

TIVO INC
Form 8-K
November 29, 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) November 29, 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):

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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 November 29, 2005 we announced financial results for our third quarter ended October 31, 2005.

Service and technology revenues for the quarter increased 52% to \$43.2 million, compared with \$28.4 million for the same prior year period. Net loss for the quarter was (\$14.2) million or (\$0.17) per share, compared to a net loss of (\$26.4) million, or (\$0.33) per share, for the three months ended October 31, 2004.

Our total subscriptions reached 4.0 million, with the addition of 434,000 total net new subscriptions in the quarter. TiVo-Owned gross subscription additions were 92,000 for the quarter, compared to 119,000 in the third quarter of last year. TiVo-Owned net subscription additions were 55,000 compared to 103,000 in the third quarter of last year. The installed base of DIRECTV subscriptions is now approximately 2.7 million with the addition of 379,000 net new DIRECTV subscriptions in the quarter.

TIVO INC.**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**

(In thousands, except per share data)

(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
Service revenues	\$ 42,296	\$ 27,678	\$ 120,889	\$ 74,170
Technology revenues	901	699	3,002	7,141
Service and Technology revenues	43,197	28,377	123,891	81,311
Hardware revenues	24,652	27,894	39,827	60,823
Rebates, revenue share, and other payments to channel	(18,234)	(17,944)	(27,860)	(29,508)
Net revenues	49,615	38,327	135,858	112,626
Cost of service revenues	8,431	6,505	23,929	18,934
Cost of technology revenues	77	1,465	903	6,135
Cost of hardware revenues	24,742	28,486	46,949	68,056
Gross margin	16,365	1,871	64,077	19,501
Research and development	9,712	9,291	30,394	26,428
Sales and marketing	10,006	14,212	24,410	25,838
General and administrative	11,702	4,366	26,249	12,399
Loss from operations	(15,055)	(25,998)	(16,976)	(45,164)

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Interest and other income (expense), net	816	(274)	2,171	(905)
Provision for taxes		(78)	(51)	(108)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loss attributable to common stockholders	\$ (14,239)	\$ (26,350)	\$ (14,856)	\$ (46,177)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loss per common share - basic and diluted	\$ (0.17)	\$ (0.33)	\$ (0.18)	\$ (0.58)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average common shares used to calculate basic and diluted net loss per share	84,201	80,267	83,362	80,088
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TIVO INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(unaudited)

	October 31, 2005	January 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, and short-term investments	\$ 90,456	\$ 106,345
Accounts receivable, net of allowance for doubtful accounts of \$483 and \$104	29,592	25,879
Finished goods inventories	21,182	12,103
Prepaid expenses and other, current	8,019	4,476
	<u>149,249</u>	<u>148,803</u>
Total current assets	149,249	148,803
LONG-TERM ASSETS		
Property and equipment, net	7,742	7,780
Capitalized software and intangible assets, net	5,490	2,231
Prepaid expenses and other, long-term	752	1,238
	<u>13,984</u>	<u>11,249</u>
Total long-term assets	13,984	11,249
Total assets	<u>\$ 163,233</u>	<u>\$ 160,052</u>
LIABILITIES AND STOCKHOLDERS DEFICIT		
LIABILITIES		
CURRENT LIABILITIES		
Bank line of credit	\$	\$ 4,500
Accounts payable	34,847	18,736
Accrued liabilities	30,546	33,173
Deferred revenue, current	47,366	42,017
	<u>112,759</u>	<u>98,426</u>
Total current liabilities	112,759	98,426
LONG-TERM LIABILITIES		
Deferred revenue, long-term	58,395	63,131
Deferred rent and other	894	1,187
	<u>59,289</u>	<u>64,318</u>
Total long-term liabilities	59,289	64,318
Total liabilities	172,048	162,744
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS DEFICIT		
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 150,000,000		
Issued and outstanding shares are 85,041,261 and 82,280,876, respectively	85	82
Additional paid-in capital	665,807	654,746
Deferred compensation	(2,759)	(428)
Accumulated deficit	(671,948)	(657,092)

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Total stockholders' deficit	<u>(8,815)</u>	<u>(2,692)</u>
Total liabilities and stockholders' deficit	<u>\$ 163,233</u>	<u>\$ 160,052</u>

TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Nine Months Ended October 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (14,856)	\$ (46,177)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment and intangibles	4,589	3,289
Loss on disposal of fixed assets	2	375
Non-cash interest expense		1,416
Recognition of stock-based compensation expense (benefit)	48	803
Changes in assets and liabilities:		
Accounts receivable, net (change includes \$1,500 from related parties for the nine months ended October 31, 2004)	(3,713)	(13,027)
Finished goods inventories	(9,079)	(27,868)
Prepaid expenses and other, current (change includes \$2,832 to related parties for the nine months ended October 31, 2004)	(3,543)	(110)
Prepaid expenses and other, long-term (change includes \$3,268 to related parties for the nine months ended October 31, 2004)	486	2,165
Accounts payable	16,111	10,115
Accrued liabilities (change includes \$(880) to related parties for the nine months ended October 31, 2004)	(2,627)	8,935
Deferred revenue, current (change includes \$(1,814) from related parties for the nine months ended October 31, 2004)	5,349	1,033
Deferred revenue, long-term	(4,736)	4,138
Deferred rent and other long-term liabilities	(293)	(88)
	<u> </u>	<u> </u>
Net cash used in operating activities	\$ (12,262)	\$ (55,001)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(5,375)	(19,750)
Sales of short-term investments	10,625	7,050
Acquisition of property and equipment	(3,897)	(3,501)
Acquisition of capitalized software and intangibles	(3,915)	
	<u> </u>	<u> </u>
Net cash used in investing activities	\$ (2,562)	\$ (16,201)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to bank line of credit	(4,500)	
Proceeds from issuance of common stock related to employee stock purchase plan	2,242	2,408
Proceeds from issuance of common stock related to exercise of common stock options	6,443	1,391
	<u> </u>	<u> </u>
Net cash provided by financing activities	\$ 4,185	\$ 3,799
	<u> </u>	<u> </u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (10,639)	\$ (67,403)
	<u> </u>	<u> </u>

TIVO INC.
OTHER DATA

Subscriptions

	Three Months Ended October 31,	
(Subscriptions in thousands)	2005	2004
TiVo-Owned Subscription Gross Additions	92	119
Subscription Net Additions:		
TiVo-Owned	55	103
DIRECTV	379	316
	434	419
Total Subscription Net Additions		
Cumulative Subscriptions:		
TiVo-Owned	1,308	890
DIRECTV	2,700	1,413
	4,008	2,303
Total Cumulative Subscriptions		
% of TiVo-Owned Cumulative Subscriptions paying recurring fees	51%	46%

Included in the 4,008,000 subscriptions are approximately 89,000 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 October 31,	
	2005	2004
TiVo-Owned Churn Rate	(In thousands)	
Average TiVo-Owned subscriptions (for the quarter)	1,275	835
TiVo-Owned subscription cancellations (for the quarter)	(37)	(16)
TiVo-Owned Churn Rate per month	-1.0%	-0.6%

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 October 31,		Twelve Months Ended October 31,	
	2005	2004	2005	2004
Subscription Acquisition Costs	(In thousands, except SAC)			
Sales and marketing expenses	\$ 10,006	\$ 14,212	\$ 35,939	\$ 30,580
Rebates, revenue share, and other payments to channel	18,234	17,944	53,048	33,622
Hardware revenues	(24,652)	(27,894)	(90,279)	(86,360)
Cost of hardware revenues	24,742	28,486	99,216	94,743
Total Acquisition Costs	28,330	32,748	97,924	72,585
TiVo-Owned Subscription Gross Additions	92	119	549	416
Subscription Acquisition Costs (SAC)	\$ 308	\$ 275	\$ 178	\$ 174

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 October 31,	
	2005	2004
TiVo-Owned Average Revenue per Subscription		
(In thousands, except ARPU)		
Service and Technology revenues	\$ 43,197	\$ 28,377
Less: Technology revenues	(901)	(699)
Total Service revenues	42,296	27,678
Less: DIRECTV-related service revenues	(8,637)	(5,782)
TiVo-Owned-related service revenues	33,659	21,896
Average TiVo-Owned revenues per month	11,220	7,299
Average TiVo-Owned per month subscriptions	1,275	835
TiVo-Owned ARPU per month	\$ 8.80	\$ 8.74

	Three Months Ended October 31,	
	2005	2004
DIRECTV Average Revenue per Subscription		
(In thousands, except ARPU)		
Service and Technology revenues	\$ 43,197	\$ 28,377
Less: Technology revenues	(901)	(699)
Total Service revenues	42,296	27,678
Less: TiVo-Owned-related service revenues	(33,659)	(21,896)
DIRECTV-related service revenues	8,637	5,782
Average DIRECTV revenues per month	2,879	1,927
Average DIRECTV per month subscriptions	2,505	1,238
DIRECTV ARPU per month	\$ 1.15	\$ 1.56

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.

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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 development strategies, current and future partnerships, the expected future deployment and availability of the TiVo service, future TiVo service features and advertising technologies, and other factors that may affect future earnings or 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 and July 31, 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: November 29, 2005

By: */s/* David H. Courtney
David H. Courtney

EVP & Group Executive, Corporate

Products & Services Group

Chief Financial Officer

(Principal Financial and Accounting Officer)