

TIVO INC  
Form 10-Q  
December 09, 2005  
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**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 October 31, 2005.

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)

**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)

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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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES  NO .

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 85,125,642 as of November 28, 2005.

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**TiVo Inc.**

**FORM 10-Q**

**FOR THE FISCAL QUARTER ENDED OCTOBER 31, 2005**

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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, advertising expenditures, and other marketing activities;

our future earnings including expected future service and technology revenues;

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

possible future increases in our general and administrative expenses including expenditures related to lawsuits involving the Company such as the EchoStar patent infringement cases;

possible future increases in our operating expenses including increases in customer support and retention expenditures;

future subscription growth of both TiVo-Owned and DIRECTV subscriptions;

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 sales incentive programs;

our intentions to continue to grow the number of TiVo-Owned subscriptions through our relationships with major retailers;

our expectations related to future increases in advertising and audience measurement research 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; and

our ability to raise additional capital through the financial markets in the future.

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

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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. 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 share amounts)****(unaudited)**

	<u>October 31, 2005</u>	<u>January 31, 2005</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 76,606	\$ 87,245
Short-term investments	13,850	19,100
Accounts receivable, net of allowance for doubtful accounts of \$483 and \$104	29,592	25,879
Finished goods inventories	21,182	12,103
Prepaid expenses and other, current	8,019	4,476
	<u>149,249</u>	<u>148,803</u>
Total current assets	149,249	148,803
<b>LONG-TERM ASSETS</b>		
Property and equipment, net	7,742	7,780
Capitalized software and intangible assets, net	5,490	2,231
Prepaid expenses and other, long-term	752	1,238
	<u>13,984</u>	<u>11,249</u>
Total long-term assets	13,984	11,249
Total assets	<u>\$ 163,233</u>	<u>\$ 160,052</u>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank line of credit	\$	\$ 4,500
Accounts payable	34,847	18,736
Accrued liabilities	30,546	33,173
Deferred revenue, current	47,366	42,017
	<u>112,759</u>	<u>98,426</u>
Total current liabilities	112,759	98,426
<b>LONG-TERM LIABILITIES</b>		
Deferred revenue, long-term	58,395	63,131
Deferred rent and other	894	1,187
	<u>59,289</u>	<u>64,318</u>
Total long-term liabilities	59,289	64,318
Total liabilities	<u>172,048</u>	<u>162,744</u>

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COMMITMENTS AND CONTINGENCIES (see Note 8)

STOCKHOLDERS DEFICIT

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 150,000,000

Issued and outstanding shares are 85,041,261 and 82,280,876, respectively

Additional paid-in capital

Deferred compensation

Accumulated deficit

Total stockholders deficit

Total liabilities and stockholders deficit

85

665,807

(2,759)

(671,948)

(8,815)

\$ 163,233

82

654,746

(428)

(657,092)

(2,692)

\$ 160,052

The accompanying notes are an integral part of these consolidated statements

**Table of Contents****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,	
	2005	2004	2005	2004
<b>Revenues</b>				
Service and technology revenues (includes \$0 and \$6,805 from related parties for the three and nine months ended October 31, 2004, respectively)	\$ 43,197	\$ 28,377	\$ 123,891	\$ 81,311
Hardware revenues	24,652	27,894	39,827	60,823
Rebates, revenue share, and other payments to channel	(18,234)	(17,944)	(27,860)	(29,508)
<b>Net revenues</b>	<b>49,615</b>	<b>38,327</b>	<b>135,858</b>	<b>112,626</b>
<b>Cost of revenues</b>				
Cost of service and technology revenues	8,508	7,970	24,832	25,069
Cost of hardware revenues	24,742	28,486	46,949	68,056
<b>Total cost of revenues</b>	<b>33,250</b>	<b>36,456</b>	<b>71,781</b>	<b>93,125</b>
<b>Gross margin</b>	<b>16,365</b>	<b>1,871</b>	<b>64,077</b>	<b>19,501</b>
<b>Research and development</b>				
Sales and marketing (includes \$0 and \$1,100 to related parties for the three and nine months ended October 31, 2004, respectively)	10,006	14,212	24,410	25,838
General and administrative	11,702	4,366	26,249	12,399
<b>Total operating expenses</b>	<b>31,420</b>	<b>27,869</b>	<b>81,053</b>	<b>64,665</b>
<b>Loss from operations</b>	<b>(15,055)</b>	<b>(25,998)</b>	<b>(16,976)</b>	<b>(45,164)</b>
Interest income	826	397	2,184	1,090
Interest expense and other	(10)	(671)	(13)	(1,995)
<b>Loss before income taxes</b>	<b>(14,239)</b>	<b>(26,272)</b>	<b>(14,805)</b>	<b>(46,069)</b>
Provision for income taxes	(78)	(78)	(51)	(108)
<b>Net loss</b>	<b>\$ (14,239)</b>	<b>\$ (26,350)</b>	<b>\$ (14,856)</b>	<b>\$ (46,177)</b>
<b>Net loss per common share - basic and diluted</b>	<b>\$ (0.17)</b>	<b>\$ (0.33)</b>	<b>\$ (0.18)</b>	<b>\$ (0.58)</b>
<b>Weighted average common shares used to calculate basic and diluted net loss per share</b>				
	84,200,655	80,266,784	83,362,402	80,087,792



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The accompanying notes are an integral part of these consolidated statements

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## TIVO INC.

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(In thousands, except share amounts)

(unaudited)

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Deferred Compensation</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>				
<b>BALANCE JANUARY 31, 2005</b>	82,280,876	\$ 82	\$ 654,746	\$ (428)	\$ (657,092)	\$ (2,692)
Issuance of common stock related to exercise of common stock options	342,424	1	1,318			1,319
Issuance of common stock related to employee stock purchase plan	245,655		1,175			