



InterDigital, Inc.
Financial Metrics
Unaudited (amounts in millions, except per share data)
Posted: August 2, 2018

	2016					2017					2018			YTD Adjustment	ASC 605 YTD ⁶
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD	Q1	Q2	YTD		
Revenues:															
Variable patent royalty revenue	\$ 73.7	\$ 44.5	\$ 35.8	\$ 14.0	\$ 168.0	\$ 15.9	\$ 11.4	\$ 10.1	\$ 10.5	\$ 47.8	\$ 6.1	\$ 6.6	\$ 12.7	\$ 4.8	\$ 17.5
Fixed-fee royalty revenue	29.1	29.1	45.7	73.7	177.6	73.4	73.1	73.7	81.5	301.6	57.7	60.3	118.0	39.7	157.7
Current patent royalties ^a	102.8	73.6	81.5	87.7	345.6	89.2	84.5	83.7	92.0	349.5	63.8	66.9	130.7	44.5	175.2
Non-current patent royalties	4.2	1.3	124.0	180.3	309.8	—	47.9	8.8	106.2	162.9	23.3	2.0	25.3	(10.0)	15.4
Total patent licensing royalties	107.0	74.9	205.5	268.0	655.4	89.2	132.3	92.6	198.2	512.4	87.1	68.9	156.0	34.5	190.5
Past technology solution revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Current technology solutions revenue ^a	0.8	1.0	2.8	5.9	10.5	5.3	3.5	4.8	7.1	20.6	0.3	0.7	1.0	4.1	5.1
Total revenue	\$ 107.8	\$ 75.9	\$ 208.3	\$ 273.9	\$ 665.9	\$ 94.5	\$ 135.8	\$ 97.3	\$ 205.3	\$ 532.9	\$ 87.4	\$ 69.6	\$ 157.0	\$ 38.6	\$ 195.6
Recurring Revenue (Σ a)	\$ 103.6	\$ 74.6	\$ 84.3	\$ 93.6	\$ 356.1	\$ 94.5	\$ 87.9	\$ 88.5	\$ 99.1	\$ 370.0	\$ 64.1	\$ 67.5	\$ 131.6	\$ 48.6	\$ 180.2
Current Royalty Mix:															
Variable patent royalty revenue	72%	60%	44%	16%	49%	18%	13%	12%	11%	14%	10%	10%	10%	11%	10%
Fixed fee royalty revenue	28%	40%	56%	84%	51%	82%	87%	88%	89%	86%	90%	90%	90%	89%	90%
Revenue Concentrations > 10%															
Apple				63%	25%	30%	21%	29%	14%	21%	32%	40%	36%	N/A	N/A
Blackberry Limited									34%	13%					
Huawei			66%		23%	18%	12%	26%		14%					
Kyocera											11%				
LG									21%			11%	10%		
Microsoft							35%								
Customer of Signal Trust											11%				
Pegatron Corporation	46%	33%		12%	20%										
Samsung Electronics Co., Ltd.	16%	23%			10%	18%	13%	18%		13%	22%	28%	25%		
Cash vs. Non-Cash Revenue:															
Cash receipts	\$ 99.9	\$ 256.6	\$ 37.9	\$ 325.6	\$ 719.8	\$ 27.6	\$ 65.0	\$ 154.8	\$ 261.6	\$ 509.1	\$ 56.8	\$ 42.3	\$ 99.1		
Change in deferred revenue	(45.8)	(166.9)	130.7	(123.7)	(205.7)	(106.1)	74.0	(58.0)	126.9	36.9	45.3	(18.1)	27.2		
Change in receivables	60.7	(10.4)	42.7	76.9	169.8	174.1	(3.5)	1.1	(183.8)	(12.2)	(24.4)	40.9	16.5		
Other	(7.0)	(3.4)	(3.0)	(4.9)	(18.0)	(1.1)	0.2	(0.6)	0.6	(0.9)	9.7	4.5	14.2		
Total Revenue	\$ 107.8	\$ 75.9	\$ 208.3	\$ 273.9	\$ 665.9	\$ 94.5	\$ 135.8	\$ 97.3	\$ 205.3	\$ 532.9	\$ 87.4	\$ 69.6	\$ 157.0		
Operating Expenses:															
Patent administration and licensing ¹	\$ 25.0	\$ 26.3	\$ 24.7	\$ 27.4	\$ 113.5	\$ 26.9	\$ 23.2	\$ 26.5	\$ 26.0	\$ 102.6	\$ 26.9	\$ 26.5	\$ 53.4		
Development ¹	20.6	14.9	16.0	21.6	68.8	19.8	19.1	17.3	19.6	75.8	16.2	15.8	32.0		
Selling, general and administrative ¹	13.8	11.7	10.9	15.7	46.3	13.9	12.5	12.6	14.0	53.0	14.2	11.6	25.8		
Total Operating Expenses	\$ 59.5	\$ 52.8	\$ 51.6	\$ 64.7	\$ 228.6	\$ 60.6	\$ 54.8	\$ 56.4	\$ 59.6	\$ 231.4	\$ 57.3	\$ 53.9	\$ 111.2		
Intellectual property enforcement and non-patent litigation	(4.1)	(5.2)	(3.7)	(3.5)	(16.5)	(4.3)	(2.7)	(4.6)	(3.7)	(15.3)	(5.7)	(5.7)	(11.4)		
Amortization of patents & other acquired intangibles ¹	(11.9)	(12.1)	(12.2)	(12.5)	(48.6)	(13.6)	(12.7)	(13.6)	(13.3)	(53.2)	(13.8)	(13.9)	(27.7)		
Compensation accrual adjustments ²	(3.3)	(0.4)	(0.3)	(9.7)	(13.7)	(0.5)	0.2	0.7	0.9	1.3	1.8	1.0	2.8		
Other ¹	(6.1)	(1.6)	(1.0)	(1.0)	(9.7)	(4.6)	(2.2)	(1.5)	(2.3)	(10.7)	(3.6)	(1.9)	(5.5)		
Pro forma Operating Expense³	\$ 34.0	\$ 33.6	\$ 34.4	\$ 37.9	\$ 139.9	\$ 37.6	\$ 37.3	\$ 37.5	\$ 41.2	\$ 153.6	\$ 36.0	\$ 33.4	\$ 69.4		

