

TIVO INC
Form 8-K
February 23, 2012

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) February 23, 2012

TIVO INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-27141
(Commission
File Number)

77-0463167
(IRS Employer
Identification No.)

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

95002
(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))
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ITEM 8.01 OTHER EVENTS.

On February 23, 2012 we announced financial results for our fourth quarter and fiscal year ended January 31, 2012. Net service revenues were \$31.6 million in the fourth quarter of fiscal year 2012, a decrease from the \$34.5 million in the same prior year period. Net technology revenues increased to \$18.5 million in the fourth quarter ended January 31, 2012 compared to \$6.9 million in the same prior year period. The net income for the quarter was \$7.2 million or \$0.06 per basic and diluted share, compared to a net loss of \$34.4 million or \$(0.30) per basic and diluted share, for the quarter ended January 31, 2011. We ended this quarter with approximately \$619 million in cash and short-term investments, compared to approximately \$209 million in cash and short-term investments in the same prior year period.

As of January 31, 2012, our total subscriptions were approximately 2.3 million. TiVo-Owned subscription gross additions were 32,000 for the quarter, compared to 60,000 in the fourth quarter fiscal year 2011. TiVo-Owned net subscription losses were (26,000) for the quarter ended January 31, 2012 as compared to (55,000) for the quarter ended January 31, 2011. Our monthly churn rate was (1.7)% for the quarter ended January 31, 2012 and TiVo-Owned subscriptions were approximately 1.1 million compared to approximately 1.3 million a year ago. The installed base of MSOs' TiVo subscriptions was approximately 1.2 million compared to approximately 783,000 in the same prior year period.

TIVO INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share and share amounts)
(unaudited)

| | Three Months Ended January 31, | | Twelve Months Ended January 31, | |
|--|--------------------------------|-------------|---------------------------------|-------------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |
| Service revenues | \$31,578 | \$34,453 | \$131,341 | \$140,649 |
| Technology revenues | 18,465 | 6,929 | 58,945 | 27,341 |
| Hardware revenues | 16,428 | 14,436 | 47,893 | 51,618 |
| Net revenues | 66,471 | 55,818 | 238,179 | 219,608 |
| Cost of revenues | | | | |
| Cost of service revenues | 8,711 | 10,347 | 35,865 | 40,515 |
| Cost of technology revenues | 4,502 | 5,409 | 23,056 | 18,813 |
| Cost of hardware revenues | 20,368 | 24,702 | 59,439 | 69,033 |
| Total cost of revenues | 33,581 | 40,458 | 118,360 | 128,361 |
| Gross margin | 32,890 | 15,360 | 119,819 | 91,247 |
| Research and development | 29,825 | 23,204 | 110,367 | 81,604 |
| Sales and marketing | 6,393 | 7,048 | 26,388 | 27,587 |
| Sales and marketing, subscription acquisition costs | 1,320 | 2,214 | 7,392 | 8,169 |
| General and administrative | 38,192 | 17,525 | 96,502 | 59,487 |
| Litigation Proceeds | (54,444) |)— | (230,160) |)— |
| Total operating expenses | 21,286 | 49,991 | 10,489 | 176,847 |
| Income (loss) from operations | 11,604 | (34,631) |)109,330 | (85,600) |
| Interest income | 1,072 | 299 | 5,672 | 1,397 |
| Interest expense and other income (expense) | (5,430) |)2 | (12,034) |)(145) |
| Income (loss) before income taxes | 7,246 | (34,330) |)102,968 | (84,348) |
| Benefit from (provision for) income taxes | (61) |)(58) |)(807) |)(164) |
| Net income (loss) | \$7,185 | \$(34,388) |)\$102,161 | \$(84,512) |
| Net income (loss) per common share | | | | |
| Basic | \$0.06 | \$(0.30) |)\$0.88 | \$(0.74) |
| Diluted | \$0.06 | \$(0.30) |)\$0.80 | \$(0.74) |
| Income (loss) for purposes of computing net income (loss) per share: | | | | |
| Basic | 7,185 | (34,388) |)102,161 | (84,512) |
| Diluted | 7,185 | (34,388) |)109,140 | (84,512) |
| Weighted average common and common equivalent shares: | | | | |
| Basic | 117,747,442 | 114,443,996 | 116,592,943 | 113,490,177 |
| Diluted | 122,042,180 | 114,443,996 | 136,255,424 | 113,490,177 |

