

TIVO INC  
Form 10-Q  
December 08, 2011

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

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended October 31, 2011  
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

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

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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 120,971,847 as of November 30, 2011.

TIVO INC.  
FORM 10-Q  
For the Fiscal Quarter Ended October 31, 2011

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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 increase in 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 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 DVR and advanced television services market, including our expectations regarding competition and consumer acceptance of alternatives to our products, including 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 in addition to Best Buy's Insignia branded broadband connected television incorporating 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), Canal Digital (Scandinavia), Comcast (U.S.), RCN (U.S.), Grande Communications (U.S.), DIRECTV (U.S.), and Cablevision (Mexico);

our expectations regarding future increases or decreases in 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, and management of our inventory;

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;

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

our expectations regarding the impact of the transition to digital distribution technologies by both broadcasters and cable operators.

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, or the 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, as amended, and our quarterly reports on Form 10-Q. 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.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## TIVO INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

(unaudited)

	October 31, 2011	January 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$83,941	\$71,221
Short-term investments	520,367	138,216
Accounts receivable, net of allowance for doubtful accounts of \$373 and \$275, respectively	19,000	16,011
Inventories	15,499	13,228
Deferred cost of technology revenues, current	7,264	13,760
Prepaid expenses and other, current	10,006	6,983
Total current assets	656,077	259,419
<b>LONG-TERM ASSETS</b>		
Property and equipment, net of accumulated depreciation of \$45,736 and \$44,682, respectively	9,739	10,229
Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of \$17,108 and \$15,110, respectively	5,239	6,956
Deferred cost of technology revenues, long-term	20,194	2,100
Prepaid expenses and other, long-term	3,802	1,224
Long-term investments	3,400	5,890
Total long-term assets	42,374	26,399
Total assets	\$698,451	\$285,818
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$30,006	\$18,052
Accrued liabilities	35,832	30,115
Deferred revenue, current	73,848	33,792
Total current liabilities	139,686	81,959
<b>LONG-TERM LIABILITIES</b>		
Deferred revenue, long-term	90,789	34,857
Convertible senior notes	172,500	—
Deferred rent and other long-term liabilities	539	246
Total long-term liabilities	263,828	35,103
Total liabilities	403,514	117,062
<b>COMMITMENTS AND CONTINGENCIES (see Note 5)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
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 122,215,867 and 117,420,874, respectively, and outstanding shares are 120,815,344 and 116,475,318, respectively	122	117
Treasury stock, at cost - 1,400,523 shares and 945,556 shares, respectively	(13,226)	(8,660)

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Additional paid-in capital	992,511	956,947	
Accumulated deficit	(684,249	)(779,225	)
Accumulated other comprehensive income (loss)	(221	)(423	)
Total stockholders' equity	294,937	168,756	
Total liabilities and stockholders' equity	\$698,451	\$285,818	

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

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TIVO INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share and share amounts)

(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2011	2010	2011	2010
Revenues				
Service revenues	\$32,413	\$34,298	\$99,763	\$106,196
Technology revenues	19,391	7,024	40,480	20,412
Hardware revenues	12,970	9,532	31,465	37,182
Net revenues	64,774	50,854	171,708	163,790
Cost of revenues				
Cost of service revenues	9,265	9,878	27,154	30,168
Cost of technology revenues	7,721	4,172	18,554	13,404
Cost of hardware revenues	16,817	13,566	39,071	44,331
Total cost of revenues	33,803	27,616	84,779	87,903
Gross margin	30,971			