

TIVO INC  
Form 10-Q  
September 09, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

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(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, 2015  
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

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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, San Jose, 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 definitions of "accelerated filer," "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act) (Check One)

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 98,055,801 as of August 31, 2015.

TIVO INC.  
FORM 10-Q  
For the Fiscal Quarter Ended July 31, 2015

TABLE OF CONTENTS

PART I.	<u>FINANCIAL INFORMATION</u>	<u>5</u>
Item 1.	<u>Financial Statements</u>	<u>5</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>38</u>
Item 4.	<u>Controls and Procedures</u>	<u>38</u>
PART II.	<u>OTHER INFORMATION</u>	<u>39</u>
Item 1.	<u>Legal Proceedings</u>	<u>39</u>
Item 1A.	<u>Risk Factors</u>	<u>39</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>39</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>40</u>
Item 5.	<u>Other Information</u>	<u>40</u>
Item 6.	<u>Exhibits</u>	<u>41</u>
	<u>Signatures</u>	<u>42</u>

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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.

### 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 financial results, including our expectations of future revenues, and profitability;
- our intention and ability to protect our intellectual property in the future and the strength and future value of our intellectual property;
- our TiVo-Owned Subscriptions, our future investments in subscription acquisition activities, future advertising expenditures, hardware costs and associated hardware subsidies, and other sales and marketing activities, including our sales and marketing, subscription acquisition costs (SAC), average revenue per subscription (ARPU), and subscription churn;
- our TiVo-Owned Subscriptions, our estimates of the useful life of TiVo-enabled digital video recorders (DVRs) and Minis 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, and our estimates of the effects of product lifetime subscriptions on churn;
- our expectations regarding the seasonality of our business and subscription additions to the TiVo service;
- our expectations regarding future changes in subscriptions to the TiVo service, including future increases in the number of television service operator (MSO) Subscriptions and households through international expansion and the possibility of future decreases in the TiVo-Owned Subscription base;
- our expectations regarding future changes in our TiVo-Owned ARPU as well as fees paid by MSOs, including decreases in TiVo-Owned ARPUs as a result of increased sales of non-DVR devices such as TiVo Mini which have lower product lifetime service fees than DVRs;
- our expectations regarding future sales of the TiVo OTA (Over-the-Air) retail product;
- our expectations regarding future media services and other revenues;
- our expectations regarding future advertising and audience research and measurement revenues, growth in the future programmatic ad spending for television and our ability to develop data products to integrate into the emerging programmatic ad spending marketplaces;
- our future service and hardware revenues from TiVo-Owned Subscriptions and future service, technology, and hardware revenues from MSOs;
- our expectations regarding demand in the future advanced television services market for our services, software, and technology, which will be impacted by alternatives to and competitors with our products, such as broadband content delivered by MSOs to their customers' computers and mobile devices (such as TV Everywhere), video delivered on demand to an MSO customers' set-top box (VOD), and network DVRs;
- our expectations regarding continued regulatory required access to and installation and operational issues surrounding cable-operator provided CableCARDS™ and switched digital devices essential for TiVo consumer devices in cable homes;
- our expectations that in the future we may also offer services for additional non-DVR products beyond TiVo Mini, for example, that may or may not incorporate the TiVo user interface and non-DVR software including a network DVR service;
- our expectations of the future decrease in hardware revenues and hardware margin as our U.S. MSO customers transition their hardware purchases to third-party hardware manufacturers such as Arris and our belief that this will enable us to gain additional MSO Subscriptions;
- our expectations of the growth of the TiVo service and technology revenues outside the United States;
- our expectations regarding a future decrease in the amount of our research and development spending and our associated ability to remain a competitive technology innovator and invest significant resources in advanced television solutions beyond the DVR;



our expectations regarding future increases in the amount of deferred expenses in costs of technology revenues related to development work for our television distribution partners and our ability to receive revenues equal to or greater than such deferred expenses from such television distribution partners;

our expectations regarding future changes in our operating expenses, including changes in general and administrative expenses, litigation expenses, sales and marketing, and subscription acquisition costs;

our expectations regarding our ability to oversee outsourcing of our manufacturing processes and engineering work and our ability to support the hardware, inventory, and hardware customization needs of our MSO customers;

our expectations regarding the usability of our finished goods inventory of DVRs and non-DVR products and the risks that hardware forecasts of our MSO customers may be reduced or delayed after we have committed manufacturing resources due to long lead times, which may require us to record write-downs if such inventory exceeds forecasted demand;

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

our expectations regarding future capital allocation activities including share buy-backs, mergers and acquisitions, issuance of debt, and other alternative capital distribution activities;

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

our expectations of growth from our acquisitions of Digitalsmiths Corporation ("Digitalsmiths") and Cubiware Sp. Z.o.o. ("Cubiware").

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 and our subsequent current reports on Form 8-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 ContentsPART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)

(unaudited)

	July 31, 2015	January 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 173,033	\$ 178,217
Short-term investments	539,990	564,744
Accounts receivable, net of allowance for doubtful accounts of \$823 and \$647, respectively	46,775	40,184
Inventories	17,430	20,341
Deferred cost of technology revenues, current	4,881	5,076
Deferred tax asset, current	42,308	55,787
Prepaid expenses and other, current	12,867	13,851
Total current assets	837,284	878,200
<b>LONG-TERM ASSETS</b>		
Property and equipment, net of accumulated depreciation of \$52,471 and \$52,021, respectively	12,538	11,854
Intangible assets, net of accumulated amortization of \$36,021 and \$31,277, respectively	64,183	51,810
Deferred cost of technology revenues, long-term	13,428	15,016
Goodwill	109,617	99,364
Deferred tax asset, long-term	114,486	114,486
Prepaid expenses and other, long-term	10,645	6,791
Total long-term assets	324,897	299,321
Total assets	\$ 1,162,181	\$ 1,177,521
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,272	\$ 29,359
Accrued liabilities	41,451	54,431
Deferred revenue, current	175,272	175,503
Convertible senior notes, current	172,500	—
Total current liabilities	412,495	259,293
<b>LONG-TERM LIABILITIES</b>		
Deferred revenue, long-term	233,172	255,816
Convertible senior notes, long-term	183,167	352,562
Deferred tax liability, long-term	2,977	—
Other long-term liabilities	10,178	537
Total long-term liabilities	429,494	608,915
Total liabilities	841,989	868,208
<b>COMMITMENTS AND CONTINGENCIES (see Note 6)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
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 143,079,906 and 138,577,153, respectively, and outstanding shares are 98,040,609 and 96,221,867, respectively	142	138	
Treasury stock, at cost: 45,039,297 and 42,355,286 shares, respectively	(543,707	)	(514,853 )
Additional paid-in capital	1,228,466		1,203,722
Accumulated deficit	(363,462	)	(379,680 )
Accumulated other comprehensive income (loss)	(1,247	)	(14 )
Total stockholders' equity	320,192		309,313
Total liabilities and stockholders' equity	\$1,162,181		\$1,177,521

5

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Table of Contents

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

6

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Table of Contents

TIVO INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share and share amounts)

(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues				
Service and software revenues	\$43,098	\$36,909	\$82,947	\$72,804
Technology revenues	55,998	49,717	108,569	99,823
Hardware revenues	20,358	25,232	42,672	46,290
Net revenues	119,454	111,858	234,188	218,917
Cost of revenues				
Cost of service and software revenues	15,171	13,750		