TIVO INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except per share and share amounts)
 (unaudited)

| | January 31, 2012 | January 31, 2011 |
|--|------------------|------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 169,555 | \$ 71,221 |
| Short-term investments | 449,244 | 138,216 |
| Accounts receivable, net of allowance for doubtful accounts of \$370 and \$275, respectively | 24,665 | 16,011 |
| Inventories | 18,925 | 13,228 |
| Deferred cost of technology revenues, current | 4,400 | 13,760 |
| Prepaid expenses and other, current | 12,106 | 6,983 |
| Total current assets | 678,895 | 259,419 |
| LONG-TERM ASSETS | | |
| Property and equipment, net of accumulated depreciation of \$47,170 and \$44,682, respectively | 9,191 | 10,229 |
| Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of \$17,797 and \$15,110, respectively | 4,677 | 6,956 |
| Deferred cost of technology revenues, long-term | 23,546 | 2,100 |
| Prepaid expenses and other, long-term | 3,501 | 1,224 |
| Long-term investments | — | 5,890 |
| Total long-term assets | 40,915 | 26,399 |
| Total assets | \$ 719,810 | \$ 285,818 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 32,102 | \$ 18,052 |
| Accrued liabilities | 45,341 | 30,115 |
| Deferred revenue, current | 74,986 | 33,792 |
| Total current liabilities | 152,429 | 81,959 |
| LONG-TERM LIABILITIES | | |
| Deferred revenue, long-term | 81,336 | 34,857 |
| Convertible senior notes | 172,500 | — |
| Deferred rent and other long-term liabilities | 518 | 246 |
| Total long-term liabilities | 254,354 | 35,103 |
| Total liabilities | 406,783 | 117,062 |
| COMMITMENTS AND CONTINGENCIES | | |
| 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 123,073,486 and 117,420,874, respectively and outstanding shares are 121,616,908 and 116,475,318, respectively | 123 | 117 |
| Treasury stock, at cost - 1,456,578 shares and 945,556 shares, respectively | (13,788 |)(8,660 |
| Additional paid-in capital | 1,003,696 | 956,947 |
| Accumulated deficit | (677,064 |)(779,225 |
| Accumulated other comprehensive income (loss) | 60 | (423 |

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| | | |
|--|-----------|-----------|
| Total stockholders' equity | 313,027 | 168,756 |
| Total liabilities and stockholders' equity | \$719,810 | \$285,818 |

TIVO INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)
 (unaudited)

| | Twelve Months Ended January | |
|--|-----------------------------|---------------|
| | 31, | |
| | 2012 | 2011 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 102,161 | \$(84,512) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization of property and equipment and intangibles | 8,805 | 9,050 |
| Loss on disposal of fixed assets | — | 42 |
| Stock-based compensation expense | 29,287 | 25,442 |
| Amortization of discounts and premiums on investments | 4,068 | 1,768 |
| Non-cash loss on overallotment option and amortization of deferred debt issuance costs | 2,432 | — |
| Inventory write-down | — | 525 |
| Impairment of a long-term cost method investment | 3,400 | — |
| Utilization and write-down of trade credits | 619 | 96 |
| Allowance for doubtful accounts | 476 | 259 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (9,130 |) 726 |
| Inventories | (5,697 |) (1,643) |
| Deferred cost of technology revenues | (11,527 |) (15,132) |
| Prepaid expenses and other | (2,752 |) 1,205 |
| Accounts payable | 13,888 | (2,604) |
| Accrued liabilities | 15,226 | 5,329 |
| Deferred revenue | 87,673 | 707 |
| Deferred rent and other long-term liabilities | 272 | 15 |
| Net cash provided by (used in) operating activities | \$ 239,201 | \$(58,727) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of short-term investments | (750,161 |) (161,949) |
| Sales or maturities of long-term and short-term investments | 436,730 | 197,481 |
| Acquisition of property and equipment | (4,918 |) (6,670) |
| Acquisition of capitalized software and intangibles | (408 |) — |
| Net cash provided by (used in) investing activities | \$(318,757 |) \$28,862 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of convertible senior notes, net | 166,109 | — |
| Proceeds from issuance of common stock related to exercise of common stock options | 11,297 | 30,470 |
| Proceeds from issuance of common stock related to employee stock purchase plan | 5,612 | 4,060 |
| Treasury stock - repurchase of stock for tax withholding | (5,128 |) (4,335) |
| Net cash provided by financing activities | \$ 177,890 | \$ 30,195 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 98,334 | \$ 330 |
| CASH AND CASH EQUIVALENTS: | | |
| Balance at beginning of period | 71,221 | 70,891 |
| Balance at end of period | \$ 169,555 | \$ 71,221 |

