

TIVO INC
Form 10-Q
June 04, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2012
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 000-27141

TIVO INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2160 Gold Street, P.O. Box 2160, Alviso, CA 95002
(Address of principal executive offices including zip code)
(408) 519-9100
(Registrant's telephone number, including area code)

77-0463167
(I.R.S. Employer
Identification No.)

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 website, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or 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, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act)

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

The number of shares outstanding of the registrant's common stock, \$0.001 par value, was 124,691,970 as of May 16, 2012.

TIVO INC.
FORM 10-Q
For the Fiscal Quarter Ended April 30, 2012

TABLE OF CONTENTS

PART I.	<u>FINANCIAL INFORMATION</u>	<u>5</u>
Item 1.	<u>Financial Statements</u>	<u>5</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>25</u>
Item 4.	<u>Controls and Procedures</u>	<u>26</u>
PART II.	<u>OTHER INFORMATION</u>	<u>26</u>
Item 1.	<u>Legal Proceedings</u>	<u>26</u>
Item 1A.	<u>Risk Factors</u>	<u>26</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>27</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>27</u>
Item 5.	<u>Other Information</u>	<u>27</u>
Item 6.	<u>Exhibits</u>	<u>28</u>
	<u>Signatures</u>	<u>29</u>

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Except as the context otherwise requires, the terms "TiVo," "Registrant," "Company," "we," "us," or "our" as used herein are references to TiVo Inc. and its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to, among other things:

- our financial results, expectations of future revenues and profitability;
- our intention and ability to protect our intellectual property, the cost of prosecuting or defending our intellectual property through litigation, the outcome of related litigations and the strength and future value of our intellectual property;
- our future investments in subscription acquisition activities, offers of bundled hardware and service subscriptions, future advertising expenditures, future use of consumer rebates, hardware cost and associated subsidies, and other marketing activities and consumer offers, including our current subsidized hardware pricing and related subscription pricing and their impact on our hardware revenues, service revenues, total acquisition costs as well as sales and marketing, subscription acquisition costs, and average revenue per subscription ("ARPU");
- our estimates of the useful life of TiVo-enabled digital video recorders ("DVRs") in connection with the recognition of revenue received from product lifetime subscriptions and the expected future increase in the number of fully-amortized TiVo-Owned product lifetime subscriptions;
- our expectations regarding the seasonality of our business and subscription additions to the TiVo service;
- our expectations regarding any future growth in subscriptions to the TiVo Service, including future increases in TiVo's MSO subscription base and the possibility of future decreases in the TiVo-Owned subscription base;
- our intentions to continue to grow the number of TiVo-Owned subscriptions through our relationships with major retailers and our expectations with respect to future gross additions in our TiVo-Owned subscriptions as well as multiple system operators and broadcasters' ("MSOs") subscriptions;
- our expectations related to future advertising and audience research measurement revenues;
- our expectations related to changes in the cost of our hardware revenues and the reasons for changes in the volume of DVRs sold to retailers;
- our future earnings including expected future service revenues from future TiVo-Owned subscriptions and future service and technology revenues from MSOs;
- our expectations of the growth in the future advanced television services market for our software and technology for both our hardware and in-home and outside-of-the-home cloud-based solutions, which will be impacted by alternatives to and competitors with our products, such as cable Video On Demand ("VOD"), streaming VOD from the internet, and network DVRs;
- our expectations regarding installation and operational issues surrounding cable-operator provided CableCARDS and switched digital devices essential for TiVo consumer devices in cable homes;
- our expectations that in the future we may also offer services for additional non-DVR products that would incorporate the TiVo user interface and non-DVR software;
- our expectations of the growth of the TiVo service and technology outside the United States;
- our expectations with respect to the timing of future development and deployment, including future

subscription growth or attrition and future technology and service revenues, with our distribution partners such as Virgin Media Limited (U.K.), Suddenlink (U.S.), Charter Communications (U.S.), Cableuropa S.A.U. (“ONO”) (Spain), Comcast (U.S.), Cox (U.S.), RCN (U.S.), Grande Communications (U.S.), DIRECTV (U.S.), and Cablevision (Mexico);

our expectations regarding the future amount of our research and development spending and associated ability to remain competitive and a technology innovator in advanced television solutions beyond the DVR;

our expectations regarding future increases in the amount of deferred expenses in costs of technology revenues related to development work for our television distribution partners;

