TIVO INC
Form 10-Q
November 30, 2012

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

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2012
OR

o 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)

Delaware	77-0463167
(State or other jurisdiction of incorporation or organization)	(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 x NO o.

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 x NO o.

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 x Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x.

The number of shares outstanding of the registrant's common stock, $0.001 par value, was 123,848,713 as of November 15, 2012.

TIVO INC.
FORM 10-Q
For the Fiscal Quarter Ended October 31, 2012

TABLE OF CONTENTS

PART I.	FINANCIAL INFORMATION	5
Item 1.	Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	35
Item 4.	Controls and Procedures	36
PART II.	OTHER INFORMATION	36
Item 1.	Legal Proceedings	36
Item 1A.	Risk Factors	36
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3.	Defaults Upon Senior Securities	37
Item 4.	Mine Safety Disclosures	38
Item 5.	Other Information	38
Item 6.	Exhibits	39
	Signatures	40

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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, expectations of future revenues and profitability;
- our intention and ability to protect our intellectual property, the cost of prosecuting or defending our intellectual property through litigation, the outcome of related litigations and the strength and future value of our intellectual property;
- 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 consumer offers, including our current subsidized hardware pricing and related subscription pricing and their impact on our hardware revenues, service revenues, total acquisition costs as well as sales and marketing, subscription acquisition costs, and average revenue per subscription ("ARPU");
- our estimates of the useful life of TiVo-enabled digital video recorders ("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, 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 growth in subscriptions to the TiVo Service, including future increases in our multiple system operators' and broadcasters' ("MSOs") subscription base and the possibility of future decreases in the TiVo-Owned subscription base;
- our expectations related to future advertising and audience research measurement revenues;
- our future earnings including expected future service revenues from future TiVo-Owned subscriptions and future service and technology revenues from MSOs;
- our expectations of the growth in the future advanced television services market for our software and technology for both our hardware and in-home and outside-of-the-home cloud-based solutions, which will be impacted by alternatives to and competitors with our products, such as cable Video On Demand ("VOD"), streaming VOD from the internet, and network DVRs;
- our expectations regarding 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 that would incorporate the TiVo user interface and non-DVR software;
- our expectations of the growth of the TiVo service and technology outside the United States;
- our expectations with respect to the timing of future development and deployment, including future subscription growth or attrition and future technology and service revenues;
- our expectations regarding the future amount of our research and development spending and associated ability to remain competitive and a technology innovator 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 increases in our operating expenses, including increases 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;
- our expectations with respect to the usability of our current finished goods inventory of DVRs and non-DVR products and the risks that hardware forecasts of our MSO customers may be reduced after we have committed manufacturing resources due to long lead times requiring us to record additional write-downs if such inventories exceed forecasted demand;
- our expectations regarding our ability to fund operations, capital expenditures, and working capital needs during the next year;
- our expectations regarding our ability to raise additional capital through the financial markets in the future;
- our expectations regarding our ability to perform or comply with laws, regulations, and requirements different than those in the United States; and
- our expectations and estimates related to long-term investments and their associated carrying value.

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 express 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 quarterly reports on Form 10-Q. 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)

	October 31, 2012	January 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$177,466	$169,555
Short-term investments	446,084	449,244
Accounts receivable, net of allowance for doubtful accounts of $396 and $370, respectively	28,388	24,665
Inventories	17,380	18,925
Deferred cost of technology revenues, current	11,725	4,400
Prepaid expenses and other, current	14,954	12,106
Total current assets	695,997	678,895
LONG-TERM ASSETS		
Property and equipment, net of accumulated depreciation of $49,566 and $47,170, respectively	10,059	9,191
Intangible assets and capitalized software, net of accumulated amortization of $20,059 and $17,797, respectively	17,350	4,677
Deferred cost of technology revenues, long-term	18,435	23,546
Goodwill	12,281	—
Prepaid expenses and other, long-term	3,165	3,501
Total long-term assets	61,290	40,915
Total assets	$757,287	$719,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$28,565	$32,102
Accrued liabilities	42,592	45,341
Deferred revenue, current	95,688	74,986
Total current liabilities	166,845	152,429
LONG-TERM LIABILITIES		
Deferred revenue, long-term	81,837	81,336
Convertible senior notes	172,500	172,500
Deferred rent and other long-term liabilities	539	518
Total long-term liabilities	254,876	254,354
Total liabilities	421,721	406,783
COMMITMENTS AND CONTINGENCIES (see Note 6)		
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 127,662,627 and 123,073,486, respectively, and outstanding shares are 123,818,266 and 121,616,908, respectively	128	123
Treasury stock, at cost: 3,844,361 shares and 1,456,578 shares, respectively	(36,915)	(13,788)

Additional paid-in capital	1,038,681	1,003,696
Accumulated deficit	(666,552)	(677,064)
Accumulated other comprehensive income	224	60
Total stockholders’ equity	335,566	313,027
Total liabilities and stockholders’ equity	$757,287	$719,810

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

5

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,	
	2012	2011	2012	2011
Revenues				
Service revenues	$35,228	$32,413	$98,151	$99,763
Technology revenues	25,727	19,391	71,439	40,480
Hardware revenues	21,072	12,970	45,462	31,465
Net revenues	82,027	64,774	215,052	171,708
Cost of revenues				
Cost of service revenues	11,238	9,265	28,488	27,154
Cost of technology revenues	5,779	7,721	15,857	18,554
Cost of hardware revenues	23,434	16,817	56,336	39,071
Total cost of revenues	40,451	33,803	100,681	84,779
Gross margin	41,576	30,971	114,371	86,929
Research and development	28,277	27,272	88,489	80,542
Sales and marketing	7,958	6,753	21,425	19,995
Sales and marketing, subscription acquisition costs	1,560	2,398	5,189	6,072
General and administrative	21,772	18,032	63,367	58,310
Litigation proceeds	(78,441)	—	(78,441)	(175,716)
Total operating expenses	(18,874)	54,455	100,029	(10,797)
Income (loss) from operations	60,450	(23,484)	14,342	97,726
Interest income	1,383	759	3,143	4,600
Interest expense and other income (expense), net	(1,958)	(2,015)	(5,906)	(6,604)
Income (loss) before income taxes	59,875	(24,740)	11,579	95,722
Benefit from (provision for) income taxes	(848)	242	(1,067)	(746)
Net income (loss)	$59,027	$(24,498)	$10,512	$94,976
Net income (loss) per common share				
Basic	$0.49	$(0.21)	$0.09	$0.82
Diluted	$0.44	$(0.21)	$0.09	$0.74
Income (loss) for purposes of computing net income (loss) per share:				
Basic	$59,027	$(24,498)	$10,512	$94,976
Diluted	$60,992	$(24,498)	$10,512	$99,989
Weighted average common and common equivalent shares:				
Basic	119,363,613	117,232,354	119,149,010	116,208,111
Diluted	138,587,931	117,232,354	123,353,443	135,722,730

