TIVO INC
Form 8-K
August 24, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 24, 2005

TIVO INC.

(Exact name of registrant as specified in its charter)

Delaware	000-27141	77-0463167
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2160 Gold Street, Alviso, California	95002
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (408)519-9100

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 8.01 OTHER EVENTS

On August 24, 2005 we announced financial results for our second quarter ended July 31, 2005.

Service and technology revenues for the quarter increased 46% to $40.7 million, compared with $27.8 million for the same period last year. Net income for the quarter was $240,000 or ($0.00) per share, compared to a net loss of ($10.8) million, or ($0.13) per share, for the three months ended July 31, 2004.

Our total subscriptions reached nearly 3.6 million, with the addition of 254,000 total net new subscriptions in the quarter. TiVo-Owned gross subscription additions were 77,000 for the quarter, compared to 78,000 in the second quarter of last year. TiVo-Owned net subscription additions were 40,000 compared to 63,000 in the second quarter of last year. The installed base of DIRECTV subscriptions is now approximately 2.3 million with the addition of 214,000 net new DIRECTV subscriptions in the quarter. As a result of TiVo pursuing a more aggressive marketing approach in the second half of the year, TiVo will forgo the goal of sustained profitability by the fourth quarter.

Partnership with National Cable Television Cooperative (NCTC) is Initiated

TiVo and NCTC announced an agreement to make TiVo® service available throughout NCTC s more than 1,000 independent cable operators. This partnership will allow millions of independent multi-channel service customers to access TiVo in areas where DVR technology was previously unavailable from their local cable operator. TiVo has signed a definitive agreement with Benton Cablevision, based in Rice, Minnesota.

Agreement with Cebridge Connections Signed, Allowing Opportunity to Receive TiVo Service

Cebridge, the 11th largest multi-channel service provider in the country with approximately 480,000 customers in 23 states, will provide its customers with 80-hour TiVo Series2 DVRs, complete with access to WishList® searches and Season Pass recordings. With the TiVo Series2 DVRs, Cebridge has chosen the most rapid means to deploy the TiVo service to its subscribers, effectively differentiating and advancing its cable television service offerings from direct broadcast satellite providers.

TiVo Launches New Interactive Advertising Technology

In the quarter, TiVo launched its next generation interactive advertising technology solution with advertising campaigns from General Motors and The WB Television Network. The new advertising model includes a number of features that enables customization and enhances the TiVo customer experience. The new interactive technology provides advertisers with the ability to receive leads directly from their TV spots, with the viewer s consent, so advertisers can track leads to conversion and track a qualified return on investment. TiVo s new advertising technology is designed so that TiVo subscribers retain control over their viewing experience, while giving advertisers new tools to engage interested consumers.

Following that launch, TiVo announced that several recognizable brands had agreed to use its innovative, next generation advertising technology solution for direct response programs. These companies include: Ameriquest, E*TRADE FINANCIAL, Nautilus, Inc., and Novartis. The features of the new direct response interactive advertising solution will enable these select advertisers to insert a customized call to action or branded tag in their commercial spots, eliminating the need for long form advertising content and leading to a better response rate over traditional direct mail campaigns.

EchoStar Litigation

On August 18, 2005, the United States District Court for the Eastern District of Texas, Marshall Division, issued an Order construing the claims of the Time Warp patent on which TiVo has alleged infringement by certain EchoStar DVR products.

TiVo Wins Patent Infringement Dispute Against Pause Technology LLC

The United States Court of Appeals for the Federal Circuit affirmed the judgment in favor of TiVo based on the February 6, 2004 ruling by United States District Judge Patti Saris of the District of Massachusetts finding that TiVo does not infringe Pause s patent.

TIVO INC.

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2005	**2004**	**2005**	**2004**
Service revenues	$ 40,249	$ 24,333	$ 78,593	$ 46,492
Technology revenues	425	3,427	2,101	6,442
Service and Technology revenues	**40,674**	**27,760**	**80,694**	**52,934**
Hardware revenues	4,649	18,592	15,175	32,929
Rebates, revenue share, and other payments to channel	(5,988)	(6,576)	(9,626)	(11,564)
Net revenues	**39,335**	**39,776**	**86,243**	**74,299**
Cost of service revenues	6,859	6,836	15,498	12,429
Cost of technology revenues	599	2,708	826	4,670
Cost of hardware revenues	6,565	22,720	22,207	39,570
Gross margin	**25,312**	**7,512**	**47,712**	**17,630**
Research and development	9,778	8,138	20,682	17,137
Sales and marketing	7,574	6,026	14,404	11,626
General and administrative	8,409	3,794	14,547	8,033
Loss from operations	**(449)**	**(10,446)**	**(1,921)**	**(19,166)**
Interest and other income (expense), net	732	(302)	1,355	(631)
Provision for taxes	(43)	(12)	(51)	(30)
Net income (loss) attributable to common stockholders	**$ 240**	**$ (10,760)**	**$ (617)**	**$ (19,827)**
Net income (loss) per common share - basic and diluted	**$ 0.00**	**$ (0.13)**	**$ (0.01)**	**$ (0.25)**
Weighted average common shares used to calculate basic net income (loss) per share	83,506	80,197	82,943	79,998
Weighted average common shares used to calculate diluted net income (loss) per share	86,718	80,197	82,943	79,998