our expectations regarding future increases in our operating expenses, including increases in general and administrative expenses, litigation expenses, sales and marketing and subscription acquisition costs, and future increases in hardware costs related to supply shortages in the hard disk drive component market;

our expectations regarding our ability to oversee outsourcing of our manufacturing processes and engineering work;

our expectations with respect to the usability of our current finished goods inventory of DVRs and non-DVR products and the risks that hardware forecasts of our MSO customers may be reduced after we have committed manufacturing resources due to long-lead times which if such inventories exceed forecasted demand would require us to record additional write-downs;

our expectations regarding our ability to fund operations, capital expenditures, and working capital needs during the next year;

our expectations regarding our ability to raise additional capital through the financial markets in the future;

our expectations regarding our ability to perform or comply with laws, regulations, and requirements different than those in the United States; and

our expectations regarding our estimates and expectations related to long-term investments and their associated carrying value.

Forward-looking statements generally can be identified by the use of forward-looking terminology such as “believe,” “expect,” “may,” “will,” “intend,” “estimate,” “continue,” “ongoing,” “predict,” “potential,” and “anticipate” or similar expressions negative of those terms or expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Such factors include, among others, the information contained under the caption Part I, Item 1A. “Risk Factors” in our most recent annual report on Form 10-K . The reader is cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this quarterly report and we undertake no obligation to publicly update or revise any forward-looking statements in this quarterly report. The reader is strongly urged to read the information set forth under the caption Part I, Item 2 “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Part II, Item 1A, “Risk Factors” for a more detailed description of these significant risks and uncertainties.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TIVO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

(unaudited)

	April 30, 2012	January 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 125,607	\$ 169,555
Short-term investments	441,703	449,244
Accounts receivable, net of allowance for doubtful accounts of \$357 and \$370, respectively	25,474	24,665
Inventories	28,344	18,925
Deferred cost of technology revenues, current	4,700	4,400
Prepaid expenses and other, current	14,138	12,106
Total current assets	639,966	678,895
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of \$48,575 and \$47,170, respectively	9,703	9,191
Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of \$18,480 and \$17,797, respectively	3,994	4,677
Deferred cost of technology revenues, long-term	24,244	23,546
Prepaid expenses and other, long-term	3,280	3,501
Total long-term assets	41,221	40,915
Total assets	\$681,187	\$719,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$24,924	\$32,102
Accrued liabilities	41,371	45,341
Deferred revenue, current	75,919	74,986
Total current liabilities	142,214	152,429
LONG-TERM LIABILITIES		
Deferred revenue, long-term	70,078	81,336
Convertible senior notes	172,500	172,500
Deferred rent and other long-term liabilities	652	518
Total long-term liabilities	243,230	254,354
Total liabilities	385,444	406,783
COMMITMENTS AND CONTINGENCIES (see Note 6)		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001: Authorized shares are 10,000,000; Issued and outstanding shares - none	—	—
Common stock, par value \$0.001: Authorized shares are 275,000,000; Issued shares are 126,726,716 and 123,073,486, respectively, and outstanding shares are 124,688,748 and 121,616,908, respectively	127	123
Treasury stock, at cost - 2,037,968 shares and 1,456,578 shares, respectively	(20,737)(13,788
Additional paid-in capital	1,014,018	1,003,696

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Accumulated deficit	(697,838) (677,064)
Accumulated other comprehensive income	173	60	
Total stockholders' equity	295,743	313,027	
Total liabilities and stockholders' equity	\$681,187	\$719,810	

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

Table of Contents

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share and share amounts)

(unaudited)

	Three Months Ended April 30,	
	2012	2011
Revenues		
Service revenues	\$30,621	\$33,334
Technology revenues	23,887	5,503
Hardware revenues	13,261	6,915
Net revenues	67,769	45,752
Cost of revenues		
Cost of service revenues	8,379	8,800
Cost of technology revenues	6,286	7,020
Cost of hardware revenues	18,471	8,853
Total cost of revenues	33,136	24,673
Gross margin	34,633	21,079
Research and development	30,560	27,228
Sales and marketing	6,224	6,337
Sales and marketing, subscription acquisition costs	1,257	1,233
General and administrative	16,166	22,452
Litigation Proceeds	—	(175,716)
Total operating expenses	54,207	(118,466)
Income (loss) from operations	(19,574) 139,545
Interest income	908	3,163