6

Table of Contents

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

Table of Contents

TIVO INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
Net income (loss)	$59,027	$(24,498)	$10,512	$94,976
Other comprehensive income:				
Available-for-sale securities:				
Unrealized gain (loss) on marketable securities	30	(224)	164	(309)
Reclassification adjustment for gains on available-for-sale securities realized during the period	—	—	—	510
Subtotal available-for-sale securities	$30	$(224)	$164	$201
Total comprehensive income (loss)	$59,057	$(24,722)	$10,676	$95,177

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

Table of Contents

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

	Nine Months Ended October 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$10,512	$94,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment and intangibles	6,622	6,682
Stock-based compensation expense	25,163	21,979
Amortization of discounts and premiums on investments	4,097	2,483
Non-cash loss on over allotment option and non-cash interest expense	721	2,192
Utilization and write-down of trade credits	—	619
Allowance for doubtful accounts	196	322
Changes in assets and liabilities, net of the effects of the acquisition:		
Accounts receivable	(3,124)	(3,311)
Inventories	1,545	(2,271)
Deferred cost of technology revenues	(1,916)	(11,088)
Prepaid expenses and other	(1,947)	(653)
Accounts payable	(6,377)	11,854
Accrued liabilities	(3,619)	5,717
Deferred revenue	20,122	95,988
Deferred rent and other long-term liabilities	21	293
Net cash provided by operating activities	$52,016	$225,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	(429,262)	(640,300)
Sales or maturities of long-term and short-term investments	427,925	256,990
Acquisition of business, net of cash and cash equivalents acquired	(24,481)	—
Acquisition of property and equipment	(4,594)	(4,094)
Acquisition of capitalized software and intangibles	(95)	(281)
Net cash used in investing activities	$(30,507)	$(387,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible senior notes, net of issuance costs of $6,391	—	166,109
Proceeds from issuance of common stock related to exercise of common stock options	5,788	9,796
Proceeds from issuance of common stock related to employee stock purchase plan	3,741	3,284
Treasury stock - repurchase of stock	(23,127)	(4,566)
Net cash provided by (used in) financing activities	$(13,598)	$174,623
NET INCREASE IN CASH AND CASH EQUIVALENTS	$7,911	$12,720
CASH AND CASH EQUIVALENTS:		
Balance at beginning of period	169,555	71,221
Balance at end of period	$177,466	$83,941

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

9

Table of Contents
TIVO INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. NATURE OF OPERATIONS
TiVo Inc. (together with its subsidiaries the "Company" or "TiVo") was incorporated in August 1997 as a Delaware corporation and is located in Alviso, California. The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Company conducts its operations through one reportable segment.
The Company is subject to a number of risks, including delays in product and service developments; competitive product and service offerings; lack of market acceptance; uncertainty of future profitability; the dependence on third-parties for manufacturing, marketing, and sales support, as well as third-party rollout schedules, and software development issues for third-party products which contain its technology; intellectual property claims by and against the Company; access to television programming including digital cable signals in connection with CableCARD, switched digital Internet Protocol, downloadable conditional access, and other new signal delivery and encryption technologies; dependence on its relationships with third-party service providers for subscription growth; and the Company's ability to sustain and grow both its TiVo-Owned and MSO subscription base. The Company anticipates that its retail business will continue to be seasonal and expects to generate a significant portion of its new subscriptions during and immediately after the holiday shopping season. The Company is cautious about its ability to grow or maintain its TiVo-Owned subscription base in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Basis of Presentation
The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the unaudited interim condensed consolidated financial statements do not contain all of the information and footnotes required by generally accepted accounting principles for complete audited annual financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of October 31, 2012 and January 31, 2012 and the results of operations and the statement of other comprehensive income (loss) for the three and nine months ended October 31, 2012 and 2011 and condensed consolidated statements of cash flows for the nine month periods ended October 31, 2012 and 2011. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, including the notes thereto, included in the Company's annual report on Form 10-K for the fiscal year ended January 31, 2012. Operating results for the three and nine months ended October 31, 2012 are not necessarily indicative of results that may be expected for this fiscal year ending January 31, 2013 or any other periods.

3. CASH AND INVESTMENTS
Cash, cash equivalents, and short-term investments, consisted of the following:

Table of Contents

	As of October 31, 2012 (in thousands)	January 31, 2012
Cash and cash equivalents:		
Cash	$12,152	$7,016
Cash equivalents:		
Commercial paper	116,555	106,024
Certificates of deposit	2,000	5,000
Money market funds	40,988	51,515
Corporate debt securities	2,999	—
Foreign government securities	2,772	—
Total cash and cash equivalents	177,466	169,555
Marketable securities:		
Certificates of deposit	33,878	52,568
Commercial paper	101,033	81,272
Corporate debt securities	186,441	206,910
US agency securities	44,962	27,332
US Treasury securities	40,328	50,421
Variable-rate demand notes	410	470
Asset and mortgage-backed securities	19,714	13,087
Municipal bonds	19,318	17,184
Current marketable debt securities	446,084	449,244
Total cash, cash equivalents, and marketable securities	$623,550	$618,799

Marketable Securities

The Company's investment securities portfolio consists of various debt instruments, including corporate and government bonds, asset and mortgage-backed securities, government securities, and municipal bonds, all of which are classified as available-for-sale.

Contractual Maturity Date

The following table summarizes the estimated fair value of the Company's debt investments, designated as available-for-sale, classified by the contractual maturity date of the security:

	As of October 31, 2012 (in thousands)	January 31, 2012
Due within 1 year	$316,693	$402,164
Due within 1 year through 5 years	128,981	46,610
Due within 5 years through 10 years	—	—
Due after 10 years	410	470
Total	$446,084	$449,244

Unrealized Gains (Losses) on Marketable Investment Securities

The following table summarizes unrealized gains and losses related to the Company's investments in marketable securities designated as available-for-sale:

Table of Contents

	As of October 31, 2012			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificates of deposit	$33,873	$5	$—	$33,878
Commercial paper	100,955	83	(5)	101,033
Corporate debt securities	186,344	136	(39)	186,441
US agency securities	44,951	12	(1)	44,962
US Treasury securities	40,331	1	(4)	40,328
Variable-rate demand notes	410	—	—	410
Asset and mortgage-backed securities	19,696	18	—	19,714
Municipal bonds	19,306	12	—	19,318
Total	$445,866	$267	$(49)	$446,084

	As of January 31, 2012			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Certificates of deposit	$52,625	$—	$(57)	$52,568
Commercial paper	81,298	13	(39)	81,272
Corporate debt securities	206,849	159	(98)	206,910
US agency securities	27,330	3	(1)	27,332
US Treasury securities	50,360	61	—	50,421
Variable-rate demand notes	470	—	—	470
Asset-backed securities	13,071	16	—	13,087
Municipal bonds	17,186	9	(11)	17,184
Total	$449,189	$261	$(206)	$449,244

None of these investments were in a loss position for greater than twelve months as of October 31, 2012 and January 31, 2012.