* Other adjustments include fringe rate, vacation accrual, R&D refund, bad debt expense, severance associated with structural changes and non-recurring contra expenses.

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Other Income Statement Data:															
Income from operations	\$ 48.4	\$ 23.1	\$ 156.7	\$ 209.1	\$ 437.3	\$ 34.0	\$ 80.9	\$ 40.9	\$ 145.7	\$ 301.5	\$ 30.2	\$ 15.7	\$ 45.8	\$ 38.6	\$ 84.5
Other expense	(7.1)	(0.7)	(3.8)	(3.4)	(15.0)	(2.8)	(2.3)	(2.2)	(1.8)	(9.1)	(6.3)	(4.8)	(11.2)	9.0	(2.2)
Income before income taxes	41.3	22.4	152.9	205.7	422.3	31.2	78.6	38.7	143.9	292.4	23.9	10.8	34.6	47.6	82.3
Income tax (provision) benefit	(14.1)	16.7	(49.4)	(70.0)	(116.8)	1.6	(27.1)	(4.0)	(92.3)	(121.7)	4.9	(1.1)	3.9	(8.9)	(5.1)
Net income	27.2	39.0	103.5	135.7	305.5	32.8	51.5	34.7	51.7	170.7	28.8	9.8	38.5	38.7	77.2
Net income attributable to non-controlling interest	(0.9)	(1.0)	(0.9)	(0.7)	(3.5)	(1.0)	(1.0)	(0.8)	(0.8)	(3.6)	(1.2)	(0.9)	(2.1)	—	(2.1)
Net income attributable to InterDigital, Inc.	\$ 28.1	\$ 40.0	\$ 104.4	\$ 136.4	\$ 309.0	\$ 33.8	\$ 52.5	\$ 35.5	\$ 52.5	\$ 174.3	\$ 30.0	\$ 10.7	\$ 40.6	\$ 38.7	\$ 79.3
Net Income per common share - diluted	\$ 0.79	\$ 1.14	\$ 2.99	\$ 3.84	\$ 8.78	\$ 0.93	\$ 1.46	\$ 1.00	\$ 1.48	\$ 4.87	\$ 0.84	\$ 0.30	\$ 1.14	\$ 1.09	\$ 2.23
Weighted average number of common shares outstanding - diluted	35.4	34.9	35.0	35.6	35.2	36.2	35.9	35.4	35.5	35.8	35.6	35.6	35.6	—	35.6
Net income attributable to InterDigital, Inc.	\$ 28.1	\$ 40.0	\$ 104.4	\$ 136.4	\$ 309.0	\$ 33.8	\$ 52.5	\$ 35.5	\$ 52.5	\$ 174.3	\$ 30.0	\$ 10.7	\$ 40.6	\$ 38.7	\$ 79.3
Share-based compensation	6.6	3.9	4.7	6.5	21.8	5.3	4.7	3.9	4.2	18.1	0.8	1.8	2.6	—	2.6
