336,416**	**39,666**	**32,593**	**125,099**	**222,133**	**184,633**
Interest, net	1,743	3,164	13,195	8,949	3,429	2,760	5,000	5,000
Extraordinary Income (Expense)	-	-	-	-	-	-	-	-
Net Income Before Taxes	*(4,549)*	*20,251*	*349,611*	*48,615*	*36,022*	*127,859*	*227,133*	*189,633*
Income Taxes	*(2,806)*	9,239	124,389	11,999	12,428	44,012	81,768	68,268
Income Tax Rate	40%	40%	36%	33%	35%	35%	36%	36%
Net Income	(1,743)	11,012	225,222	36,616	23,594	83,847	145,365	121,365
Preferred stock Dividends	*66*	-	-	-	-	-	-	-
Net Income	**(1,809)**	**11,012**	**225,222**	**36,616**	**23,594**	**83,847**	**145,365**	**121,365**
EBITDA	2,303	39,292	344,916	71,476	64,593	158,639	247,133	209,633
EBIT	(6,292)	18,567	336,416	39,666	32,593	125,099	222,133	184,633
Average Shares Outstanding	**55,333**	**54,062**	**53,325**	**47,690**	**45,067**	**40,904**	**40,495**	**40,495**
Fully Diluted Shares Outst.	**59,076**	**57,237**	**55,778**	**49,741**	**47,005**	**41,915**	**41,495**	**41,495**
Earnings Per Share	**(0.01)**	**0.19**	**3.98**	**0.74**	**0.58**	**2.01**	**3.51**	**2.92**
Adj. Earnings Per Share	**(0.01)**	**0.22**	**1.69**	**0.71**	**0.54**	**2.01**	**3.51**	**2.92**
EBITDA Per Share	**0.12**	**0.69**	**6.18**	**1.44**	**1.37**	**3.79**	**5.96**	**5.05**
Margin Analysis								
Gross Profit	100%	100%	100%	100%	100%	100%	100%	100%
Operating	-6%	11%	70%	17%	14%	40%	54%	50%
Net Profit	-2%	7%	47%	16%	10%	27%	35%	33%
EBITDA	2%	24%	72%	31%	28%	51%	60%	56%
EBIT	-6%	11%	70%	17%	14%	40%	54%	50%
Percentage of Revenues								
Research & Development	49%	39%	14%	37%	44%	33%	27%	30%
Selling & Marketing	6%	5%	1%	3%	4%	3%	3%	3%
General & Adminstrative	21%	15%	4%	10%	12%	10%	7%	8%
Patent Admin. & Licensing	29%	30%	11%	29%	26%	12%	9%	10%
Goodwill & Other Intangibles	0%	0%	0%	0%	0%	0%	0%	0%
Year/Year Growth Rates								
Licensing Revenue	11%	39%	62%	-7%	-5%	41%	37%	-9%
Product Revenue	NM	NM	NM	NM	242%	54%	NM	NM
Total Revenues	-10%	57%	195%	-51%	-2%	36%	32%	-9%
Operating Expenses	29%	31%	0%	35%	1%	-5%	1%	0%
EBITDA	-94%	NM	778%	-79%	-10%	146%	56%	-15%
Net Income	-105%	NM	1945%	-84%	-36%	255%	73%	-17%
Diluted EPS	-101%	NM	1963%	-82%	-22%	247%	75%	-17%

Source: company data, Hilliard Lyons estimates

Note: Our model for 2009 incorporates payments from Samsung.
Our 2010 estimate incorporates payments from Nokia, Samsung, and Sony Ericsson under fixed/ratable terms.
Our 2010E V2 estimates exclude $37.7 million of revenue from Samsung.

Analyst Certification

I, Tom Carpenter, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

Important Disclosures

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

The author of this report or members of his household have a long position in the common stock of InterDigital Communications, but may not engage in buying or selling contrary to the recommendation.

Investment Ratings

Buy - We believe the stock has significant total return potential in the coming 12 months.
Long-term Buy - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues.
Neutral - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.
Underperform - We believe the stock is vulnerable to a price set back in the next 12 months.

Suitability Ratings

1 - A large cap, core holding with a solid history
2 - A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks
3 - An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage
4 - Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base.

	Hilliard Lyons Recommended Issues		Investment Banking Provided in Past 12 Mo.	
Rating	**# of Stocks Covered**	**% of Stocks Covered**	**Banking**	**No Banking**
Buy	35	26%	3%	97%
Long-term Buy	36	26%	6%	94%
Neutral	55	40%	2%	98%
Underperform	8	6%	13%	88%
Suspended	2	1%	0%	100%

As of 6 March 2009

Hilliard Lyons ratings for IDCC (INTERDIGITAL INC)
Closing Price Mar 13, 2009: $22.7
05/31/06 LTB:$26.77 T: $34
11/08/06 N:$30.38 T:N/A
03/29/07 LTB:$31.79 T: $40
08/15/07 LTB:$24.18 T: $32
01/11/08 B:$21.47 T: $36
07/09/08 N:$19.54 T:N/A
01/16/09 B:$26.94 T: $39
03/16/09 B:$22.7 T: $33
39
34
29
24
19
14
Apr Jul Oct 2007 Apr Jul Oct 2008 Apr Jul Oct 2009
09/06/06 U:$34.25 T:N/A
12/06/06 LTB:$32.79 T: $40
05/10/07 LTB:$32.08 T: $38
11/05/07 LTB:$21.64 T: $36
07/08/08 N:$25.26 T:N/A
10/13/08 N:$18.53 T: $30-$36
02/03/09 N:$33.33 T: $39
Legend:
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LTB=LT Buy, B=Buy, N=Neutral, U=Underperform, T=Price Target
Reiterated Positive
Downgrade
Upgrade
Reiterated Neutral