4. FAIR VALUE

Inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect TiVo's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets;

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires TiVo to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value. TiVo recognizes transfers between levels of the hierarchy based on the fair values of the respective financial instruments at the end of the reporting period in which the transfer occurred.

12

Table of Contents

Cash equivalents and available-for-sale marketable securities (including auction rate securities and asset and mortgage-backed securities) are reported at their fair value. Additionally, carrying amounts of certain of the Company’s financial instruments including accounts receivable, accounts payable, and accrued expenses approximate their fair value because of their short maturities. We have financial liabilities for which we are obligated to repay the carry value, unless the holder agrees to a lesser amount which include our convertible debt. The fair values of TiVo's convertible debt are influenced by interest rates, TiVo's stock price and stock price volatility and are determined by Level 2 inputs, including prices for the convertible debt observed in market trading. The carrying value of these financial liabilities at October 31, 2012 and January 31, 2012 was $172.5 million and the fair value was $211.0 million and $207.3 million, based on the bond's quoted market price as of October 31, 2012 and January 31, 2012, respectively. These bonds are considered Level 2 instruments.

On a quarterly basis, TiVo measures at fair value certain financial assets. The fair value of those financial assets was determined using the following levels of inputs as of October 31, 2012 and January 31, 2012:

Table of Contents

	As of October 31, 2012			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$116,555	$—	$116,555	$—
Certificates of deposit	2,000	2,000	—	—
Money market funds	40,988	40,988	—	—
Corporate debt securities	2,999	—	2,999	—
Foreign government securities	2,772	—	2,772	—
Short-term investments:				
Certificates of deposit	33,878	33,878	—	—
Commercial paper	101,033	—	101,033	—
Corporate debt securities	186,441	—	186,441	—
US agency securities	44,962	—	44,962	—
US Treasury securities	40,328	40,328	—	—
Variable-rate demand notes	410	—	410	—
Asset and mortgage-backed securities	19,714	—	19,714	—
Municipal bonds	19,318	—	19,318	—
Total	$611,398	$117,194	$494,204	$—

	As of January 31, 2012			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in thousands)			
Assets:				
Cash equivalents:				
Commercial paper	$106,024	$—	$106,024	$—
Certificates of deposit	5,000	5,000	—	—
Money market funds	51,515	51,515	—	—
Short-term investments:				
Certificates of deposit	52,568	52,568	—	—
Commercial paper	81,272	—	81,272	—
Corporate debt securities	206,910	—	206,910	—
US agency securities	27,332	—	27,332	—
US Treasury securities	50,421	50,421	—	—
Variable-rate demand notes	470	—	470	—
Asset-backed securities	13,087	—	13,087	—
Municipal bonds	17,184	—	17,184	—
Total	$611,783	$159,504	$452,279	$—

14

Table of Contents

Level 1 Measurements
TiVo's cash equivalents held in money market funds, TiVo's available-for-sale securities and the trading securities are measured at fair value using Level 1 inputs.
Level 2 Measurements
The Company uses inputs such as broker/dealer quotes, and other similar data, which are obtained from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets and liabilities. The Company uses such pricing data as the primary input to make its assessments and determinations as to the ultimate valuation of its investment portfolio and has not made, during the periods presented, any material adjustments to such inputs. The Company is ultimately responsible for the financial statements and underlying estimates.
Level 3 Measurements
As of October 31, 2012, TiVo had no Level 3 instruments.
The Company did not have any transfers between Level 1, Level 2, and Level 3 fair value measurements during the periods presented as there were no changes in the composition of Level 1, 2, or 3 securities.

5. INVENTORY
Inventory was as follows:

	As of October 31, 2012	January 31, 2012
	(in thousands)	
Raw Materials	$4,592	$4,660
Finished Goods	12,788	14,265
Total Inventory	$17,380	$18,925

6. COMMITMENTS AND CONTINGENCIES
Product Warranties
The Company’s standard manufacturer's warranty period to consumers for TiVo-enabled DVRs is 90 days for parts and labor from the date of consumer purchase, and from 91-365 days for parts only. Within the limited warranty period, consumers are offered a no-charge exchange for TiVo-enabled DVRs returned due to product defect, within 90 days from the date of consumer purchase. Thereafter, consumers may exchange a TiVo-enabled DVR with a product defect for a charge. As of October 31, 2012 and January 31, 2012, the accrued warranty reserve was $246,000 and $194,000, respectively. The Company’s accrued warranty reserve is included in accrued liabilities in the accompanying condensed consolidated balance sheets.
The Company also offers customers separately priced optional 2-year and 3-year extended warranties. The Company defers and amortizes cost and revenue associated with the sales of the extended warranties over the warranty period or until a warranty is redeemed. As of October 31, 2012, the extended warranty deferred revenue and cost was $879,000 and $270,000, respectively. As of January 31, 2012, the extended warranty deferred revenue and cost was $913,000 and $280,000, respectively.
Indemnification Arrangements
The Company undertakes indemnification obligations in its ordinary course of business. For instance, the Company has undertaken to indemnify its underwriters and certain investors in connection with the issuance and sale of its securities and the Company provides indemnification for its directors and officers in accordance with Delaware law. The Company has also undertaken to indemnify certain customers and business partners for, among other things, the licensing of its products, the sale of its DVRs, and the provision of engineering and consulting services. Pursuant to these agreements, the Company may indemnify the other party for certain losses suffered or

Table of Contents

incurred by the indemnified party in connection with various types of claims, which may include, without limitation, intellectual property infringement, advertising and consumer disclosure laws, certain tax liabilities, negligence and intentional acts in the performance of services and violations of laws, including certain violations of securities laws with respect to underwriters and investors. The term of these indemnification obligations is generally perpetual. The Company's obligation to provide indemnification would arise in the event that a third-party filed a claim against one of the parties that was covered by the Company's indemnification obligation. As an example, if a third-party sued a customer for intellectual property infringement and the Company agreed to indemnify that customer against such claims, its obligation would be triggered.