Impairment charges	—	0.2	—	—	0.2	—	—	—	—	—	—	—	—	—	—
Non-cash interest	5.2	2.7	2.8	2.8	13.5	2.9	2.9	2.9	3.0	11.7	7.7	3.1	10.8	(9.0)	1.8
Related income tax effect of above items	(4.1)	(2.4)	(2.6)	(3.3)	(12.4)	(2.9)	(2.6)	(2.4)	(2.5)	(10.4)	(1.8)	(1.0)	(2.8)	8.9	6.1
Adjustment to income taxes	(0.5)	(23.1)	(0.5)	1.1	(22.9)	(11.8)	0.4	(9.1)	42.8	22.3	(3.4)	(0.2)	(3.7)	—	(3.7)
Non-GAAP net income⁴	\$ 35.3	\$ 21.3	\$ 108.8	\$ 143.5	\$ 309.1	\$ 27.3	\$ 57.8	\$ 30.9	\$ 100.0	\$ 215.9	\$ 33.3	\$ 14.4	\$ 47.6	\$ 38.6	\$ 86.2
Weighted average number of common shares outstanding - diluted	35.4	34.9	35.0	35.6	35.2	36.2	35.9	35.4	35.5	35.8	35.6	35.6	35.6	—	35.6
Net Income per common share - diluted	\$ 0.79	\$ 1.14	\$ 2.99	\$ 3.84	\$ 8.78	\$ 0.93	\$ 1.46	\$ 1.00	\$ 1.48	\$ 4.87	\$ 0.84	\$ 0.30	\$ 1.14	\$ 1.09	\$ 2.23
Dilutive effect of above items	\$ 0.20	\$ (0.53)	\$ 0.12	\$ 0.19	\$ —	\$ (0.18)	\$ 0.15	\$ (0.13)	\$ 1.34	\$ 1.16	\$ 0.10	\$ 0.10	\$ 0.19	\$ (0.01)	\$ 0.18
Non-GAAP net income per common share - diluted⁴	\$ 0.99	\$ 0.61	\$ 3.11	\$ 4.03	\$ 8.78	\$ 0.75	\$ 1.61	\$ 0.87	\$ 2.82	\$ 6.03	\$ 0.94	\$ 0.40	\$ 1.33	\$ 1.08	\$ 2.41
Cash Flow Data:															
Net cash provided by (used in) operating activities	\$ 19.6	\$ 191.4	\$ (10.2)	\$ 233.3	\$ 434.2	\$ (25.9)	\$ 19.4	\$ 104.7	\$ 217.5	\$ 315.8	\$ (0.6)	\$ 6.8	\$ 6.2	\$ —	\$ 6.2
Purchases of property, equipment & technology	(1.6)	(0.7)	(1.2)	(2.4)	(5.9)	(0.3)	(0.6)	(0.1)	(1.1)	(2.1)	(0.4)	(1.1)	(1.5)	—	(1.5)
Capitalized patent costs	(8.1)	(8.3)	(7.9)	(8.4)	(32.7)	(7.8)	(8.8)	(9.8)	(8.6)	(34.9)	(8.0)	(6.5)	(14.5)	—	(14.5)
Free Cash Flow⁵	\$ 9.9	\$ 182.4	\$ (19.3)	\$ 222.5	\$ 395.6	\$ (33.9)	\$ 10.1	\$ 94.9	\$ 207.7	\$ 278.8	\$ (9.0)	\$ (0.8)	\$ (9.8)	\$ —	\$ (9.8)