TIVO INC.
OTHER DATA

| Subscriptions (Subscriptions in thousands) | Three Months Ended January 31, | | Twelve Months Ended January 31, | | |
|--|-----------------------------------|-------|------------------------------------|--------|---|
| | 2012 | 2011 | 2012 | 2011 | |
| TiVo-Owned Subscription Gross Additions: | 32 | 60 | 114 | 160 | |
| Subscription Net Additions/(Losses): | | | | | |
| TiVo-Owned | (26 |) (55 |) (157 |) (199 |) |
| MSOs | 260 | (168 |) 387 | (357 |) |
| Total Subscription Net Additions/(Losses) | 234 | (223 |) 230 | (556 |) |
| Cumulative Subscriptions: | | | | | |
| TiVo-Owned | 1,109 | 1,266 | 1,109 | 1,266 | |
| MSOs | 1,170 | 783 | 1,170 | 783 | |
| Total Cumulative Subscriptions | 2,279 | 2,049 | 2,279 | 2,049 | |
| % of TiVo-Owned Cumulative Subscriptions paying recurring fees | 55 | % 56 | % 55 | % 56 | % |

Included in the 1,109,000 TiVo-Owned subscriptions are approximately 253,000 lifetime subscriptions that have reached the end of the period TiVo uses to recognize lifetime subscription revenue. These lifetime subscriptions no longer generate subscription revenue.

Subscriptions. Management reviews this metric, and believes it may be useful to investors, in order to evaluate our relative position in the marketplace and to forecast future potential service revenues. The TiVo-Owned lines refer to subscriptions sold directly or indirectly by TiVo to consumers who have TiVo-enabled DVRs and for which TiVo incurs acquisition costs. The MSOs lines refer to subscriptions sold to consumers by multiple system operators and broadcasters such as DIRECTV, Cablevision Mexico, Seven/Hybrid TV (Australia), Television New Zealand (TVNZ) (New Zealand), Virgin Media (United Kingdom), RCN, and Suddenlink and for which TiVo expects to incur little or no acquisition costs. Additionally, we provide a breakdown of the percent of TiVo-Owned subscriptions for which consumers pay recurring fees, including on a monthly and a prepaid one, two, or three year basis, as opposed to a one-time prepaid product lifetime fee.

We define a “subscription” as a contract referencing a TiVo-enabled DVR for which (i) a consumer has committed to pay for the TiVo service and (ii) service is not canceled. We count product lifetime subscriptions in our subscription base until both of the following conditions are met: (i) the period we use to recognize product lifetime subscription revenues ends; and (ii) the related DVR has not made contact to the TiVo service within the prior six month period. Product lifetime subscriptions past this period which have not called into the TiVo service for six months are not counted in this total. Prior to November 1, 2011 we amortized all product lifetime subscriptions over a 60 month period. Effective November 1, 2011, we have extended the period we use to recognize product lifetime subscription revenues from 60 months to 66 months for product lifetime subscriptions acquired on or after November 1, 2006. We are not aware of any uniform standards for defining subscriptions and caution that our presentation may not be consistent with that of other companies. Additionally, the subscription fees that our MSOs pay us are typically based upon a specific contractual definition of a subscriber or subscription which may not be consistent with how we define a subscription for our reporting purposes nor be representative of how such subscription fees are calculated and paid to us by our MSOs. Our MSOs subscription data is based in part on reporting from our third party MSO partners.