The Company is unable to estimate with any reasonable accuracy the liability that may be incurred pursuant to its indemnification obligations, if any. A few of the variables affecting any such assessment include but are not limited to: the nature of the claim asserted; the relative merits of the claim; the financial ability of the party suing the indemnified party to engage in protracted litigation; the number of parties seeking indemnification; the nature and amount of damages claimed by the party suing the indemnified party; and the willingness of such party to engage in settlement negotiations. Due to the nature of the Company's potential indemnity liability, its indemnification obligations could range from immaterial to having a material adverse impact on its financial position and its ability to continue operation in the ordinary course of business.

Under certain circumstances, the Company may have recourse through its insurance policies that would enable it to recover from its insurance company some or all amounts paid pursuant to its indemnification obligations. The Company does not have any assets held either as collateral or by third parties that, upon the occurrence of an event requiring it to indemnify a customer, the Company could obtain and liquidate to recover all or a portion of the amounts paid pursuant to its indemnification obligations.

Legal Matters

Intellectual Property Litigation.

On August 26, 2009, TiVo filed a complaint against Verizon Communications, Inc. in the United States District Court for the Eastern District of Texas for infringement of the following three TiVo patents: U.S. Patent Nos. 6,233,389 B1 ("Multimedia Time Warping System"); 7,529,465 B2 ("System for Time Shifting Multimedia Content Streams"); and 7,493,015 B1 ("Automatic Playback Overshoot Correction System"). The complaint sought, among other things, damages for past infringement and a permanent injunction, similar to that issued by the United States District Court, Eastern District of Texas against EchoStar. On February 24, 2010, Verizon answered TiVo's August 26, 2009 complaint and Verizon asserted counterclaims. The counterclaims sought declaratory judgment of non-infringement and invalidity of the patents TiVo asserted against Verizon in the August 26th complaint. Additionally, Verizon alleged infringement of U.S. Patent Nos.: 5,410,344 ("Apparatus and Method of Selecting Video Programs Based on Viewers' Preferences"); 5,635,979 ("Dynamically Programmable Digital Entertainment Terminal Using Downloaded Software to Control Broadband Data Operations"); 5,973,684 ("Digital Entertainment Terminal Providing Dynamic Execution in Video Dial Tone Networks"); 7,561,214 ("Two-dimensional Navigation of Multiplexed Channels in a Digital Video Distribution System"); and 6,367,078 ("Electronic Program-Guide System with Sideways-Surfing Capability"). On March 15, 2010, Verizon filed an amended answer further alleging infringement of U.S. Patent No. 6,381,748 ("Apparatus And Methods For Network Access Using A Set Top Box And Television"). Verizon sought, among other things, damages and a permanent injunction.

On September 21, 2012, TiVo and Verizon entered into a Settlement and Patent License Agreement (the "Agreement") to settle and dismiss with prejudice all outstanding litigation between. See Note 10: Verizon Communications Inc. for a complete description of the terms of the settlement and Agreement between Verizon and TiVo.

On February 25, 2011, Motorola Mobility, Inc. and General Instrument Corporation, a subsidiary of Motorola, filed a complaint against TiVo in the United States District Court for the Eastern District of Texas seeking declaratory judgment of non-infringement and invalidity of two of the patents the Company asserted against Verizon in its August 26, 2009 complaint. Additionally, Motorola alleged infringement of U.S. Patent Nos. : 6,304,714 ("In Home Digital Video Unit with Combined Archival Storage and High-Access Storage"); 5,949,948 ("Method and Apparatus for Implementing Playback Features for Compressed Video"); and 6,356,708 ("Method and Apparatus for Implementing Playback Features for Compressed Video"). Motorola seeks, among other things, damages and a permanent injunction.

On April 18, 2011, the Company served its answer to the complaint and counterclaimed, seeking a declaration that it does not infringe and the patents are invalid. On April 20, 2011, Motorola answered TiVo's counterclaims. On March 26, 2012, TiVo filed an answer to Motorola's complaint and counterclaims alleging

16

Table of Contents

that Motorola and Time Warner Cable infringe U.S. Patent Nos. 6,233,389, 7,529,465, and 6,792,195. On April 12, 2012, Motorola filed a motion to dismiss and strike certain of TiVo's counterclaims. On April 30, 2012, Motorola filed additional causes of action claiming that Motorola co-invented and jointly owns the '389 patent. On May 17, 2012, TiVo filed a motion to dismiss and strike certain of Motorola's claims. On May 17, 2012, Time Warner Cable filed a motion to dismiss TiVo's claims against it for failure to state a claim. On June 20, 2012, Time Warner Cable moved to sever and stay TiVo's claims against it. On June 27, 2012, the Court issued a schedule with a pre-trial conference set for April 17, 2013, and jury selection set for May 6, 2013. On July 17, 2012, the Court issued a schedule reflecting these same dates. On July 18, 2012, the Court issued an order denying Time Warner Cable's motion to sever and stay TiVo's claims against it with respect to Motorola products sold by Time Warner Cable, and granted Time Warner Cable's motion to sever and stay TiVo's claims against it with respect to Cisco products sold by Time Warner Cable, ordering that Time Warner Cable be added as a party to the TiVo v. Cisco action, discussed below. On November 2, 2012, TiVo filed a motion for Rule 11 sanctions against Motorola regarding certain aspects of Motorola's April 30, 2012 amended answer and counterclaims. A claim construction hearing was held on November 27, 2012. The Company expects to incur material expenses in connection with this lawsuit, and in the event it were to lose, it could be forced to pay damages for infringement, to license technology from Motorola, and it could be subject to an injunction preventing it from infringing Motorola's technology or otherwise affecting its business, and in any such case, the Company's business would be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's, or FASB, ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On May 30, 2012, Cisco Systems, Inc. filed a complaint against TiVo in the United States District Court for the Northern District of California seeking a declaratory judgment of non-infringement and invalidity of U.S. Patent Nos. 6,233,389, 7,529,465, 7,493,015, and 6,792,195, and injunctive relief. On August 10, 2012, the Court ordered this action transferred to the United States District Court for the Eastern District of Texas. The Company may incur material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On June 4, 2012, TiVo filed a complaint against Cisco Systems, Inc. in the United States District Court for the Eastern District of Texas for infringement of U.S. Patent Nos. 6,233,389, 7,529,465, 7,493,015, and 6,792,195. The complaint seeks, among other things, damages for past infringement and a permanent injunction. On June 21, 2012, Cisco moved to dismiss, stay, and/or transfer this action to the Cisco v. TiVo action, discussed above. On June 29, 2012, Cisco answered TiVo's complaint. On July 17, 2012, the Court scheduled a status conference for August 29, 2012. On July 18, 2012, the Court issued an order in the Motorola v. TiVo action, discussed above, in connection with Time Warner Cable's motion to sever and stay TiVo's claims against it, that Time Warner Cable be added as a party to this action. On August 13, 2012, the Court denied Cisco's motion to dismiss, stay, and/or transfer this action to the Cisco v. TiVo action. On September 19, 2012, TiVo filed a motion to consolidate this action with the Motorola v. TiVo action, discussed above, for pretrial purposes. On October 22, 2012, the Court issued an order denying TiVo's motion to consolidate. On October 23, 2012, the Court issued a Docket Control Order with a Markman hearing set for July 31, 2013, a pre-trial conference set for February 18, 2014, and jury selection set for March 3, 2014. The Company may incur material expenses in connection with this litigation and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the FASB's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

