

InterDigital, Inc.

Another solid quarter and even better FY24 guidance

Reiterate Rating: BUY | PO: 140.00 USD | Price: 114.60 USD

Strong end of year with 20% YoY revenue growth

Interdigital posted a strong end to the year with FY23 total revenues growing 20% to \$550mn and EPS up 148% YoY to \$7.61. The company's quarterly revenue cadence remains lumpy, on the back of revenue recognition timing, with 4Q23 topline declining 10% YoY due to outsized catchup royalty payments in 4Q22. This also drove gross and operating margin contraction (see Exhibit 1). However, 4Q23 EPS grew 31% YoY to \$1.41, benefitting from lower interest expenses and a reduced tax rate in the quarter. Overall, InterDigital continues to widen its moat within device licensing, and the company increased its total patent filings by 70% YoY in FY23. We reiterate our Buy rating and raise our PO to \$140 (from \$125), now based on 17x our 2025 EV/FCF vs. prior 15x 2024E EV/FCF, as we remain confident in InterDigital's medium-term outlook and potential topline benefits from licensing agreements with Oppo and Vivo. See Exhibit 2 for our estimate revisions.

Recurring revenue supported by strong ex-handset growth

Recurring revenues from smartphones were roughly flat YoY in 4Q23 at \$86mn, yet the company continues to grow via its Consumer Electronics (CE) and IoT/autos segment, which grew 14% YoY. This strength was driven by new agreements in video, solid momentum in autos and ASP uplift within the connected car ecosystem from the migration to 5G from 4G. New sources of upside include licensing of artificial intelligence (AI) technologies across all verticals, which could drive content growth and better unit royalties. A faster handset replacement cycle due to AI could also be a positive growth catalyst.

Better-than-expected FY24 revenue guidance

Management provided full-year guidance for FY24 revenues to reach \$645mn at the midpoint, which came in well above Street's estimates of \$471mn. We see additional upside from new licensing agreements and subsequent catch-up payments. For example, the final resolution of InterDigital's latest licensing agreement with Samsung for smartphones is expected to finalize by YE24.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.07	7.61	5.70	4.83	5.46
EPS Change (YoY)	73.4%	147.9%	-25.1%	-15.3%	13.0%
Consensus EPS (Bloomberg)			5.82	5.86	NA
DPS	1.39	1.40	1.43	1.45	1.47
Valuation (Dec)					
P/E	34.1x	13.7x	18.4x	21.7x	19.2x
Dividend Yield	1.3%	1.3%	1.4%	1.4%	1.4%
EV / EBITDA*	10.4x	8.0x	8.4x	22.8x	25.3x
Free Cash Flow Yield*	10.5%	7.8%	8.0%	8.1%	8.8%

* For full definitions of *IQmethod*SM measures, see page 6.

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Timestamp: 15 February 2024 03:15PM EST

15 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	125.00	140.00
2024E Rev (m)	460.4	645.1
2025E Rev (m)	518.9	595.9
2026E Rev (m)	NA	663.5
2024E EPS	3.78	5.70
2025E EPS	5.29	4.83
2026E EPS	NA	5.46
2024E DPS	1.36	1.43

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Stock Data

Price	114.60 USD
Price Objective	140.00 USD
Date Established	15-Feb-2024
Investment Opinion	B-1-7
52-Week Range	66.82 USD - 111.79 USD
Mrkt Val (mn) / Shares Out (mn)	2,946 USD / 25.7
Free Float	97.9%
Average Daily Value (mn)	37.76 USD
BofA Ticker / Exchange	IDCC / NAS
Bloomberg / Reuters	IDCC US / IDCC.OQ
ROE (2024E)	25.5%
Net Dbt to Eqty (Dec-2023A)	-59.0%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

IoT: Internet of Things

ASP: average selling price

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iQprofileSM InterDigital, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.2%	12.9%	10.2%	7.9%	8.4%
Return on Equity	12.6%	32.6%	25.5%	18.3%	18.4%
Operating Margin	32.9%	40.3%	29.5%	25.2%	24.2%
Free Cash Flow	283	209	214	218	237