TIVO INC.

OTHER DATA - KEY BUSINESS METRICS

| TiVo-Owned Churn Rate | Three Months Ended January 31, | | Twelve Months Ended January 31, | |
|---------------------------------------|---|--------|---------------------------------|--------|
| | 2012 | 2011 | 2012 | 2011 |
| | (In thousands, except churn rate per month) | | | |
| Average TiVo-Owned subscriptions | 1,122 | 1,296 | 1,174 | 1,367 |
| TiVo-Owned subscription cancellations | 58 | (115) | (271) | (359) |
| TiVo-Owned Churn Rate per month | (1.7 |)%(3.0 |)%(1.9 |)%(2.2 |

TiVo-Owned Churn Rate per Month. Management reviews this metric, and believes it may be useful to investors, in order to evaluate our ability to retain existing TiVo-Owned subscriptions (including both monthly and product lifetime subscriptions) by providing services that are competitive in the market. Management believes factors such as service enhancements, service commitments, higher customer satisfaction, and improved customer support may improve this metric. Conversely, management believes factors such as increased competition, lack of competitive service features such as high definition television recording capabilities in our older model DVRs or access to certain digital television channels or MSO Video-on-Demand services, as well as, increased price sensitivity and installation and CableCARD™ technology limitations may cause our TiVo-Owned Churn Rate per month to increase.

We define the TiVo-Owned Churn Rate per month as the total TiVo-Owned subscription cancellations in the period divided by the Average TiVo-Owned subscriptions for the period (including both monthly and product lifetime subscriptions), which then is divided by the number of months in the period. We calculate Average TiVo-Owned subscriptions for the period by adding the average TiVo-Owned subscriptions for each month and dividing by the number of months in the period. We calculate the average TiVo-Owned 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 | | Twelve Months Ended | |
|---|----------------------------|-------------|---------------------|-------------|
| | January 31, | January 31, | January 31, | January 31, |
| | 2012 | 2011 | 2012 | 2011 |
| Subscription Acquisition Costs | (In thousands, except SAC) | | | |
| Sales and marketing, subscription acquisition costs | \$1,320 | \$2,214 | \$7,392 | \$8,169 |
| Hardware revenues | (16,428 |)(14,436 |)(47,893 |)(51,618 |
| Less: MSOs'-related hardware revenues | 11,641 | 4,431 | 31,483 | 14,885 |
| Cost of hardware revenues | 20,368 | 24,702 | 59,439 | 69,033 |
| Less: MSOs'-related cost of hardware revenues | (9,412 |)(3,298 |)(23,577 |)(11,296 |
| Total Acquisition Costs | 7,489 | 13,613 | 26,844 | 29,173 |
| TiVo-Owned Subscription Gross Additions | 32 | 60 | 114 | 160 |
| Subscription Acquisition Costs (SAC) | \$234 | \$227 | \$235 | \$182 |

Subscription Acquisition Cost or 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 TiVo-Owned acquisition costs for a given period divided by TiVo-Owned subscription gross additions for the same period. We define total acquisition costs as sales and marketing, subscription acquisition costs less net TiVo-Owned related hardware revenues (defined as TiVo-Owned related gross hardware revenues less rebates, revenue share and market development funds paid to retailers) plus TiVo-Owned related cost of hardware revenues. The sales and marketing, subscription acquisition costs line item includes advertising expenses and promotion-related expenses directly related to subscription acquisition activities, but does not include expenses related to advertising sales. We do not include third parties' subscription gross additions, such as MSOs' gross additions with TiVo subscriptions, in our calculation of SAC because we typically incur limited or no acquisition costs for these new

subscriptions, and so we also do not include MSOs' sales and marketing, subscription acquisition costs, hardware revenues, or cost of hardware revenues in our calculation of

