

TIVO INC
Form 8-K
November 22, 2011

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 22, 2011

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))

ITEM 8.01 OTHER EVENTS.

On November 22, 2011, we announced financial results for our third quarter of fiscal year 2012 ended October 31, 2011. Net service revenues were \$32.4 million in the third quarter of fiscal year 2012, a decrease from the \$34.3 million in the same prior year period. Net technology revenues increased to \$19.4 million in the third quarter ended October 31, 2011 compared to \$7.0 million in the same prior year period. The net loss for the quarter was \$(24.5) million or \$(0.21) per basic and diluted share, compared to a net loss of \$(20.6) million or \$(0.18) per basic and diluted share, for the quarter ended October 31, 2010. We ended this quarter with approximately \$604 million in cash and short-term investments, compared to approximately \$227 million in cash and short-term investments in the same prior year period.

As of October 31, 2011, our total subscriptions were approximately 2.0 million. TiVo-Owned subscription gross additions were 30,000 for the quarter, compared to 35,000 in the third quarter fiscal year 2011. TiVo-Owned net subscription losses were (30,000) for the quarter ended October 31, 2011 as compared to (45,000) for the quarter ended October 31, 2010. Our monthly churn rate was (1.7)% for the quarter ended October 31, 2011 and TiVo-Owned subscriptions were approximately 1.1 million compared to 1.3 million a year ago. The installed base of MSOs' TiVo subscriptions was approximately 910,000 compared to approximately 951,000 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 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	23,238	86,929	75,887
Research and development	27,272	20,446	80,542	58,400
Sales and marketing	6,753	6,157	19,995	20,539
Sales and marketing, subscription acquisition costs	2,398	1,398	6,072	5,955
General and administrative	18,032	16,162	58,310	41,962
Litigation Proceeds	—	—	(175,716))—
Total operating expenses	54,455	44,163	(10,797)	)126,856
Income (loss) from operations	(23,484	) (20,925	) 97,726	(50,969
Interest income	759	348	4,600	1,098
Interest expense and other income (expense)	(2,015	) —	(6,604	) (147
Income (loss) before income taxes	(24,740	) (20,577	) 95,722	(50,018
Benefit from (provision for) income taxes	242	(43	) (746	) (106
Net income (loss)	\$(24,498	) \$(20,620	) \$94,976	\$(50,124
Net income (loss) per common share				
Basic	\$(0.21	) \$(0.18	) \$0.82	\$(0.44
Diluted	\$(0.21	) \$(0.18	) \$0.74	\$(0.44
Income (loss) for purposes of computing net income (loss) per share:				
Basic	(24,498	) (20,620	) 94,976	(50,124
Diluted	(24,498	) (20,620	) 99,997	(50,124
Weighted average common and common equivalent shares:				
Basic	117,232,354	114,179,608	116,208,111	113,171,074
Diluted	117,232,354	114,179,608	135,722,730	113,171,074

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

	October 31, 2011	January 31, 2011
ASSETS		
CURRENT ASSETS		
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
LONG-TERM ASSETS		
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
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
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
LONG-TERM LIABILITIES		
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
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 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)
Additional paid-in capital	992,511	956,947
Accumulated deficit	(684,249)	(779,225)
Accumulated other comprehensive income (loss)	(221)	(423)

Edgar Filing: TIVO INC - Form 8-K

Total stockholders' equity	294,937	168,756
Total liabilities and stockholders' equity	\$698,451	\$285,818