On October 6, 2011, Digital CBT filed a complaint against TiVo in the District of Delaware (“First Action”) alleging infringement of U.S. Patent No. 5,805,173 ("System and Method for Capturing and Transferring Selected Portions of a Video Stream in a Computer System"). Digital CBT sought an injunction and unspecified damages. On March 22, 2012, Digital CBT dismissed the Delaware complaint and filed a substantially identical complaint in the Central

District of California (“Second Action”). On July 18, 2012, Digital CBT informed the Company of a potential standing issue with the March 22, 2012 complaint because it appeared that Digital CBT did not have the necessary rights to assert infringement of the '173 patent against the Company. On July 24, 2012, the Company filed a complaint against Digital CBT in the Northern District of California (“Third Action”) requesting declaratory judgment that U.S. Patent No. 5,805,173 ("System and Method for Capturing and Transferring Selected Portions of a Video

Stream in a Computer System") is invalid and not infringed. On July 26, 2012, Digital CBT claimed to have corrected its standing problem and filed a complaint against TiVo (“Fourth Action”), substantially identical to its March 22, 2012 complaint against the Company, in the Central District of California. On July 30, 2012, Digital CBT filed a motion to dismiss its own Second Action, which TiVo did not oppose, and on August 29, 2012 the Court dismissed the Second Action. On September 17, 2012, Digital CBT filed a motion to dismiss or alternatively to transfer the Third Action to the Central District of California. On October 29, 2012 the Court transferred the Third Action to the Central District of California, where the Fourth Action is pending and where Digital CBT has a case involving the same patent pending against AT&T. On October 31, 2012 TiVo filed its answer and counterclaims in the Fourth Action. The Company may incur material expenses in connection with these litigations and in the event there is an adverse outcome, the Company's business could be harmed. The Company has determined a potential loss is reasonably possible as it is defined by the Financial Accounting Standard Board's ASC 450 Contingencies; however, based on its current knowledge, management does not believe that the amount of such possible loss or a range of potential loss is reasonably estimable.

From time to time, the Company is involved in numerous lawsuits as well as subject to various legal proceedings, claims, threats of litigation, and investigations in the ordinary course of business, including claims of alleged infringement of third-party patents and other intellectual property rights, commercial, employment and other matters. The Company assesses potential liabilities in connection with each lawsuit and threatened lawsuits and accrues an estimated loss for these loss contingencies if both of the following conditions are met: information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. While certain matters to which the Company is a party specify the damages claimed, such claims may not represent reasonably possible losses. Given the inherent uncertainties of the litigation, the ultimate outcome of these matters cannot be predicted at this time, nor can the amount of possible loss or range of loss, if any, be reasonably estimated. As of October 31, 2012, the Company has not accrued any pre-judgment liability for any lawsuits filed against the Company, as the Company has neither determined that it is probable that a liability has been incurred at the date of the financial statements nor that the amount of any loss can be reasonably estimated. The Company has accrued $3.2 million for a recent arbitration award related to a contractual dispute. The Company expenses legal costs as they are incurred.

7. NET INCOME (LOSS) PER COMMON SHARE

Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding, excluding unvested restricted stock.

Diluted net income (loss) per common share is computed based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options, stock awards, and performance stock awards and are calculated using the treasury stock method. Also included in the weighted average effect of dilutive securities is the diluted effect of the convertible senior notes which is calculated using the if-converted method.

The following table sets forth the computation of basic and diluted earnings per common share:

Table of Contents

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(income/(loss) in thousands)			
Numerator:				
Net income (loss)	$59,027	$(24,498)	$10,512	$94,976
Interest on dilutive notes	1,965	—	—	5,013
Net income (loss) for purpose of computing net income (loss) per diluted share	60,992	(24,498)	10,512	99,989
Denominator:				
Weighted average shares outstanding, excluding unvested restricted stock	119,363,613	117,232,354	119,149,010	116,208,111
Weighted average effect of dilutive securities:				
Stock options and restricted stock	3,762,125	—	4,204,433	4,052,426
Convertible senior notes	15,462,193	—	—	15,462,193
Denominator for diluted net income (loss) per common share	138,587,931	117,232,354	123,353,443	135,722,730
Basic net income (loss) per common share	$0.49	$(0.21)	$0.09	$0.82
Diluted net income (loss) per common share	$0.44	$(0.21)	$0.09	$0.74

The weighted average number of shares outstanding used in the computation of basic and diluted net income (loss) per share in the three and nine months ended October 31, 2012 and 2011 per share do not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
Unvested restricted stock	2,258,460	5,616,747	1,839,690	1,164,955
Options to purchase common stock	1,689,019	11,424,061	1,676,379	4,473,850
Potential shares to be issued from ESPP	—	188,849	—	—
Convertible senior notes	—	15,462,193	15,462,193	—
Total	3,947,479	32,691,850	18,978,262	5,638,805

8. STOCK-BASED COMPENSATION

Total stock-based compensation for the three and nine months ended October 31, 2012 and 2011, respectively is as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands)			
Cost of service revenues	$357	$209	$919	$610
Cost of technology revenues	563	674	1,181	1,363
Research and development	3,062	2,709	9,790	7,895
Sales and marketing	1,187	1,052	2,971	3,022
General and administrative	3,849	2,776	10,302	9,089
Change in deferred cost of technology revenues	8	(81)	298	510
Total stock-based compensation	$9,026	$7,339	$25,461	$22,489

9. ACQUISITIONS

On July 18, 2012, the Company completed its acquisition of TRA Global, Inc. (“TRA”), pursuant to an Agreement and Plan of Merger (the “Merger Agreement”) dated July 10, 2012 for the cash amount of $18.8 million. TRA is a privately-held, media and marketing research company headquartered in New York, New York and TiVo acquired 100% voting interest in the Company. The acquisition of TRA supports the Company's mission to be a

19

Table of Contents

leader in audience research measurement solutions. TRA's results of operations and the estimated fair value of assets acquired and liabilities assumed were included in the Company's unaudited consolidated financial statements beginning July 18, 2012. On October 24, 2012, the Company completed another business acquisition for $5.3 million in cash.