TiVo-Owned SAC. 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.

| TiVo-Owned Average Revenue per Subscription | Three Months Ended January 31, | | Twelve Months Ended January 31, | |
|---|--------------------------------|----------|---------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (In thousands, except ARPU) | | | |
| Total Service revenues | \$31,578 | \$34,453 | \$131,341 | \$140,649 |
| Less: MSOs'-related service revenues | (4,472 |)(4,294 |)(16,589 |)(15,540 |
| TiVo-Owned-related service revenues | 27,106 | 30,159 | 114,752 | 125,109 |
| Average TiVo-Owned revenues per month | 9,035 | 10,053 | 9,563 | 10,426 |
| Average TiVo-Owned per month subscriptions | 1,122 | 1,296 | 1,174 | 1,367 |
| TiVo-Owned ARPU per month | \$8.05 | \$7.76 | \$8.15 | \$7.63 |

| MSOs' Average Revenue per Subscription | Three Months Ended January 31, | | Twelve Months Ended January 31, | |
|---|--------------------------------|----------|---------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| | (In thousands, except ARPU) | | | |
| Total Service revenues | \$31,578 | \$34,453 | \$131,341 | \$140,649 |
| Less: TiVo-Owned-related service revenues | (27,106 |)(30,159 |)(114,752 |)(125,109 |
| MSOs'-related service revenues | 4,472 | 4,294 | 16,589 | 15,540 |
| Average MSOs' revenues per month | 1,491 | 1,431 | 1,382 | 1,295 |
| Average MSOs' per month subscriptions | 1,049 | 905 | 849 | 1,017 |
| MSOs' ARPU per month | \$1.42 | \$1.58 | \$1.63 | \$1.27 |

Average Revenue Per Subscription or 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 service fees, advertising, and audience research measurement. 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 and varying nature of these expenses and because management believes these expenses, which are included in hardware revenues, net, 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. Furthermore, ARPU for our MSOs may not be directly comparable to the service fees we may receive from these partners on a per subscription basis as the fees that our MSOs pay us may be based upon a specific contractual definition of a subscriber or subscription which may not be consistent with how we define a subscription for our reporting purposes or be representative of how such subscription fees are calculated and paid to us by our MSOs. For example, an agreement that includes contractual minimums may result in a higher than expected MSOs ARPU if such fixed minimum fee is spread over a small number of subscriptions. Additionally, ARPU for our MSO subscriptions may not be reflective of revenues received by TiVo as in certain cases the cost of development for such MSO customer may be deferred on our condensed consolidated balance sheet until later when related revenues from service fees are received and are first recognized as Technology revenues by us until the previously deferred costs of development are fully expensed. This recognition of service fees as Technology revenues will have the effect of lowering ARPU for certain of our MSO subscriptions until such costs of development are fully expensed. We calculate ARPU per month for TiVo-Owned subscriptions by subtracting MSOs'-related service revenues (which includes MSOs' subscription service revenues and MSOs'-related advertising revenues) from our total reported net service revenues and dividing the result 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 above table shows this

calculation.

We calculate ARPU per month for MSOs' 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 MSOs'-related service revenues by the average MSOs' subscriptions for the period. The above table shows this calculation.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, TiVo's future business and growth strategies including future subscription growth with TiVo's MSO customers and subscription growth in TiVo's retail business, future repurchases of TiVo stock by TiVo, the timing of future TiVo product roll-outs and availability of particular products in the future with customers such as DIRECTV, ONO, Charter, RCN, and Grande Communications among others, TiVo's ability to leverage its research and development in the future between customers and MSO and retail markets and the future strength and value of TiVo's intellectual property portfolio. 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 "Risk Factors" in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K and Amendment No. 1 for the fiscal year ended January 31, 2011, our Quarterly Reports on Form 10-Q for the period ended April 30, 2011 and July 31, 2011, and October 31, 2011, and Current Reports on Form 8-K. The Company cautions 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: February 23, 2012

By:

/s/ Anna Brunelle
Anna Brunelle
Chief Financial Officer
(Principal Financial and Accounting
Officer)