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	3.1x	1.0x	1.3x	1.6x	1.6x
Asset Replacement Ratio	0x	0.1x	0x	0.1x	0.1x
Tax Rate	21.7%	10.0%	17.4%	13.6%	9.8%
Net Debt-to-Equity Ratio	-74.1%	-59.0%	-72.1%	-86.3%	-100.6%
Interest Cover	5.1x	4.9x	6.0x	4.7x	5.1x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	458	550	645	596	664
% Change	7.6%	20.1%	17.4%	-7.6%	11.3%
Gross Profit	278	354	363	348	382
% Change	11.3%	27.5%	2.6%	-4.3%	9.7%
EBITDA	229	299	283	105	94
% Change	53.3%	30.7%	-5.6%	-63.0%	-9.9%
Net Interest & Other Income	(33)	13	10	10	10
Net Income (Adjusted)	94	214	165	138	154
% Change	69.4%	128.5%	-22.8%	-16.4%	11.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	94	214	165	138	154
Depreciation & Amortization	79	78	118	105	113
Change in Working Capital	(28)	(1)	(118)	(13)	(8)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	141	(77)	54	(6)	(16)
Capital Expenditure	(3)	(4)	(5)	(5)	(6)
Free Cash Flow	283	209	214	218	237
% Change	121.2%	-26.0%	2.2%	2.0%	8.7%
Share / Issue Repurchase	(79)	(351)	(1)	(1)	(1)
Cost of Dividends Paid	(42)	(39)	(41)	(41)	(41)
Change in Debt	0	0	0	4	4

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,202	1,006	1,178	1,354	1,548
Trade Receivables	53	117	168	154	172
Other Current Assets	90	44	109	139	141
Property, Plant & Equipment	365	325	212	113	5
Other Non-Current Assets	190	279	279	279	279
Total Assets	1,900	1,771	1,945	2,038	2,145
Short-Term Debt	0	579	579	579	579
Other Current Liabilities	271	302	344	352	378
Long-Term Debt	661	84	84	84	84
Other Non-Current Liabilities	238	224	224	224	224
Total Liabilities	1,170	1,189	1,231	1,238	1,265
Total Equity	731	582	714	800	880
Total Equity & Liabilities	1,900	1,771	1,945	2,038	2,145

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Data Networking

Company Description

InterDigital (IDCC) designs, develops, and patents technologies for advanced digital wireless telecom applications and consumer electronic devices for its global licensees. The company's licensing business and patent portfolio are predominantly focused on wireless technologies for 5G (and prior iterations), but also cover equipment for video, product features & applications, digital television (DTV), and broadcast & home network.

Investment Rationale

We believe IDCC has robust growth drivers over the next few years through new agreements with unlicensed smartphone OEMs, growth into adjacent markets, and potential favorable court rulings on existing disputes. Management has provided expectations for \$500mn in wireless recurring revenues, which translates to 85% market share, up from the current \$375mn and 55% penetration, yet once reached, additional upside may be limited and growth could slow to low-single digits, or even flat.