During the quarter ended October 31, 2012 the Company recorded incremental goodwill of $2.1 million of which $1.7 million resulting from contingent legal expenses for TRA that were incurred prior to the acquisition date, with the remaining amount associated with the acquisition that occurred during the quarter ended October 31, 2012. Total acquisition costs, which were expensed as incurred, were approximately $28,000 and $661,000 for the three and nine months ended October 31, 2012.

The purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective preliminary fair values on the acquisition date. The Company's allocation of the total purchase price for these two acquisitions is as follows (in thousands):

Description	Value
Cash	$1,185
Accounts receivable and other assets	1,638
Liabilities	(5,930)
Identifiable intangibles	14,840
Goodwill	12,281
Total	$24,014

The following table presents details of the intangible assets acquired through these business combinations (in thousands, except years):

Description	Asset Life in Years	Fair Value
Software Technology	5	$11,710
Customer relationships	2-7	$2,930
Trade name	3	$200
Total identifiable intangible assets		$14,840

The Company does not believe there is any significant residual value associated with these intangible assets. The Company amortizes the intangible assets straight-line over their estimated useful lives. The Company's management determined the fair values of the intangible assets with the assistance of a valuation firm. The estimation of the fair value of the intangible assets required the use of valuation techniques and entailed consideration of all the relevant factors that might affect the fair value, such as present value factors, estimates of future revenues and costs.

Goodwill

The goodwill amount of $12.3 million represents the excess of the purchase price over the fair value of the identified net tangible and intangible assets. The goodwill recognized in these acquisitions was derived from expected benefits from future technology, cost synergies and knowledgeable and experienced workforce who joined the Company after these acquisitions. Goodwill will not be amortized, but will be tested instead for impairment annually in the fourth quarter of each fiscal year or more frequently if certain indicators of impairment are present. The majority of goodwill is not expected to be tax deductible for income tax purposes.

10. VERIZON COMMUNICATIONS, INC.

On September 21, 2012, TiVo Inc. entered into a Settlement and Patent License Agreement with Verizon Communications, Inc. ("VZ"). Under the terms of the Agreement, VZ has agreed to pay TiVo a minimum amount of $250.4 million plus incremental monthly fees per DVR subscriber if VZ's subscriber base exceeds certain pre-determined levels which increase annually. The initial payment of $100.0 million was paid to TiVo on September 28, 2012 with the remaining $150.4 million due to TiVo 30 days after the end of each calendar quarter in the amount of

Table of Contents

$6.0 million through the calendar quarter ending September 30, 2018. Any incremental additional per subscriber fees are due to TiVo on the same schedule. The Agreement expires on July 31, 2018.
TiVo and VZ agreed to dismiss all pending litigation between the companies with prejudice. TiVo granted VZ a limited license under its advanced television patents, including the patents that TiVo had asserted against VZ (U.S. Patent Nos. 6,233,389, 7,493,015, and 7,529,465), to make, have made, use, sell, offer to sell, and import advanced television technology in connection with VZ multichannel video programming services subject to certain limitations and exclusions. VZ granted TiVo a limited license under its advanced television patents, including the patents that VZ had asserted against TiVo (U.S. Patent Nos. 5,410,344, 5,635,979, 5,973,684, 6,367,078, 7,561,214 and 6,381,748), to make, have made, use, sell, offer to sell and import advanced television technology in connection with TiVo products and services, including products and services provided to other multichannel video programming service providers, subject to certain limitations and exclusions. TiVo may terminate the rights and licenses granted to VZ pursuant to the Agreement under certain circumstances, including but not limited to if VZ has failed to make timely payment.
The agreement includes multiple elements consisting of: (i) an exchange of licenses to intellectual property, including covenants not to assert claims of patent infringement for the period from September 21, 2012 until July 31, 2018, (ii) an interest income component related to the past infringement, and (iii) the settlement of all outstanding litigation and claims between TiVo and VZ. The proceeds of the agreement were allocated amongst the principal elements of the transaction based on relative fair values of each element.

TiVo estimated the fair value of each element using an income approach. The significant inputs and assumptions used in this valuation included actual past and projected future subscription base, estimated DVR penetration rates, estimated market-based royalty rates, estimated risk-adjusted discount rates, and useful lives of the technology, among others. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors. Changes in these assumptions may have a substantial impact on the fair value assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction.

The total consideration of $250.4 million was allocated on a relative fair value basis as $78.4 million to the past infringement and litigation settlement element, $568,000 to interest income related to past infringement and $171.4 million to the future base license royalties element. The future base license royalties element does not include any incremental monthly fees per DVR subscriber payable if the VZ subscriber base exceeds certain pre-determined levels. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the quarter ended October 31, 2012. The amount related to interest income was recorded under “Interest income” in the quarter ended October 31, 2012. $171.4 million of future license royalties will be recorded as Technology revenues over the term of the agreement through July 31, 2018 using a pattern reflective of an increasing number of subscribers covered by the minimum fixed license payments. Any incremental monthly fees per DVR subscriber payable if the VZ's subscriber base exceeds certain pre-determined levels will be recognized as Technology revenues when reported to TiVo by VZ. As part of the Agreement, Verizon may earn a credit of up to $29.4 million if Verizon agrees to pursue a specified commercial services arrangement with TiVo prior to December 21, 2012, which may reduce up to twenty-two of the quarterly cash payments to $4.7 million. In addition to the $250.4 million in compensation, TiVo will also receive incremental monthly fees at a higher rate than the rate implied by the guaranteed fees per Verizon DVR subscriber if the growth of Verizon's DVR subscriber base exceeds certain pre-determined levels. Any incremental additional per subscriber fees are due to TiVo 30 days after the end of each calendar quarter in which they are earned.

While Verizon cash payments from the base license royalties elements under the agreement will be $6.0 million at the end of each calendar quarter through the calendar quarter ending September 30, 2018, revenues have been or are expected to be recognized as follows:

Table of Contents

Fiscal Year Ending January 31,	Technology Revenues (in thousands)
2013	$8,163
2014	25,163
2015	27,778
2016	29,700
2017	31,266
2018	32,549
2019	16,772
Total	$171,391

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the condensed consolidated financial statements and the accompanying notes included in this report and our most recent annual report on Form 10-K filed on March 23, 2012, the sections entitled “Risk Factors” in Item 1A of our most recent annual report on Form 10-K and Part II, Item 1A of this quarterly report, as well as other cautionary statements and risks described elsewhere in this report and our most recent annual report on Form 10-K filed on March 23, 2012 before deciding to purchase, sell or hold our common stock.