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

	Nine Months Ended October 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$94,976	\$(50,124)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment and intangibles	6,682	6,824
Loss on disposal of fixed assets	—	42
Stock-based compensation expense	21,979	18,816
Amortization of discounts and premiums on investments	2,483	1,473
Non-cash loss on over allotment option	2,192	—
Utilization and write-down of trade credits	619	93
Allowance for doubtful accounts	322	323
Changes in assets and liabilities:		
Accounts receivable	(3,311	) (599)
Inventories	(2,271	) (10,922)
Deferred cost of technology revenues	(11,088	) (10,734)
Prepaid expenses and other	(653	) (589)
Accounts payable	11,854	5,689
Accrued liabilities	5,717	3,038
Deferred revenue	40,056	(2,174)
Deferred rent and other long-term liabilities	56,225	18
Net cash provided by (used in) operating activities	\$225,782	\$(38,826)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(640,300	) (133,264)
Sales or maturities of long-term and short-term investments	256,990	155,175
Acquisition of property and equipment	(4,094	) (5,280)
Acquisition of capitalized software and intangibles	(281) —
Net cash provided by (used in) investing activities	\$(387,685	) \$16,631
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	9,796	30,036
Proceeds from issuance of common stock related to employee stock purchase plan	3,284	2,407
Treasury stock - repurchase of stock for tax withholding	(4,566	) (3,858)
Net cash provided by financing activities	\$174,623	\$28,585
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$12,720	\$6,390
CASH AND CASH EQUIVALENTS:		
Balance at beginning of period	71,221	70,891
Balance at end of period	\$83,941	\$77,281

TIVO INC.

OTHER DATA

Subscriptions (Subscriptions in thousands)	Three Months Ended October 31,		
	2011	2010	
TiVo-Owned Subscription Gross Additions:	30	35	
Subscription Net Additions/(Losses):			
TiVo-Owned	(30	) (45)
MSOs	147	(67)
Total Subscription Net Additions/(Losses)	117	(112)
Cumulative Subscriptions:			
TiVo-Owned	1,135	1,321	
MSOs	910	951	
Total Cumulative Subscriptions	2,045	2,272	
% of TiVo-Owned Cumulative Subscriptions paying recurring fees	56	% 56	%

Included in the 1,135,000 TiVo-Owned subscriptions are approximately 270,000 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. We amortize all product lifetime subscriptions over a 60 month period. 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 October 31,	
	2011	2010
	(In thousands, except churn rate per month)	
Average TiVo-Owned subscriptions	1,149	1,345
TiVo-Owned subscription cancellations	(60	) (80
TiVo-Owned Churn Rate per month	(1.7	)%(2.0

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	
	October 31,		October 31,	
	2011	2010	2011	2010
Subscription Acquisition Costs	(In thousands, except SAC)			
Sales and marketing, subscription acquisition costs	\$2,398	\$1,398	\$8,286	\$7,977
Hardware revenues	(12,970	)(9,532	)(45,901	)(60,571
Less: MSOs'-related hardware revenues	8,998	3,416	24,273	23,272
Cost of hardware revenues	16,817	13,566	63,773	72,293
Less: MSOs'-related cost of hardware revenues	(6,351	)(2,618	)(17,463	)(20,062
Total Acquisition Costs	8,892	6,230	32,968	22,909
TiVo-Owned Subscription Gross Additions	30	35	142	146
Subscription Acquisition Costs (SAC)	\$296	\$178	\$232	\$157

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 October 31,	
	2011	2010
	(In thousands, except ARPU)	
Total Service revenues	\$32,413	\$34,298
Less: MSOs'-related service revenues	(4,087	)(3,670
TiVo-Owned-related service revenues	28,326	30,628
Average TiVo-Owned revenues per month	9,442	10,209
Average TiVo-Owned per month subscriptions	1,149	1,345
TiVo-Owned ARPU per month	\$8.22	\$7.59

MSOs' Average Revenue per Subscription	Three Months Ended October 31,	
	2011	2010
	(In thousands, except ARPU)	
Total Service revenues	\$32,413	\$34,298
Less: TiVo-Owned-related service revenues	(28,326	)(30,628
MSOs'-related service revenues	4,087	3,670
Average MSOs' revenues per month	1,362	1,223
Average MSOs' per month subscriptions	828	984
MSOs' ARPU per month	\$1.65	\$1.24

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.

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 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: November 22, 2011

By:

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