TIVO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(unaudited)

	As of July 31, 2005	As of January 31, 2005
Assets		
Cash, cash equivalents and short-term investments	$ 103,823	$ 106,345
Accounts receivable, net	8,684	25,879
Inventories	20,476	12,103
Prepaid expenses and other	5,869	5,714
Intangible, property and equipment, net	13,512	10,011
Total assets	**$ 152,364**	**$ 160,052**
Liabilities & stockholders equity/(deficit)		
Line of credit	$ 8,000	$ 4,500
Accounts payable and other liabilities	32,281	53,096
Deferred revenue	108,471	105,148
Total stockholders equity/(deficit)	3,612	(2,692)
Total Liabilities & stockholders equity/(deficit)	**$ 152,364**	**$ 160,052**

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended July 31,	
	2005	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss attributable to common stockholders	**$ (617)**	**$ (19,827)**
Non-cash adjustments to reconcile net loss to net cash provided by operating activities:	2,865	3,820
Changes in operating assets and liabilities:		
Working capital	(12,163)	(2)
Long-term prepaid assets and liabilities	15	1,637
Deferred revenue	3,323	601
Net cash used in operating activities	**$ (6,577)**	**$ (13,771)**
Acquisitions of property and equipment and intangibles, net	(6,483)	(1,792)
Purchases and sales and maturities of marketable securities, net	4,450	(12,700)
Net cash used in investing activities	**$ (2,033)**	**$ (14,492)**
Net cash provided by financing activities	**$ 10,538**	**$ 2,321**
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Balance at beginning of period	$ 87,245	$ 138,210
Balance at end of period	$ 89,173	$ 112,268
Net increase (decrease) in cash	$ 1,928	$ (25,942)

TIVO INC.

OTHER DATA

Subscriptions

(Subscriptions in thousands)	Three Months Ended July 31, 2005	Three Months Ended July 31, 2004
Subscription Gross Additions:		
TiVo-Owned Gross subscription additions	77	78
Subscription Net Additions:		
TiVo-Owned	40	63
DIRECTV	214	225
Total Subscription Net Additions	**254**	**288**
Cumulative Subscriptions:		
TiVo-Owned	1,253	787
DIRECTV	2,321	1,097
Total Cumulative Subscriptions	**3,574**	**1,884**
% of TiVo-Owned Subscriptions paying recurring fees	**51%**	**43%**

Included in the 3,574,000 subscriptions are approximately 83,000 lifetime subscriptions that have reached the end of the 48-month period TiVo uses to recognize lifetime subscription revenue. These lifetime subscriptions no longer generate subscription revenue.

TIVO INC.

OTHER DATA - KEY BUSINESS METRICS

	Three Months Ended July 31,	
	2005	**2004**
	(In thousands)	
TiVo-Owned Churn Rate		
Average TiVo-Owned subscriptions (for the quarter)	1,233	755
TiVo-Owned subscription cancellations (for the quarter)	(37)	(15)
TiVo-Owned Churn Rate per month	**-1.0%**	**-0.7%**

TiVo-Owned Churn Rate. Management reviews this metric, and believes it may be useful to investors, in order to evaluate our ability to retain existing subscribers by providing compelling services that are competitive in the market. We define the TiVo-Owned Churn Rate as the TiVo-Owned subscription (including both monthly and product lifetime subscriptions) cancellations per month in the period divided by the average TiVo-Owned subscriptions for the period. We calculate average subscriptions by adding the average subscriptions for each month and dividing by the number of months in the period. We calculate average subscriptions for each month by adding the beginning and ending subscriptions for the month and dividing by two. We are not aware of any uniform standards for calculating churn and caution that our presentation may not be consistent with that of other companies.

