

InterDigital, Inc.
Form 10-Q
August 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 1-33579

INTERDIGITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

PENNSYLVANIA 82-4936666

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

200 Bellevue Parkway, Suite 300, Wilmington, DE 19809-3727

(Address of Principal Executive Offices and Zip Code)

(302) 281-3600

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$0.01 per share 34,811,427

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Title of Class

Outstanding at July 31, 2018

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InterDigital® is a registered trademark of InterDigital, Inc. All other trademarks, service marks and/or trade names appearing in this Quarterly Report on Form 10-Q are the property of their respective holders.	

EXPLANATORY NOTE ABOUT INTERDIGITAL, INC.

On April 3, 2018, for the purpose of reorganizing its holding company structure, InterDigital, Inc., a Pennsylvania corporation and then-existing NASDAQ-listed registrant (the “Predecessor Company”), executed an Agreement and Plan of Merger (“Merger Agreement”) with InterDigital Parent, Inc., a Pennsylvania corporation (the “Successor Company”) 100% owned by the Predecessor Company, and another newly formed Pennsylvania corporation owned 100% by the Successor Company (“Merger Sub”). Pursuant to the Merger Agreement, on April 3, 2018, Merger Sub merged (the “Merger” or “Reorganization”) with and into the Predecessor Company, with the Predecessor Company surviving. As a result of the Merger, the Predecessor Company is now a wholly owned subsidiary of the Successor Company. Neither the business conducted by the Successor Company and the Predecessor Company in the aggregate, nor the consolidated assets and liabilities of the Successor Company and the Predecessor Company in the aggregate, changed as a result of the Reorganization. By virtue of the Merger, each share of the Predecessor Company’s outstanding common stock was converted, on a share-for-share basis, into a share of common stock of the Successor Company. As a result, each shareholder of the Predecessor Company became the owner of an identical number of shares of common stock of the Successor Company. Immediately following the Reorganization, the Successor Company was renamed as “InterDigital, Inc.,” identical to the Predecessor Company’s name prior to the Merger. The Successor Company’s common stock continues to be traded under the name “InterDigital, Inc.” and continues to be listed on the NASDAQ Global Select Market under the ticker symbol “IDCC.” In addition, immediately following the Merger the directors and executive officers of the Successor Company were the same individuals who were directors and executive officers, respectively, of the Predecessor Company immediately prior to the Merger. For the purpose of this Quarterly Report on Form 10-Q, references to the Company, our Board of Directors or any committee thereof, or our management, employees, business or financial results at or for any period prior to the Merger refer to those of the Predecessor Company and thereafter to those of the Successor Company.

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INTERDIGITAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

(unaudited)

	JUNE 30, 2018	DECEMBER 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$523,779	\$ 433,014
Short-term investments	576,782	724,981
Accounts receivable, less allowances of \$456	77,988	216,293
Prepaid and other current assets	21,970	21,506
Total current assets	1,200,519	1,395,794
PROPERTY AND EQUIPMENT, NET	10,575	10,673
PATENTS, NET	316,587	325,408
DEFERRED TAX ASSETS	41,750	84,582
OTHER NON-CURRENT ASSETS	50,219	37,963
	419,131	458,626
TOTAL ASSETS	\$1,619,650	\$ 1,854,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$9,393	\$ 10,260
Accrued compensation and related expenses	16,432	24,571
Deferred revenue	76,777	307,142
Taxes payable	691	14,881
Dividends payable	12,193	12,156
Other accrued expenses	12,811	7,431
Total current liabilities	128,297	376,441
LONG-TERM DEBT	291,947	285,126
LONG-TERM DEFERRED REVENUE	153,296	309,671
OTHER LONG-TERM LIABILITIES	9,886	10,034
TOTAL LIABILITIES	583,426	981,272
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock, \$0.10 par value, 14,399 shares authorized, 0 shares issued and outstanding	—	—
Common Stock, \$0.01 par value, 100,000 shares authorized, 71,059 and 70,749 shares issued and 34,808 and 34,622 shares outstanding	710	707
Additional paid-in capital	678,434	680,040
Retained earnings	1,426,888	1,249,091
Accumulated other comprehensive loss	(3,903)	(2,083)
	2,102,129	1,927,755
Treasury stock, 36,251 and 36,127 shares of common held at cost	1,081,660	1,072,488
Total InterDigital, Inc. shareholders' equity	1,020,469	855,267
Noncontrolling interest	15,755	17,881
Total equity	1,036,224	873,148

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$1,619,650 \$ 1,854,420

The accompanying notes are an integral part of these statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

(unaudited)

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2018	2017	2018	2017
REVENUES:				
Patent licensing royalties	\$68,875	\$132,321	\$155,973	\$221,547
Technology solutions	680	3,458	1,026	8,762
	69,555	135,779	156,999	230,309
OPERATING EXPENSES:				
Patent administration and licensing	26,487	23,232	53,403	50,112
Development	15,829	19,098	32,003	38,879
Selling, general and administrative	11,559	12,501	25,763	26,402
	53,875	54,831	111,169	115,393