Stock Data

Average Daily Volume 329,511

Quarterly Earnings Estimates

	2023	2024
Q1	3.58A	2.72E
Q2	0.79A	0.58E
Q3	1.72A	0.68E
Q4	1.41A	0.84E

Financial highlights

Exhibit 1: Actual versus estimated results

InterDigital posted solid 4Q23 results across the board

\$k	4Q22A	1Q23A	2Q23A	3Q23A	4Q23A	BofA Est	Delta	QoQ	YoY
Recurring revenues	\$103,616	\$101,573	\$99,073	\$104,541	\$103,218	\$104,891	-\$1,673	-1.3%	-0.4%
QoQ % Chg	2.5%	-2.0%	-2.5%	5.5%	-1.3%	-25.1%			
YoY % Chg	2.0%	2.5%	-1.0%	3.5%	-0.4%	1.2%			
Non-recurring revenues	\$13,439	\$100,800	\$2,518	\$35,565	\$2,300	\$14,143	-\$11,843	-93.5%	-82.9%
QoQ % Chg	-2.0%	650.1%	-97.5%	1312.4%	-93.5%	-60.5%			
YoY % Chg	31.3%	4500.6%	-89.7%	159.3%	-82.9%	5.2%			
Total Revenues	\$117,055	\$202,373	\$101,591	\$140,106	\$105,518	\$104,891	\$627	-24.7%	-9.9%
QoQ % Chg	2.0%	72.9%	-49.8%	37.9%	-24.7%	-25.1%			
YoY % Chg	4.7%	99.7%	-18.5%	22.1%	-9.9%	-10.4%			
Gross profits	71,323	152,944	51,713	89,853	59,793	\$60,668	-\$875	-33.5%	-16.2%
Gross margin (%)	60.9%	75.6%	50.9%	64.1%	56.7%	57.8%	(1.2) bps	-12%	-7%
Opex:									
Patent administration and licensing	\$45,732	\$49,429	\$49,878	\$50,253	\$45,725	\$44,223	\$1,502	-9.0%	0.0%
R&D (Licensing as of 4Q22)	\$20,170	\$21,368	\$16,644	\$21,522	\$19,863	\$20,015	-\$152	-7.7%	-1.5%
SG&A	\$12,559	\$12,315	\$11,693	\$14,678	\$14,605	\$13,944	\$661	-0.5%	16.3%
Operating Expenses (incl. patent licensing costs)	\$78,461	\$83,112	\$78,215	\$86,453	\$80,193	\$78,182	\$2,011	-7.2%	2.2%
Operating Income	\$38,594	\$119,261	\$23,376	\$53,653	\$25,325	\$26,709	(1,384)	-52.8%	-34.4%
Operating Margin %	33.0%	58.9%	23.0%	38.3%	24.0%	25.5%	(1.5) bps	-37%	-27%
Income before income taxes	\$40,196	\$120,365	\$25,622	\$55,695	\$32,928	\$24,333	\$8,595	-40.9%	-18.1%
Income tax benefit (expense)	-\$8,190	-\$16,845	-\$4,329	-\$8,541	\$6,158	-\$3,732	\$9,890	-172.1%	-175.2%
Net income attributable to InterDigital	\$32,408	\$105,259	\$21,783	\$47,941	\$39,086	\$21,389	\$17,697	-18.5%	20.6%
Earnings per share - Diluted	\$1.08	\$3.58	\$0.79	\$1.72	\$1.41	\$0.78	\$0.64	-18.0%	31.0%
Earnings per share - Basic	\$1.09	\$3.66	\$0.81	\$1.82	\$1.52	\$0.81	\$0.71	-16.5%	39.3%
Diluted shares	30,031	29,372	27,655	27,812	27,640	27,534	106	-0.6%	-8.0%

Source: BofA Global Research estimates, company report

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Exhibit 2: Summary of model changes

We tweak our estimates to reflect management's latest guidance targets

	BofA SALES			BofA EPS		
	Old	New	Delta	Old	New	Delta
FY23						
1Q23A	\$202,373	\$202,373	\$0	\$3.58	\$3.58	\$0.00
2Q23A	\$101,591	\$101,591	\$0	\$0.79	\$0.79	\$0.00
3Q23A	\$140,106	\$140,106	\$0	\$1.72	\$1.72	\$0.00
4Q23A	\$104,891	\$105,518	\$627	\$1.20	\$1.41	\$0.21
Total	\$548,961	\$549,588	\$627	\$6.99	\$7.61	\$0.62
FY24E						
1Q24E	\$250,727	\$250,804	\$77	\$2.74	\$2.72	(\$0.02)
2Q24E	\$100,711	\$108,652	\$7,940	\$0.44	\$0.58	\$0.13
3Q24E	\$108,263	\$124,022	\$15,759	\$0.64	\$0.68	\$0.04
4Q24E	\$115,403	\$136,016	\$20,612	\$0.84	\$0.84	(\$0.00)
Total	\$575,104	\$645,072	\$69,968	\$4.67	\$5.70	\$1.03
FY25E						
1Q25E	\$112,807	\$143,479	\$30,672	\$0.74	\$1.01	\$0.27
2Q25E	\$113,977	\$132,547	\$18,569	\$0.74	\$0.67	(\$0.08)
3Q25E	\$116,660	\$135,403	\$18,743	\$0.83	\$0.75	(\$0.09)
4Q25E	\$120,083	\$138,997	\$18,913	\$0.93	\$0.82	(\$0.11)
Total	\$463,528	\$595,940	\$132,413	\$3.25	\$4.83	\$1.58

