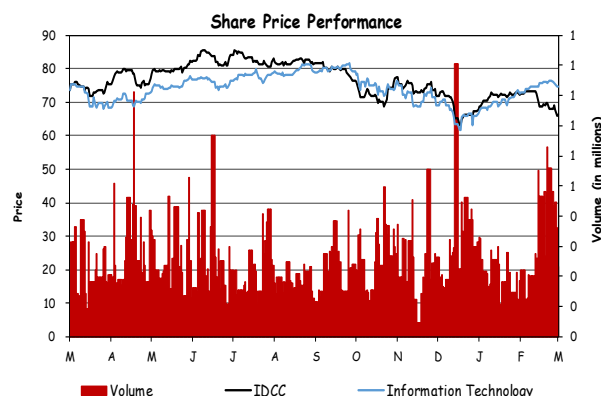


InterDigital, Inc.	Symbol: IDCC
Analyst	Marko Stojanovic
Buy below	\$64.82
Sell above	\$87.09
Probability of Price Increase	97%
Last Price	\$66.13
Intrinsic Value	\$72.58
Target Dividends	\$0.00
Target Price	\$77.79

**Description**

InterDigital, Inc. designs and develops technologies that enable and enhance wireless communications in the United States and internationally.

Sector	Information Technology
Industry	Communications Equipment
Last Guidance	December 11, 2018
Next earnings date	NM

People

Merritt, William, President, CEO & Director
 Brezski, Richard, CFO & Treasurer
 Öistämä, Kai, Chief Operating Officer
 Lau, Jannie, Chief Legal Officer, General Counsel & Corporat
 Belk, Jeffrey, Executive VP of Business Development & Presiden
 Tirri, Henry, Chief Technology Officer

Top Competitors

Rambus Inc.	XpresSpa Group, Inc.
Xperi Corporation	Spherix Incorporated
Acacia Research Corporation	Quarterhill Inc.
Spirent Communications plc	Palo Alto Networks, Inc.
NetScout Systems, Inc.	Marathon Patent Group, Inc.

Market Statistics

Market Capitalization (mil)	\$2,153.07
Last Price per share	\$66.13
52 week high	\$85.85
52-week low	\$62.34
Volatility	27.79%
Daily volume (mil)	0.23
Short interest	5.91%
Days to cover short interest	6.50
Beta	1.23

Investment Thesis**UNIQUE LONG-TERM GROWTH PROSPECTS AND MARGIN EXPANSION**

I am initiating **IDCC** coverage of Dick's Sporting Goods with a BUY at \$64 and a \$77 price target. I view IDCC as a best-in-class mobile technology research and development company with solid long term growth in revenue. While still exhibiting characteristics of a high growth mobile technology that can double its current industry in few years, IDC has not even close to maturity characterized or having meaningful cash flow generation. As a result, IDCC now has the capacity to fund growth while also reinvesting in structural improvements to its gross margin. I believe IDCC is one of few retailers that offers both organic unit growth and structural margin improvement opportunities.

For the long:**1. 5G technology:**

IDCC has a world-class R&D lab that drives InterDigital's technology development and is a respected participant in international standards & industry activities. In their labs, they are incorporating 5G technology which is going to kick in in 2020 and bring the speed of information to be even more efficient. They are also incorporating artificial intelligence into the 5G technology.

2. Working on products that will be connected to internet:

IDCC is trying to switch towards products that will eventually be part of new way of living called "smart living" where everything is connected to the internet. Their main focus will be LTE gps maps and AR glasses with small focus on watches however, watches are already introduced so this will not be big organic growth matter.

3. Keep the advantage against competitors with their patents:

IDCC currently holds over 30 patents that has been approved to bring major revenue to the company. With this patents they have differentiate themselves from competitors and provided the real ability to be major leader in 5G technology coming forward.

For the short:**1. Focus on products that has been successful in past 12 months :**

IDCC has few products that have not growth at the rate that was expected. They are switching their focus on products that have been doing well and going to promote those in the more marketable way.

2. Started to license the market worth \$800B:

They are going to partner with few other companies to make one big leader in 5G technology

Key Catalysts for price change

- New licensing deals.
- E-commerce growth.
- Revenue growth due to introduction of 5G technology.

Valuation

My \$77 price target is derived from Discounted Unlevered Free Cash Flow estimates

Ownership		Change in Ownership ("Input"/month)
Shares outstanding (mil)	32.62	
Diluted shares outstanding (mil)	35.31	
Options and Warrants (Shares equivalent)	0.02	
% shares held by institutions	104%	0.05%
% shares held by investments Managers	73%	0.03%
% shares held by hedge funds	6.77%	0.03%
% shares held by VC/PE firms	0.058%	1%
% shares held by insiders	1.59%	-4.54%
Poison Pill Type	FALSE	

InterDigital, Inc.	Symbol: IDCC
Analyst	Marko Stojanovic
Buy below	\$64.82
Sell above	\$87.09
Probability of Price Increase	97%
Last Price	\$66.13
Intrinsic Value	\$72.58
Target Dividends	\$0.00
Target Price	\$77.79

Quarterly Earning Surprises (Actual Vs. Median Estimates)

Revenue	
12/31/2017	5.31%
3/31/2018	24.92%
6/30/2018	7.21%
9/30/2018	2.83%
12/31/2018	1.65%
Mean (Standard Error)	8.38% (1.05%)