Company Overview

We are a leading provider of software, technology, in-home, and outside-of-the-home cloud-based video solutions, which are included in such products as DVRs, non-DVR set-top boxes (STBs) and other consumer electronic applications and devices, such as the tablet. The TiVo service redefines home entertainment by providing consumers with an easy intuitive way to record, watch, and control television. We offer features such as Season Pass® recordings, integrated search (including content from both traditional linear television, cable VOD, and broadband sources in one user interface), WishList® searches, access to cable VOD, the ability to transfer content amongst our DVRs and non-DVR STBs and to other consumer electronics devices, access to broadband video content, TiVo Online/Mobile Scheduling and applications on third-party devices such as tablet computers and smartphones (such as iPads, iPhones, and Android phones and tablets). As of October 31, 2012, there were approximately 2.9 million subscriptions to the TiVo service through our TiVo-Owned and MSO businesses. In our TiVo-Owned business, we distribute the TiVo DVR through consumer electronics retailers and through our on-line store at TiVo.com. Additionally, in our MSO business, we generate service and/or hardware revenues by providing the TiVo service on MSO provisioned DVRs and non-DVR STBs through agreements with leading satellite and cable television service providers and broadcasters. We also generate technology revenues through engineering professional services in connection with the development and deployment of the TiVo service to our MSO customers.

Additionally, we generate advertising and audience research and measurement revenues by providing innovative advertising and audience measurement solutions for the television industry. We recently acquired a data analytics company, TRA Global, Inc. on July 18, 2012, which we have renamed TiVo Research and Analytics, Inc. (or TRA). We believe this acquisition is strategic for our data analytics business, establishes new revenue enhancing opportunities, and bolsters our ability to provide unique insights to an industry increasingly seeking alternative ways to measure audience behavior.

We have and continue to engage in significant intellectual property litigation with certain television service and technology providers in the United States to protect our technology from infringement. To date, we have received cash and future payment commitments totaling over $1 billion from intellectual property litigation, including a lawsuit we settled with Verizon Communications, Inc. for at least $250.4 million, during the quarter ended October 31, 2012. We have recorded the portion that related to past infringement as litigation proceeds in the quarter in which the settlements occurred, and the amounts related to future use are recognized by us as technology revenues from the licensing of our technology over the remaining term of the license. We currently have additional intellectual property

litigation pending against Motorola, Cisco, and Time Warner Cable.

Table of Contents

Executive Overview

Fiscal year 2013

In the remainder of the fiscal year ending January 31, 2013, we plan to continue to focus on our efforts to build leading advanced television products, enter into new distribution relationships, engage in development work for existing distribution customers, and continue deployment activities for our existing distribution customers. Additionally, we have been and plan to continue to actively protect our intellectual property. We will continue to focus on the following priorities:

•We expect to continue our efforts to increase our subscription base by adding new subscriptions through our TiVo-Owned direct and retail sales with the roll out of our new products, as well as our mass distribution partnerships both in the U.S. and internationally. Our installed base of MSO subscriptions had strong growth in the quarter ended October 31, 2012. We expect this new trend of growth in our MSO subscription base to continue through rest of fiscal year 2013 and into next year with the continued contributions from current deployments and the expected future deployment of additional distribution deals. However, this growth in our installed base of MSO subscriptions will likely be slightly offset by further declines in our TiVo-Owned subscription base.

•We believe that our investments in research and development are critical to remaining competitive and being a leader in advanced television solutions that go beyond the DVR. Therefore, we expect our annual research and development spending in fiscal year 2014 to continue to be significant but to be at lower levels than compared to the fiscal year ended January 31, 2013 as we continue to launch and pursue new technological and product developments such as the continued development of whole-home and multi-screen offerings which include non-DVR STBs and software solutions that extend the TiVo experience to personal computers, tablets, and mobile devices, increasing our operational capacity to handle increased operator deployments, and gaining more efficiency in our distribution efforts.

•We will continue our efforts to protect our technological innovations and intellectual property. As a result, we expect to continue to incur significant litigation expenses for our ongoing patent infringement lawsuits, which include litigation with Motorola, Cisco, and Time Warner Cable.

•We expect to continue our development efforts under our existing MSO deployment agreements. As part of these arrangements, we typically receive some payments upfront and a portion over time that is a recoupment of costs to develop. As such, to the extent that our development costs exceed upfront development fees from such arrangements, but such development costs are recoverable through future guaranteed service fees from these MSOs, we will defer such development costs and start expensing them in our Statement of Operations later upon deployment with the MSO. As of October 31, 2012, we have deferred costs of approximately $30.2 million related to development work, largely related to Virgin, ONO, and Charter. However, despite the deferral of these development costs, we do incur cash outflows associated with these development efforts resulting in potentially higher cash usage in the near term. Also for international MSOs, when related revenues from service fees are received, they are first recognized as technology revenues until the previously deferred costs of development of such arrangements are expensed. This recognition of such associated service fees as technology revenues also negatively impacts the average revenue per subscription ("ARPU") for MSOs' metric until such service fees are later recognized as service revenues, as further discussed below under Key Business Metrics. As a result, we face the risk of unexpected losses if we were forced to recognize these deferred costs early if we don't successfully complete the developments and deployments with the MSO partners or these partners default on future guaranteed service fees or are otherwise able to terminate their contracts with us.

Key Business Metrics

Management periodically reviews certain key business metrics in order to evaluate our operations, allocate resources, and drive financial performance in our business. Management monitors these metrics together and not individually as it does not make business decisions based upon any single metric.

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. Below is a table that details the change in our subscription base during the last eight quarters. 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 MSO lines refer to subscriptions sold to consumers by MSOs such as DIRECTV, Virgin Media, Cableuropa S.A.U. (“ONO”), RCN, Grande, and Suddenlink, among others, and for which TiVo

Table of Contents

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 as opposed to a one-time prepaid product lifetime fee.