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Exhibit 3: Income statement

We model InterDigital's FY24 revenues/EPS to reach \$645mn/\$5.70, respectively, in-line with management's latest guidance

Fiscal Year ended December 31st (\$k)	1Q22A	2Q22A	3Q22A	4Q22A	FY22	1Q23A	2Q23A	3Q23A	4Q23A	FY23	1Q24E	2Q24E	3Q24E	4Q24E	FY24E
Recurring revenues	99,127	100,101	101,046	103,616	403,890	101,573	99,073	104,541	103,218	408,405	98,774	108,652	124,022	136,016	467,463
YoY Growth	26.1%	28.1%	8.2%	2.0%	14.8%	2.5%	-1.0%	3.5%	-0.4%	1.1%	-2.8%	9.7%	18.6%	31.8%	14.5%
Non-recurring revenues	2,191	24,556	13,718	13,439	53,904	100,800	2,518	35,565	2,300	141,183	152,030	7,602	8,362	9,616	177,609
YoY Growth	-42.1%	156.2%	-72.6%	31.3%	-26.9%	4500.6%	-89.7%	159.3%	-82.9%	161.9%	50.8%	201.9%	-76.5%	318.1%	25.8%
Total Revenues	\$101,318	\$124,657	\$114,764	\$117,055	\$457,794	\$202,373	\$101,591	\$140,106	\$105,518	\$549,588	\$250,804	\$108,652	\$124,022	\$136,016	\$645,072
YoY Growth	23.0%	42.1%	-20.0%	4.7%	7.6%	99.7%	-18.5%	22.1%	-9.9%	20.1%	23.9%	6.9%	-11.5%	28.9%	17.4%
Gross Profits	59,223	79,240	68,044	71,323	277,830	152,944	51,713	89,853	59,793	354,303	135,577	59,104	67,042	76,187	363,489
Gross Margin	58.5%	63.6%	59.3%	60.9%	60.7%	75.6%	50.9%	64.1%	56.7%	64.5%	54.1%	54.4%	54.1%	56.0%	56.3%
Patent administration and licensing	42,095	45,417	46,720	45,732	179,964	49,429	49,878	50,253	45,725	195,285	115,227	49,548	56,980	59,829	281,583
R&D (Licensing as of 4Q22)	17,612	17,086	21,789	20,170	76,657	21,368	16,644	21,522	19,863	79,397	23,240	24,402	26,842	29,526	104,009
SG&A	10,884	9,516	14,418	12,559	47,377	12,315	11,693	14,678	14,605	53,291	16,066	16,274	17,902	18,797	69,039
Restructuring	542	2,738	0	0	3,280	0	0	0	0	0	0	0	0	0	0
Total Opex (incl. patent admin/licensing costs)	71,133	74,757	82,927	78,461	307,278	83,112	78,215	86,453	80,193	327,973	154,532	90,224	101,723	108,152	454,631
Operating Income	30,185	49,900	31,837	38,594	150,516	119,261	23,376	53,653	25,325	221,615	96,272	18,428	22,298	27,864	190,441
Operating Margin	29.8%	40.0%	27.7%	33.0%	32.9%	58.9%	23.0%	38.3%	24.0%	40.3%	38.4%	17.0%	18.0%	20.5%	29.5%
Income before income taxes	23,665	28,612	25,090	40,196	117,563	120,365	25,622	55,695	32,928	234,610	98,684	20,850	24,731	30,307	200,150
Income tax benefit (expense)	-5,961	-8,028	-3,323	-8,190	-25,502	-16,845	-4,329	-8,541	6,158	-23,557	-19,737	-4,170	-4,946	-6,061	-34,914
Net income attributable to InterDigital	\$17,994	\$21,069	\$22,222	\$32,408	\$93,693	\$105,259	\$21,783	\$47,941	\$39,086	\$214,069	\$78,947	\$16,680	\$19,784	\$24,245	\$165,236
Earnings per share - Basic	\$0.59	\$0.69	\$0.75	\$1.09	\$3.11	\$3.66	\$0.81	\$1.82	\$1.52	\$7.96	\$3.08	\$0.65	\$0.77	\$0.95	\$6.45