EBITDA	
12/31/2017	-86.85%
3/31/2018	-112.57%
6/30/2018	92.92%
9/30/2018	223.44%
12/31/2018	-64.87%
Mean (Standard Error)	8.38% (3.67%)

Valuation

DCF Valuation

	Revenues	EBITDA Margin	UFCF	WACC	ROIC	Price Per Share
Base Year (Actual)	\$566.34	39%	\$268.20	8.12%	35.33%	\$129.14
year 1	\$711.74	41%	\$158.32	8.93%	40.08%	\$139.94
year 2	\$869.28	42%	\$213.29	8.92%	35.83%	\$151.51
year 3	\$1,049.52	42%	\$265.88	8.91%	31.49%	\$163.82
year 4	\$1,252.44	42%	\$324.88	8.91%	28.19%	\$176.85
year 5	\$1,477.08	42%	\$390.33	8.90%	25.57%	\$190.58
year 6	\$1,721.34	42%	\$461.80	8.89%	23.39%	\$204.97
year 7	\$1,981.91	42%	\$538.58	8.88%	21.53%	\$219.98
year 8	\$2,254.19	42%	\$619.72	8.88%	19.90%	\$235.55
year 9	\$2,532.34	41%	\$703.59	8.87%	18.45%	\$251.62
year 10	\$2,809.38	41%	\$788.22	8.87%	17.11%	\$268.11
year 11	\$3,077.42	41%	\$871.48	8.86%	15.86%	\$284.95
year 12	\$3,327.98	41%	\$951.04	8.86%	14.69%	\$302.05
year 13	\$3,552.36	41%	\$1,024.59	8.86%	13.57%	\$319.33
year 14	\$3,742.18	41%	\$1,089.59	8.86%	12.50%	\$336.72
year 15	\$3,889.77	41%	\$1,141.58	8.86%	11.46%	\$367.02
Continuing Period	\$3,988.76	41%	\$743.65	8.87%	8.87%	

Relative Valuation				Asset Based Valuation		
RELATIVE	EV/Rev (FW)	EV/EBITDA (FW)	P/BV (TTM)	P/E (FW)	Recovery Rate	100%
Median (Peers)	8.2x	54.0x	19.7x	98.2x	Capital	\$7,395.45
	Revenue (NTM)	EBITDA (NTM)	Book Value (LTM)	Net Income (NTM)	Intangibles	\$52.63
Base	\$729.87	\$297.87	\$463.10	\$222.24	Claims	\$70.35
Implied EV	\$6,020.88	\$16,088.95				
Total Net Claims	-\$90.33	-\$90.33				
Implied EQ	\$6,111.21	\$16,179.28	\$9,110.77	\$21,819.43		\$7,272.47

Valuation Summary

Model	Intrinsic Value	Target Price	Weight
DCF Valuation	\$129.14	\$139.94	40.00%
EV/Rev (FW)	\$104.32	\$112.79	0.00%
EV/EBITDA (FW)	\$276.18	\$298.60	30.00%
P/BV (TTM)	\$155.52	\$168.15	30.00%
P/E (FW)	\$372.46	\$402.69	0.00%
Asset Based Valuation	\$124.14	\$134.22	0.00%
Price per Share	\$181.16	\$196.00	100%

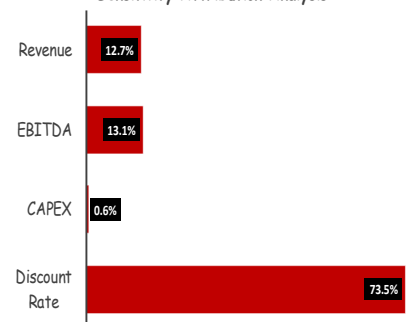
Financials

Profitability	IDCC (LTM)	IDCC Historical	Peers' Median (LTM)
Return on Capital	2.6%	191.10%	1.24%
Adjusted EBITDA Margin	38.9%	55.05%	3.50%
Return on Equity	3.9%	12.8%	6.5%
Adjusted Net margin	21.2%	27.3%	9.1%
Invested Funds	IDCC (LTM)	IDCC Historical	Peers' Median (LTM)
Cash/Capital	94.4%	95.5%	20.2%
NWC/Capital	-12.9%	-19.8%	-1.3%
Operating Assets/Capital	16.8%	19.4%	56.1%
Goodwill/Capital	1.7%	0.0%	5.7%
Capital Structure	IDCC (LTM)	IDCC Historical	Peers' Median (LTM)
Total Debt/Market Cap.	0.15	0.12	0.07
Reported Cost of Borrowing	11.9%		14.5%
Cash Interest/Total Debt			43.7%
CGFS Credit Rating	CCC		CCC
Credit Model Rating	bb-		b+ to bb-
Probability of Default	0.41%		0.28%

Cost of Capital

	CGFS Credit Rating	Credit Model Rating	Probability of Default
Implied Cost of Borrowing (IDCC)	6.5%	7.1%	5.6%
Implied Cost of Borrowing (Peers)	6.5%	7.4%	6.4%
Cost of New Debt Estimate	10.0%		
Market Risk Premium Estimate	2.3%		
Cost of Equity Estimate	12.3%		
WACC Estimate	12.0%		

Sensitivity Attribution Analysis



Intrinsic Value Distribution--Probability (Upside)=97%