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	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	Q3	Q4	Full Yr	Q1	Q2	YTD		
Balance Sheet Data:															
Cash & short-term investments	\$ 658.7	\$ 813.9	\$ 781.5	\$ 952.8	\$ 952.8	\$ 886.1	\$ 885.4	\$ 967.2	\$ 1,158	\$ 1,158	\$ 1,117	\$ 1,101	\$ 1,101	\$ —	\$ 1,101
Long-term debt	(262.6)	(265.7)	(268.8)	(272)	(272)	(275.2)	(278.5)	(281.8)	(285.1)	(285.1)	(288.5)	(291.9)	(291.9)	—	(291.9)
Net cash	\$ 396.1	\$ 548.2	\$ 512.7	\$ 680.8	\$ 680.8	\$ 610.9	\$ 606.9	\$ 685.4	\$ 872.9	\$ 872.9	\$ 828.1	\$ 808.6	\$ 808.6	\$ —	808.6
Deferred Revenue:															
Beginning of period deferred revenue	\$ 395.3	\$ 441.1	\$ 608.	\$ 485.2	\$ 395.3	\$ 621.2	\$ 727.3	\$ 653.2	\$ 724.1	\$ 621.2	\$ 616.8	\$ 241.6	\$ 616.8	N/A	N/A
Change in deferred revenue	45.8	166.9	(130.7)	123.7	205.7	106.1	(74.0)	58.	(126.9)	(36.8)	(45.3)	18.1	(27.2)		
ASC 606 adjustments	—	—	—	—	—	—	—	—	—	—	(329.9)	(29.7)	(359.6)		
Other	—	—	7.9	12.3	20.2	—	—	12.8	19.7	32.5	—	—	—		
End of period deferred revenue	\$ 441.1	\$ 608.0	\$ 485.2	\$ 621.2	\$ 621.2	\$ 727.3	\$ 653.2	\$ 724.1	\$ 616.8	\$ 616.8	\$ 241.6	\$ 230.1	\$ 230.1		

NOTE: Sums may not equal total due to rounding

- 1) Certain reclassifications have been made to prior period amounts to conform to the current period presentation.
- 2) "Compensation accrual adjustments" represents the adjustment that would be necessary in a given period to present the performance compensation actually accrued for that period against the performance compensation as if it had been accrued at 100% of the target performance compensation levels.
- 3) "Pro forma operating expenses" is a supplemental non-GAAP financial measure that InterDigital believes provides relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends. A limitation of "Pro forma operating expenses" is that it does not represent the total increase or decrease in InterDigital's total operating expenses for the period. "Pro forma operating expenses" excludes from total operating expense significant items that are non-operational or non-recurring in nature, including "Compensation accrual adjustments" (see Footnote 2). InterDigital's computation of "Pro forma operating expenses" might not be comparable to the "Pro forma operating expenses" reported by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). A detailed reconciliation of "Pro forma operating expenses" to total operating expenses, the most directly comparable GAAP financial measure, is provided above.
- 4) Non-GAAP net income and non-GAAP diluted EPS are supplemental non-GAAP financial measures that InterDigital believes provides investors with important insight into the Company's ongoing business performance. A limitation of the utility of non-GAAP net income and non-GAAP diluted EPS is that they do not represent the total net income and diluted EPS of the company for the period. InterDigital defines non-GAAP net income as net income plus share-based compensation, repositioning costs, impairment charges and one time adjustments, non-cash interest expense on the company's outstanding convertible debt, the related income tax effect of the preceding items, and adjustments to income taxes. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). These non-GAAP financial measures used by the company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies. Detailed reconciliations of non-GAAP net income to net income and non-GAAP diluted EPS to net income (loss) per common share - diluted, or diluted EPS, the most directly comparable GAAP financial measures, are provided above.
- 5) "Free cash flow" is a supplemental non-GAAP financial measure that InterDigital believes is helpful in evaluating the company's ability to invest in its business, make strategic acquisitions and fund share repurchases, among other things. A limitation of the utility of free cash flow as a measure of financial performance is that it does not represent the total increase or decrease in the company's cash balance for the period. InterDigital defines "free cash flow" as net cash provided by/(used in) operating activities less purchases of property and equipment, technology licenses and investments in patents. InterDigital's computation of free cash flow might not be comparable to free cash flow reported by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles ("GAAP"). A detailed reconciliation of free cash flow to net cash provided by / (used in) operating activities, the most directly comparable GAAP financial measure, is provided above.
- 6) Effective January 1, 2018, the company adopted a new revenue recognition standard ("ASC 606"). The company adopted ASC 606 using the modified retrospective method, which means that revenue amounts reported for prior periods have not been restated. In the interest of comparability during the transition year to ASC 606, the company has provided certain 2018 results of operations in accordance with both ASC 606 and previous accounting literature ("ASC 605"). The column to the left of the ASC 605 information shows the adjustments made to reconcile the ASC 605 presentation to ASC 606. The company believes this additional information is vital during the transition year to allow readers of its financial statements to compare financial results from the preceding financial year given the absence of restatement of the prior period. The ASC 605 information should be considered in addition to, not as a substitute for, nor superior to or in isolation from, the financial information prepared in accordance with ASC 606.