Earnings per share - Diluted	\$0.58	\$0.69	\$0.74	\$1.08	\$3.07	\$3.58	\$0.79	\$1.72	\$1.41	\$7.61	\$2.72	\$0.58	\$0.68	\$0.84	\$5.70
Diluted share count	31,275	30,710	29,940	30,031	30,489	29,372	27,655	27,812	27,640	28,120	29,022	28,993	28,964	28,935	28,978
Operating Cash Flow	-17,972	-33,768	-18,729	356,508	286,039	-27,852	-45,440	310,610	-23,585	213,733	42,684	70,197	49,187	56,747	218,815
Free Cash Flow	-28,181	-45,644	-27,783	344,894	243,286	-36,333	-58,476	300,968	-37,052	169,107	41,583	69,041	47,973	55,472	214,069
FCF Margin	-27.8%	-36.6%	-24.2%	294.6%	53.1%	-18.0%	-57.6%	214.8%	-35.1%	30.8%	16.6%	63.5%	38.7%	40.8%	34.6%
Cash and equivalents	899,220	900,609	863,423	1,201,777	1,201,777	950,684	840,723	1,083,919	1,006,356	1,006,356	1,037,301	1,095,704	1,133,039	1,177,874	1,177,874
Net cash	481,920	308,109	266,823	604,393	541,111	354,855	370,079	545,758	922,085	922,085	953,030	1,011,433	1,048,768	1,093,603	1,093,603
Margin Analysis															
Gross Margin	58.5%	63.6%	59.3%	60.9%	60.7%	75.6%	50.9%	64.1%	56.7%	64.5%	54.1%	54.4%	54.1%	56.0%	56.3%
Patent administration and licensing	41.5%	36.4%	81.4%	78.1%	39.3%	48.8%	98.2%	71.7%	86.7%	35.5%	45.9%	45.6%	45.9%	44.0%	43.7%
Research & Development	17.4%	13.7%	38.0%	34.5%	16.7%	21.1%	32.8%	30.7%	37.6%	14.4%	9.3%	22.5%	21.6%	21.7%	16.1%
Selling, General and Administrative	10.7%	7.6%	25.1%	21.5%	10.3%	12.2%	23.0%	21.0%	27.7%	9.7%	6.4%	15.0%	14.4%	13.8%	10.7%
Total Opex	70.2%	60.0%	144.5%	134.1%	67.1%	82.1%	154.0%	123.4%	152.0%	59.7%	61.6%	83.0%	82.0%	79.5%	70.5%
Operating Income	29.8%	40.0%	55.5%	65.9%	32.9%	117.9%	46.0%	76.6%	48.0%	40.3%	38.4%	17.0%	18.0%	20.5%	29.5%
Effective Tax Rate	-25.2%	-28.1%	-13.2%	-20.4%	21.7%	-14.0%	-16.9%	-15.3%	18.7%	10.0%	-20.0%	-20.0%	-20.0%	-20.0%	17.4%
Net Income %	17.8%	16.9%	38.7%	55.4%	20.5%	104.0%	42.9%	68.4%	74.1%	39.0%	31.5%	15.4%	16.0%	17.8%	25.6%
YoY % Growth															
Revenues	23.0%	42.1%	-20.0%	4.7%	7.6%	99.7%	-18.5%	22.1%	-9.9%	20.1%	23.9%	6.9%	-11.5%	28.9%	17.4%
Total Opex	1.1%	-17.7%	-22.3%	-9.0%	-13.2%	16.8%	4.6%	4.3%	2.2%	6.7%	85.9%	15.4%	17.7%	34.9%	38.6%
Operating Income	151.8%	-1684.6%	-13.4%	50.8%	111.4%	295.1%	-53.2%	68.5%	-34.4%	47.2%	-19.3%	-21.2%	-58.4%	10.0%	-14.1%
EPS	222.2%	1222.5%	-11.1%	53.9%	73.7%	522.9%	14.8%	132.2%	31.0%	147.7%	-24.1%	-27.0%	-60.4%	-40.7%	-25.1%
QoQ % Growth															
Revenues	-9.4%	-70.7%	13.3%	-6.1%		72.9%	-77.8%	-30.8%	3.9%		137.7%	-56.7%	14.1%	9.7%	
Total Opex	-17.5%	-78.9%	16.6%	5.0%		5.9%	-74.5%	4.0%	2.5%		92.7%	-41.6%	12.7%	6.3%	
Operating Income	18.0%	-29.9%	5.5%	-22.7%		209.0%	-84.5%	-55.0%	8.3%		280.1%	-80.9%	21.0%	25.0%	
EPS	-18.0%	-61.2%	29.0%	57.3%		232.1%	-74.4%	-51.9%	79.5%		92.4%	-78.9%	18.7%	22.7%	

