

TIVO INC
Form 10-Q
December 10, 2009
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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 October 31, 2009

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)

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Delaware **77-0463167**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
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)

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 109,908,457 as of November 30, 2009.

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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.

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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 future investments in subscription acquisition activities, offers of bundled hardware and service subscriptions, advertising expenditures, future use of consumer rebates, hardware subsidies, and other marketing activities and their impact on our total acquisition costs;

our future earnings including expected future service and technology revenues and future TiVo-Owned and multiple system operators (MSOs)/Broadcasters average revenue per subscription;

expectations of the growth in the future DVR market generally, and the high definition market specifically;

expectations of the growth of the TiVo service and technology outside the United States;

our financial results, expected future increases in hardware losses, expectations of future revenues and profitability, and expectations for the future use of advertising trade credits;

our expectations with respect to the possible future outcomes and the possible receipt of additional damages in our on-going litigation with EchoStar;

our expectations with respect to the timing of further rollout of the TiVo service on Comcast, the continued deployment of the TiVo service on Cox, the launch of the High Definition (HD) DIRECTV DVR with TiVo service; in 2010, and the future development and deployment of the TiVo service and technology with Virgin Media Limited in the UK;

possible future increases in our general and administrative expenses, including expenditures related to lawsuits involving us;

possible future increases in our operating expenses, including increases in customer support and retention expenditures;

future subscription growth or attrition of both TiVo-Owned and MSOs/Broadcasters (such as Comcast, Cox, DIRECTV, Seven/Hybrid TV (Australia), Television New Zealand (TVNZ) (New Zealand), and Cablevision (Mexico), and in the future Virgin Media (UK)), and deployment of the service by them;

expectation of future technology and service revenues from MSOs/Broadcasters, such as Comcast, Cox, DIRECTV, Seven/Hybrid TV (Australia), Television New Zealand (TVNZ) (New Zealand), Virgin Media (UK), and Cablevision (Mexico) and deployment of the TiVo service by them now or in the future;

our estimates of the useful life of TiVo-enabled 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;

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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;

our estimates and expectations related to inventory and inventory-related write-downs and our possible utilization of such inventory reserves in the future;

our expectations related to future increases in 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 ability to fund operations, capital expenditures, and working capital needs during the next year;

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

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

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

our ability to oversee our outsourcing of manufacturing processes and engineering work, and management of our inventory; and

the impact of 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 II, Item 1A, Risk Factors in our recent quarterly reports and 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 annual 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)**

	October 31, 2009	January 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 84,015	\$ 162,337
Short-term investments	161,021	44,991
Accounts receivable, net of allowance for doubtful accounts of \$916 and \$770	15,251	14,283
Inventories	6,807	13,027
Prepaid expenses and other, current	11,441	4,896
Total current assets	278,535	239,534
LONG-TERM ASSETS		
Property and equipment, net	10,744	10,285
Purchased technology, capitalized software, and intangible assets, net	9,799	10,597
Prepaid expenses and other, long-term	1,361	1,268
Long-term investments	7,136	3,944
Total long-term assets	29,040	26,094
Total assets	\$ 307,575	\$ 265,628
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 19,284	\$ 9,844
Accrued liabilities	24,970	25,054
Deferred revenue, current	41,663	47,560
Total current liabilities	85,917	82,458
LONG-TERM LIABILITIES		
Deferred revenue, long-term	25,744	28,557
Deferred rent and other long-term liabilities	126	126
Total long-term liabilities	25,870	28,683
Total liabilities	111,787	111,141
COMMITMENTS AND CONTINGENCIES (see Note 9)		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$0.001:		
Authorized shares are 10,000,000;		
Issued and outstanding shares none		

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Common stock, par value \$0.001:		
Authorized shares are 275,000,000;		
Issued shares are 109,886,157 and 103,604,015, respectively and outstanding shares are		
109,328,600 and 103,370,523, respectively	110	104
Additional paid-in capital	886,994	829,273
Accumulated deficit	(685,931)	(672,196)
Treasury stock, at cost 557,557 shares and 233,492 shares, respectively	(4,251)	(1,659)
Accumulated other comprehensive loss	(1,134)	(1,035)
Total stockholders' equity	195,788	154,487
Total liabilities and stockholders' equity	\$ 307,575	\$ 265,628

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

Table of Contents**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,	
	2009	2008	2009	2008
Revenues				
Service revenues	\$ 37,701	\$ 47,676	\$ 121,330	\$ 144,293
Technology revenues	9,351	3,997	23,086	15,773
Hardware revenues	9,808	12,777	24,717	30,421
Net revenues	56,860	64,450	169,133	190,487
Cost of revenues				
Cost of service revenues (1)	10,021	10,984	30,002	33,423
Cost of technology revenues (1)	5,924	2,516	16,269	9,560
Cost of hardware revenues	14,436	16,339	37,947	41,978
Total cost of revenues	30,381	29,839	84,218	84,961
Gross margin	26,479	34,611	84,915	105,526
Operating expenses				
Research and development (1)	15,370	16,553	44,794	46,624
Sales and marketing (1)	5,727	6,585	16,885	18,427
Sales and marketing, subscription acquisition costs	1,206	2,301	3,026	4,348
General and administrative (1)	11,165	10,344	34,634	31,549
Litigation proceeds		(87,811)		(87,811)
Total operating expenses	33,468	(52,028)	99,339	13,137
Income (loss) from operations	(6,989)	86,639	(14,424)	92,389
Interest income, includes \$16,789 related to litigation proceeds in the three and nine months ended October 31, 2008	287	17,213	613	18,213
Interest expense and other	9	(94)	87	(275)
Income (loss) before income taxes	(6,693)	103,758	(13,724)	110,327
Benefit (provision) for income taxes	24	(3,132)	(11)	(3,168)
Net income (loss)	\$ (6,669)	\$ 100,626	\$ (13,735)	\$ 107,159
Net income (loss) per common share - basic	\$ (0.06)	\$ 1.00	\$ (0.13)	\$ 1.07
Net income (loss) per common share - diluted	\$ (0.06)	\$ 0.98	\$ (0.13)	\$ 1.04
Weighted average common shares used to calculate basic net income (loss) per share	107,822,339	100,804,813	105,333,594	