	Three Months Ended July 31,		Twelve Months Ended July 31,	
	2005	**2004**	**2005**	**2004**
	(In thousands, except SAC)			
Subscription Acquisition Costs				
Sales and marketing expenses	$ 7,574	$ 6,026	$ 40,145	$ 22,072
Rebates, revenue share, and other payments to channel	5,988	6,576	52,758	19,575
Hardware revenues	(4,649)	(18,592)	(93,521)	(82,945)
Cost of hardware revenues	6,565	22,720	102,960	91,670
Total Acquisition Costs	15,478	16,730	102,342	50,372
TiVo-Owned Subscription Gross Additions	77	78	576	362
Subscription Acquisition Costs (SAC)	$ 201	$ 214	$ 178	$ 139

Subscription Acquisition Cost (SAC). Management reviews this metric, and believes it may be useful to investors, in order to evaluate trends in the efficiency of our marketing programs and subscription acquisition strategies. We define SAC as our total acquisition costs divided by TiVo-Owned subscription gross additions. We define total acquisition costs as the sum of sales and marketing expenses, rebates, revenue share, and other payments to channel, minus hardware gross margin (defined as hardware revenues less cost of hardware revenues). As a result of the seasonal nature of our subscription growth, our SAC varies significantly during the year. Management primarily reviews this metric on an annual basis due to the timing difference between our recognition of promotional program expense and the subsequent addition of the related subscription acquisition. Accordingly, we are presenting SAC on a trailing twelve months basis as well in order to show SAC over the longer-term. We do not include DIRECTV subscription gross additions in our calculation of SAC because we incur limited or no acquisition costs for new DIRECTV subscriptions. We are not aware of any uniform standards for calculating total acquisition costs or SAC and caution that our presentation may not be consistent with that of other companies.

	Three Months Ended July 31,	
	2005	2004
	(In thousands, except ARPU)	
TiVo-Owned Average Revenue per Subscription		
Service and Technology revenues	$ 40,674	$ 27,760
Less: Technology revenues	(425)	(3,427)
Total Service revenues	40,249	24,333
Less: DIRECTV-related service revenues	(7,485)	(4,739)
TiVo-Owned-related service revenues	32,764	19,594
Average TiVo-Owned revenues per month	10,921	6,531
Average TiVo-Owned per month subscriptions	1,233	755
TiVo-Owned ARPU per month	$ 8.86	$ 8.66

	Three Months Ended July 31,	
	2005	2004
	(In thousands, except ARPU)	
DIRECTV Average Revenue per Subscription		
Service and Technology revenues	$ 40,674	$ 27,760
Less: Technology revenues	(425)	(3,427)
Total Service revenues	40,249	24,333
Less: TiVo-Owned-related service revenues	(32,764)	(19,594)
DIRECTV-related service revenues	7,485	4,739
Average DIRECTV revenues per month	2,495	1,580
Average DIRECTV per month subscriptions	2,200	988
DIRECTV ARPU per month	$ 1.13	$ 1.60

Average Revenue Per Subscription (ARPU). Management reviews this metric, and believes it may be useful to investors, in order to evaluate the potential of our subscription base to generate revenues from a variety of sources, including subscription fees, advertising, and audience measurement research. ARPU does not include rebates, revenue share and other payments to channel that reduce our GAAP revenues, and, as a result, you should not use ARPU as a substitute for measures of financial performance calculated in accordance with GAAP. Management believes it is useful to consider this metric excluding the costs associated with rebates, revenue share and other payments to channel because of the discretionary nature of these expenses and because management believes these expenses are more appropriately monitored as part of SAC. We are not aware of any uniform standards for calculating ARPU and caution that our presentation may not be consistent with that of other companies.

We calculate ARPU per month for TiVo-Owned subscriptions by subtracting DIRECTV-related service revenues (which includes DIRECTV subscription service revenues and DIRECTV-related advertising revenues) from our total reported service revenues and dividing by the number of months in the period. We then divide by average TiVo-Owned subscriptions for the period, calculated as described above for churn rate.

The decrease in ARPU per month for DIRECTV is the result of the large addition of new DIRECTV subscriptions. While these more recent DIRECTV subscription additions offer lower recurring revenues than subscriptions added during earlier phases of our DIRECTV relationship, they result in more attractive percent margins in our financial results because they generally involve limited or no acquisition costs and lower recurring expenses.

We calculate ARPU per month for DIRECTV subscriptions by first subtracting TiVo-Owned-related service revenues (which includes TiVo-Owned subscription service revenues and TiVo-Owned related advertising revenues) from our total reported service revenues. Then we divide average revenues per month for DIRECTV-related service revenues by average subscriptions for the period.

Forward-Looking Statements

This release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, TiVo s business, services, business development, strategy, subscriptions, and future earnings and financial results. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, believe, expect, may, will, intend, estimate, continue, or similar expressions or the negative of those terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. Factors that may cause actual results to differ materially include delays in development, competitive service offerings and lack of market acceptance, as well as the other potential factors described under Factors That May Affect Future Operating Results in the Company s public reports filed with the Securities and Exchange Commission, including the Company s Annual Report on Form 10-K for the fiscal year ended January 31, 2005 and Quarterly Report on Form 10-Q for the three months ended April 30, 2005. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. TiVo disclaims any obligation to update these forward-looking statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIVO INC.

Date: August 24, 2005

By: /s/ David Courtney

David H. Courtney
Executive Vice President, Group Executive Corporate Products & Services Group, and Chief Financial Officer
(Principal Financial and Accounting Officer)