

TIVO INC
Form 10-Q
September 09, 2008
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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 July 31, 2008

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)

77-0463167
(I.R.S. Employer
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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. 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 102,186,414 as of August 27, 2008.

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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, including rebate offers to consumers, offers of bundled hardware and service subscriptions, advertising expenditures, 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 MSOs/Broadcasters average revenue per subscription;

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

our financial results, and expectations for profitability in the future;

our expectations with respect to the possible future outcome in our on-going litigation with EchoStar;

Our expectations with respect to the timing of further rollout of the TiVo service on Comcast, the launch of the TiVo service on Cox and the launch of the HD DIRECTV DVR;

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, and Cablevision Mexico) subscriptions;

expectation of future technology and service revenues from MSOs/Broadcasters, such as Comcast, DIRECTV, Seven (Australia), and Cox and potential future deployment of the TiVo service by them;

our estimates of the useful life of TiVo-enabled DVRs in connection with the recognition of revenue received from product lifetime subscriptions;

consumer rebate redemption rates and expenses associated with sales incentive programs;

expectations regarding the seasonality of our business and subscription additions to the TiVo service;

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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 services, operations, and future deployments internationally, such as with Seven (Australia);

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

our estimates and expectations related to investments in auction rate securities;

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 this quarterly report 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 quarterly report and we undertake no obligation to publicly update or revise any forward-looking statements in this quarterly report.

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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 share amounts)

(unaudited)

	July 31, 2008	January 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 105,777	\$ 78,812
Short-term investments		20,294
Accounts receivable, net of allowance for doubtful accounts of \$1,263 and \$1,194	14,456	20,019
Inventories	9,910	17,748
Prepaid expenses and other, current	3,685	3,792
Total current assets	133,828	140,665
LONG-TERM ASSETS		
Property and equipment, net	10,620	11,349
Purchased technology, capitalized software, and intangible assets, net	12,225	13,522
Prepaid expenses and other, long-term	1,735	1,513
Long-term investments	4,451	
Total long-term assets	29,031	26,384
Total assets	\$ 162,859	\$ 167,049
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 14,211	\$ 23,615
Accrued liabilities	25,273	28,834
Deferred revenue, current	54,357	59,341
Total current liabilities	93,841	111,790
LONG-TERM LIABILITIES		
Deferred revenue, long-term	30,604	38,128
Deferred rent and other	145	309
Total long-term liabilities	30,749	38,437
Total liabilities	124,590	150,227
COMMITMENTS AND CONTINGENCIES (see Note 7)		
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 102,225,380 and 100,098,426, respectively, and outstanding shares are 102,008,361 and 99,970,947, respectively

	102	100
Additional paid-in capital	808,753	792,654
Accumulated deficit	(768,507)	(775,086)
Treasury stock, at cost - 217,019 shares and 127,479 shares, respectively	(1,530)	(846)
Unrealized loss on marketable securities	(549)	
Total stockholders' equity	38,269	16,822
Total liabilities and stockholders' equity	\$ 162,859	\$ 167,049

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 July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
Revenues				
Service revenues	\$ 48,174	\$ 53,376	\$ 96,617	\$ 107,531
Technology revenues	5,369	3,084	11,776	7,016
Hardware revenues	11,699	6,199	17,644	8,492
Net revenues	65,242	62,659	126,037	123,039
Cost of revenues				
Cost of service revenues (1)	11,245	10,064	22,439	20,219
Cost of technology revenues (1)	3,124	3,696	7,044	7,203
Cost of hardware revenues	15,249	28,271	25,593	38,919
Total cost of revenues	29,618	42,031	55,076	66,341
Gross margin	35,624	20,628	70,961	56,698
Operating expenses				
Research and development (1)	15,323	15,070	30,071	29,315
Sales and marketing (1)	5,906	5,381	11,842	10,684
Sales and marketing, subscription acquisition costs	888	9,015	2,047	14,805
General and administrative (1)	10,869	10,392	21,205	21,614
Total operating expenses	32,986	39,858	65,165	76,418
Income (loss) from operations	2,638	(19,230)	5,796	(19,720)
Interest income	421	1,331	1,000	2,747
Interest expense and other	(94)	209	(181)	126
Income (loss) before income taxes	2,965	(17,690)	6,615	(16,847)
Provision for income taxes	(23)		(36)	(8)
Net income (loss)	\$ 2,942	\$ (17,690)	\$ 6,579	\$ (16,855)
Net income (loss) per common share - basic	\$ 0.03	\$ (0.18)	\$ 0.07	\$ (0.17)
Net income (loss) per common share - diluted	\$ 0.03	\$ (0.18)	\$ 0.06	\$ (0.17)
Weighted average common shares used to calculate basic net income (loss) per share	100,025,002	97,084,184	99,705,914	96,956,656
Weighted average common shares used to calculate diluted net income (loss) per share	102,217,222	97,084,184	102,489,411	96,956,656

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(1) Includes stock-based compensation expense as follows :

Cost of service revenues	\$	239	\$	178	\$	430	\$	335
Cost of technology revenues		507		504		1,113		967
Research and development		2,140		1,967		4,122		3,595
Sales and marketing		336		332		876		808
General and administrative		2,352		2,261		4,510		4,177

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

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TIVO INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Six Months Ended July 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 6,579	\$ (16,855)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment and intangibles	5,070	