

TIVO INC
Form 10-Q
June 09, 2010
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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 April 30, 2010

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
(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 115,481,611 as of May 28, 2010.

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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, future advertising expenditures, future use of consumer rebates, hardware cost and associated subsidies, and other marketing activities and their impact on our total acquisition costs as well sales and marketing, subscription 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;

our expectations of the growth in the future digital video recorder (DVR) market generally, and the high definition market specifically, including our expectations regarding competition and consumer acceptance of alternatives to the company's products, including cable video on demand, streaming video on demand, and network DVRs;

our expectations regarding installation and operational issues surrounding cable-operator provided Cable Cards and switched digital devices essential for TiVo consumer devices in cable homes;

our expectations that in the future we may also offer services for non-DVR products such as our recently announced development of a broadband connected television incorporating the TiVo user interface and non-DVR software with Best Buy's Insignia brand television sets;

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

our financial results, 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 as well as expectations for increased legal expenses in the future;

our expectations with respect to the timing of future development and deployment with our distribution partners including the ongoing development and further deployment of the TiVo service on Comcast, the continued progress of development and future deployment of the TiVo service on Cox, the ongoing development and future launch of the High Definition (HD) DIRECTV DVR with TiVo service; and the future development and deployment of the TiVo service and technology with Virgin Media Limited in the United Kingdom (U.K.) and the on-going development and integration of TiVo service and technology with conditional access security provider Conax in connection with future international distribution opportunities;

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

future increases in our operating expenses, including increases in research and development expenses, sales and marketing and subscription acquisition costs, including our ability to retain and hire key management employees and software engineers;

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

expectation of future technology and service revenues from MSOs/Broadcasters, such as Comcast, Cox, DIRECTV, RCN, Seven/Hybrid TV (Australia), Television New Zealand (TVNZ) (New Zealand), Virgin Media (U.K.), 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;

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 for further net declines in our TiVo-Owned as well as MSOs/Broadcasters' subscriptions in the fiscal year ending January 31, 2011;

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;

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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 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 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.

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)**

	April 30, 2010	January 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 68,121	\$ 70,891
Short-term investments	187,355	173,691
Accounts receivable, net of allowance for doubtful accounts of \$342 and \$409	19,683	16,996
Inventories	12,368	12,110
Prepaid expenses and other, current (see Note 1)	9,529	8,686
Total current assets	297,056	282,374
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of \$42,503 and \$40,934, respectively	11,238	10,098
Purchased technology, capitalized software, and intangible assets, net of accumulated amortization of \$13,153 and \$12,501, respectively	8,913	9,565
Prepaid expenses and other, long-term	1,281	1,263
Long-term investments	7,548	7,512
Total long-term assets	28,980	28,438
Total assets	\$ 326,036	\$ 310,812
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 21,715	\$ 20,712
Accrued liabilities	24,654	24,786
Deferred revenue, current	35,283	38,952
Total current liabilities	81,652	84,450
LONG-TERM LIABILITIES		
Deferred revenue, long-term	30,819	28,990
Deferred rent and other long-term liabilities	255	231
Total long-term liabilities	31,074	29,221
Total liabilities	112,726	113,671
COMMITMENTS AND CONTINGENCIES (see Note 6)		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$0.001:		
Authorized shares are 10,000,000;		

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Issued and outstanding shares - none	0	0
Common stock, par value \$0.001:		
Authorized shares are 275,000,000;		
Issued shares are 116,294,027 and 110,434,022, respectively and outstanding shares are 115,411,307 and 109,869,062, respectively	116	110
Additional paid-in capital	930,926	896,695
Treasury stock, at cost - 882,720 shares and 564,960 shares, respectively	(8,117)	(4,325)
Accumulated deficit (see Note 1)	(708,913)	(694,713)
Accumulated other comprehensive loss	(702)	(626)
Total stockholders' equity	213,310	197,141
Total liabilities and stockholders' equity	\$ 326,036	\$ 310,812

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 April 30,	
	2010	2009
Revenues		
Service revenues	\$ 36,244	\$ 42,129
Technology revenues	6,973	6,386
Hardware revenues (see Note 1)	18,169	6,606
Net revenues	61,386	55,121
Cost of revenues		
Cost of service revenues (a)	10,403	10,150
Cost of technology revenues (a)	5,021	4,483
Cost of hardware revenues	19,219	10,576
Total cost of revenues	34,643	25,209
Gross margin	26,743	29,912
Research and development (a)	18,628	15,066
Sales and marketing (a)	7,760	5,695
Sales and marketing, subscription acquisition costs	3,191	982
General and administrative (a)	11,697	12,242
Total operating expenses	41,276	33,985
Loss from operations	(14,533)	(4,073)
Interest income	369	190
Interest expense and other	(2)	0
Loss before income taxes	(14,166)	(3,883)
Provision for income taxes	(34)	(16)
Net loss	\$ (14,200)	\$ (3,899)
Net loss per common share - basic and diluted	\$ (0.13)	\$ (0.04)
Weighted average common shares used to calculate basic and diluted net loss per share	111,490,152	102,278,944
(a) Includes stock-based compensation expense as follows :		
Cost of service revenues	\$ 132	\$ 263
Cost of technology revenues	484	557
Research and development	1,786	2,491
Sales and marketing	817	685
General and administrative	2,367	3,074

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

Table of Contents**TIVO INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(unaudited)**

	Three Months Ended April 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (14,200)	\$ (3,899)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment and intangibles	2,221	2,310
Loss on disposal of fixed assets	42	0
Stock-based compensation expense	5,586	7,070
Utilization of trade credits	19	11
Allowance for doubtful accounts	32	97
Changes in assets and liabilities:		
Accounts receivable	(2,719)	2,541
Inventories	(258)	6,101
Prepaid expenses and other	(880)	831
Accounts payable	(567)	(1,160)
Accrued liabilities	(132)	(3,588)
Deferred revenue	(1,840)	(4,852)
Deferred rent and other long-term liabilities	24	0
Net cash provided by (used in) operating activities	\$ (12,672)	\$ 5,462