

**INTERDIGITAL (IDCC-Q)**

**Rating: Buy**  
**12-Month Target: \$54.00**

**HTC HAS BIG PLANS FOR 2011**

MARKET INFO: IDCC-Q			
Closing Price	\$39.09		
Quarterly Dividend	\$0.10		
Annualized Yield	1.02%		
Target Price	\$54.00		
Potential ROI	38.2%		
52 Week Range (\$)	\$22.30 / \$39.40		
Market Cap (\$mm)	\$1,716.03		
Cash (mm)	\$563.58		
Debt (mm)	\$0.54		
Enterprise Value (mm)	\$1,152.99		
Shares o/s (mm)	44.3		
Avg Volume (previous 3 months)	628,370		
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	3.9X	2.9X	2.6X
EV/EBITDA	6.2X	4.3X	3.7X
P/E	20.0X	11.2X	9.6X

Source: Capital IQ, M Partners



**HTC HAS TOLD ITS CHANNELS TO PREPARE FOR 60 MILLION SHIPMENTS FOR 2011**

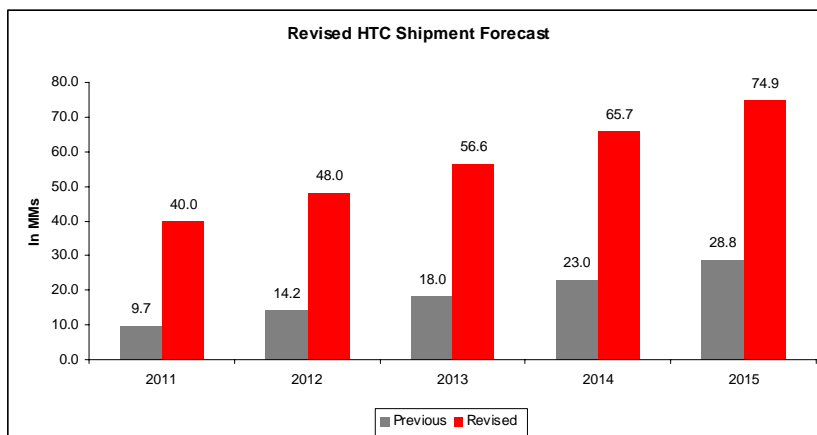
HTC is one of InterDigital's better known per-unit licensees. Based on third-party estimates from Gartner and ABI Research, we had estimated 10 million 3G units shipped by HTC and recognized as revenue by InterDigital during 2011. On December 10, 2010 Digitimes Telecom reported that HTC suppliers are preparing for 60 million HTC mobile units to be shipped during 2011. Although this is partly due to the continued better than expected adoption of its Android phones like EVO and Incredible, HTC is also preparing to ship several million Windows Phone 7 units. Microsoft plans to sell 30 million Windows Phone 7 units during 2011.

We are increasing our 2011 forecast for per unit InterDigital licenses from 10 million 3G units to 40 million 3G units for HTC. The adjustments to our longer term forecasts are detailed in the chart below.

Based on our current royalty assumptions, this significant uptick in planned shipments represents an incremental \$6.00 in value to the current sum-of-the-parts valuation of the stock.

As a result, we maintain our BUY recommendation and increase our 12-month share price target to \$54.00 from \$48.00.

As a reminder to investors, our sum-of-the-parts analysis excludes a potential licensing deal expected with Nokia at some point in the future.



**Appendix A –Income Statement**

InterDigital Inc.  
Year Ended Dec 31

Income statement (\$MM, except per share amounts)	F'08A	F'09A	Q1'10A	Q2'10A	Q3'10A	Q4'10E	F'10E	Q1'11E	Q2'11E	Q3'11E	Q4'11E	F'11E
Revenue	228.47	297.40	116.19	91.15	91.92	96.04	395.30	100.76	110.49	117.44	122.98	451.66
<b>Operating Expenses</b>												
Patents Administration and Licensing	63.49	56.13	17.82	14.71	12.77	15.37	60.67	21.16	18.78	17.62	18.45	76.00
Research & Development	98.93	64.01	16.16	16.36	17.46	17.29	67.27	16.12	14.92	15.27	15.99	62.29
Selling, General and Administrative	33.45	24.78	7.52	7.01	7.22	7.68	29.43	7.56	8.29	8.81	9.22	33.87
	<b>195.88</b>	<b>144.91</b>	<b>41.51</b>	<b>38.08</b>	<b>37.45</b>	<b>40.34</b>	<b>157.37</b>	<b>44.84</b>	<b>41.98</b>	<b>41.69</b>	<b>43.66</b>	<b>172.17</b>
<b>EBIT</b>	<b>32.59</b>	<b>152.49</b>	<b>74.68</b>	<b>53.07</b>	<b>54.47</b>	<b>55.70</b>	<b>237.93</b>	<b>55.92</b>	<b>68.50</b>	<b>75.75</b>	<b>79.32</b>	<b>279.49</b>
<b>Adj. EBITDA</b>	<b>66.55</b>	<b>185.16</b>	<b>81.61</b>	<b>59.59</b>	<b>61.42</b>	<b>64.14</b>	<b>266.76</b>	<b>64.68</b>	<b>77.41</b>	<b>84.76</b>	<b>88.42</b>	<b>315.27</b>
<b>Other Income</b>												
Interest and investment income (loss)	3.43	(1.19)	0.60	0.89	0.56	0.00	2.05	0.00	0.00	0.00	0.00	0.00
Arbitration and litigation contingencies	3.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repositioning	0.00	(38.60)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>7.37</b>	<b>(39.79)</b>	<b>0.60</b>	<b>0.89</b>	<b>0.56</b>	<b>0.00</b>	<b>2.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Income (loss) before tax</b>	<b>39.96</b>	<b>112.70</b>	<b>75.28</b>	<b>53.96</b>	<b>55.03</b>	<b>55.70</b>	<b>239.97</b>	<b>55.92</b>	<b>68.50</b>	<b>75.75</b>	<b>79.32</b>	<b>279.49</b>
Provision for income tax	13.76	25.45	26.45	19.00	19.51	19.50	84.46	19.57	23.98	26.51	27.76	97.82
<b>Net income</b>	<b>26.21</b>	<b>87.26</b>	<b>48.83</b>	<b>34.96</b>	<b>35.52</b>	<b>36.21</b>	<b>155.51</b>	<b>36.35</b>	<b>44.53</b>	<b>49.24</b>	<b>51.56</b>	<b>181.67</b>
<b>Income applicable to participating securities</b>	<b>(0.23)</b>	<b>(0.86)</b>	<b>(0.43)</b>	<b>(0.31)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Net income applicable to common shareholders</b>	<b>25.98</b>	<b>86.40</b>	<b>48.40</b>	<b>34.65</b>	<b>35.52</b>	<b>36.21</b>	<b>155.51</b>	<b>36.35</b>	<b>44.53</b>	<b>49.24</b>	<b>51.56</b>	<b>181.67</b>
<b>Earnings per share</b>												
Basic	\$0.58	\$1.98	\$1.11	\$0.79	\$0.81	\$0.82	\$3.54	\$0.83	\$1.01	\$1.12	\$1.17	\$4.13
Diluted	\$0.57	\$1.95	\$1.09	\$0.78	\$0.80	\$0.81	\$3.49	\$0.81	\$1.00	\$1.10	\$1.16	\$4.07

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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 September 30, 2010		
Buy	28	88%
Sell	1	3%
Hold	2	6%
Under Review	1	3%
Total	32	100%