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

InterDigital, Inc. (IDCC)

Our \$140 PO is based on 17x our 2025E EV/FCF, reflecting a slight discount to the peer average (18x), which we believe is warranted given the company's robust pipeline for new smartphone licensing agreements with Chinese vendors, as well as the potential upside to recurring and non-recurring revenues from existing arbitration disputes. We also see TAM growth beyond smartphones as a key driver, all of which is supported by InterDigital's highly stable and predictable recurring revenue model.

Downside risks to our PO are: 1) failure to reach licensing agreements with technology/device manufacturers and vendors, 2) lower-than-expected royalty rates/fees with licensees, 3) slower-than-expected expansion into additional markets beyond handsets, 4) difficulty with maintaining royalty rates when the market expands to different types of devices (IoT, autos, Cloud), and 5) unsustainable long-term growth once the company reaches 80-85% market penetration in wireless.

Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
NEUTRAL				
	Cellebrite	CLBT	CLBT US	Tomer Zilberman
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
UNDERPERFORM				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani



iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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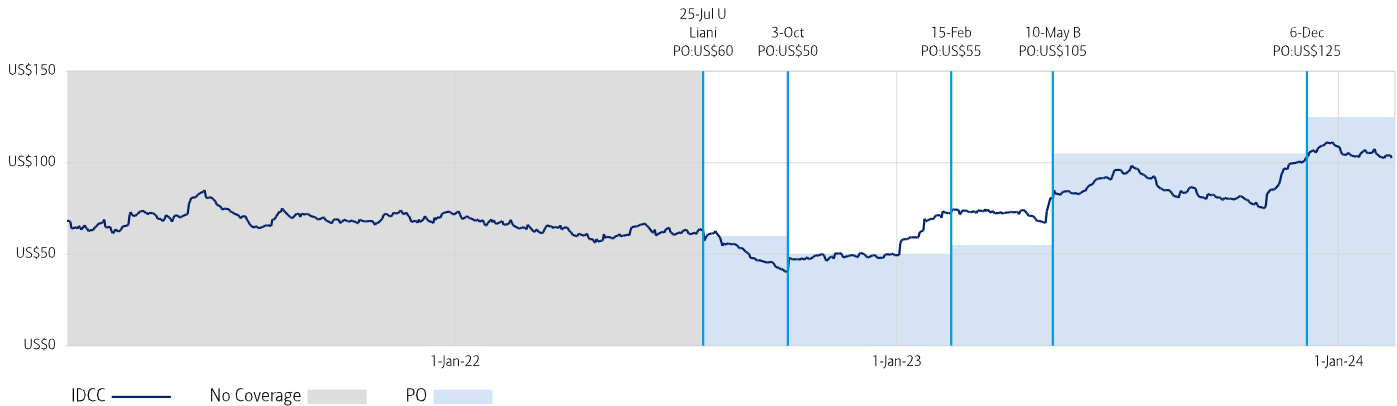
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InterDigital (IDCC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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