	Three Months Ended							
(Subscriptions in thousands)	Oct 31 2012	Jul 31 2012	Apr 30 2012	Jan 31 2012	Oct 31 2011	Jul 31 2011	Apr 30 2011	Jan 31 2011
TiVo-Owned Subscription Gross Additions:	30	28	24	32	30	25	27	60
Subscription Net Additions/(Losses):								
TiVo-Owned	(15)	(23)	(29)	(26)	(30)	(43)	(58)	(55)
MSOs	240	253	235	260	147	10	(30)	(168)
Total Subscription Net Additions/(Losses)	225	230	206	234	117	(33)	(88)	(223)
Cumulative Subscriptions:								
TiVo-Owned	1,042	1,057	1,080	1,109	1,135	1,165	1,208	1,266
MSOs	1,898	1,658	1,405	1,170	910	763	753	783
Total Cumulative Subscriptions	2,940	2,715	2,485	2,279	2,045	1,928	1,961	2,049
Fully Amortized Active Lifetime Subscriptions	208	221	238	253	270	286	307	310
% of TiVo-Owned Cumulative Subscriptions paying recurring fees	54%	54%	55%	55%	56%	57%	57%	56%

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. Prior to November 1, 2011 we amortized all product lifetime subscriptions over a 60 month period. Effective November 1, 2011, we have extended the period we use to recognize product lifetime subscription revenues from 60 months to 66 months for product lifetime subscriptions where we have not recognized all of the related deferred revenue as of the reassessment date. 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-Owned subscriptions declined by 15,000 subscriptions during the three months ended October 31, 2012, as compared to a decrease of 30,000 in the same prior year period. This improvement was primarily driven by decreased churn. TiVo-Owned installed subscription base decreased to approximately 1.0 million subscriptions as of October 31, 2012 as compared to approximately 1.1 million as of October 31, 2011. We believe this decrease in total TiVo-Owned subscriptions was largely due to continued pressure on subscription gross additions resulting from increased competition from DVRs distributed by cable and satellite companies as we continued to have fewer TiVo-Owned subscription gross additions than we had TiVo-Owned subscription cancellations. Despite our efforts to improve TiVo-Owned net additions, we expect current trends will likely continue and that we will experience further declines in our TiVo-Owned subscription base in fiscal year 2013.

Our MSO installed subscription base increased by 240,000 subscriptions to approximately 1.9 million subscriptions as of October 31, 2012. The increase in subscriptions is due to subscription growth from partners such as Virgin Media, RCN, Suddenlink, ONO, Grande, and others. We expect this growth to continue.

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.

Table of Contents

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.

The following table presents our TiVo-Owned Churn Rate per month information:

	Three Months Ended							
(Subscriptions in thousands)	Oct 31, 2012	Jul 31, 2012	Apr 30, 2012	Jan 31, 2012	Oct 31, 2011	Jul 31, 2011	Apr 30, 2011	Jan 31, 2011
Average TiVo-Owned subscriptions	1,050	1,068	1,095	1,122	1,149	1,188	1,238	1,296
TiVo-Owned subscription cancellations	(45)	(51)	(53)	(58)	(60)	(68)	(85)	(115)
TiVo-Owned Churn Rate per month	(1.4)%	(1.6)%	(1.6)%	(1.7)%	(1.7)%	(1.9)%	(2.3)%	(3.0)%

Included in our TiVo-Owned Churn Rate per month are those product lifetime subscriptions that have both reached the end of the revenue recognition period and whose DVRs have not contacted the TiVo service within the prior six months. Conversely, we do not count as churn product lifetime subscriptions that have not reached the end of the revenue recognition period, regardless of whether such subscriptions continue to contact the TiVo service.

TiVo-Owned Churn Rate per month was (1.4)% and (1.7)% for the quarters ended October 31, 2012 and 2011, respectively.

We expect churn to be lower on a percentage basis and on an absolute basis in the fiscal year ending January 31, 2013 as compared to the fiscal year ended January 31, 2012 as a result of a decrease in inactive product lifetime subscriptions and as high definition subscriptions, which tend to have a lower churn rate than standard definition subscriptions, become a larger portion of our base.

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.

Table of Contents

	Three Months Ended							
	Oct 31, 2012	Jul 31, 2012	Apr 30, 2012	Jan 31, 2012	Oct 31, 2011	Jul 31, 2011	Apr 30, 2011	Jan 31, 2011
	(In thousands, except SAC)							
Subscription Acquisition Costs								
Sales and marketing, subscription acquisition costs	$1,560	$2,372	$1,257	$1,320	$2,398	$2,441	$1,233	$2,214
Hardware revenues	(21,072)	(11,129)	(13,261)	(16,428)	(12,970)	(11,580)	(6,915)	(14,436)
Less: MSOs'-related hardware revenues	13,051	6,696	9,268	11,641	8,998	8,079	2,765	4,431
Cost of hardware revenues	23,434	14,431	18,471	20,368	16,817	13,401	8,853	24,702
Less: MSOs'-related cost of hardware revenues	(11,841)	(5,399)	(10,159)	(9,412)	(6,351)	(6,019)	(1,795)	(3,298)
Total Acquisition Costs	5,132	6,971	5,576	7,489	8,892	6,322	4,141	13,613
TiVo-Owned Subscription Gross Additions	30	28	24	32	30	25	27	60
Subscription Acquisition Costs (SAC)	$171	$249	$232	$234	$296	$253	$153	$227

	Twelve Months Ended							
	Oct 31, 2012	Jul 31, 2012	Apr 30, 2012	Jan 31, 2012	Oct 31, 2011	Jul 31, 2011	Apr 30, 2011	Jan 31, 2011
	(In thousands, except SAC)							
Subscription Acquisition Costs								
Sales and marketing, subscription acquisition costs	$6,509	$7,347	$7,416	$7,392	$8,286	$7,286	$6,211	$8,169
Hardware revenues	(61,890)	(53,788)	(54,239)	(47,893)	(45,901)	(42,463)	(40,364)	(51,618)
Less: MSOs'-related hardware revenues	40,656	36,603	37,986	31,483	24,273	18,691	12,213	14,885
Cost of hardware revenues	76,704	70,087	69,057	59,439	63,773	60,522	58,667	69,033
Less: MSOs'-related cost of hardware revenues	(36,811)	(31,321)	(31,941)	(23,577)	(17,463)	(13,730)	(8,933)	(11,296)
Total Acquisition Costs	25,168	28,928	28,279	26,844	32,968	30,306	27,794	29,173
TiVo-Owned Subscription Gross Additions	114	114	111	114	142	147	154	160
Subscription Acquisition Costs (SAC)	$221	$254	$255	$235	$232	$206	$180	$182

As a result of the seasonal nature of our subscription growth in the past, total acquisition costs have varied significantly during the year. Management primarily reviews the SAC metric on an annual basis due to the timing difference between our recognition of promotional program expense and the subsequent addition of the related subscriptions. For example, we have historically experienced increased TiVo-Owned subscription gross additions during the fourth quarter; however, sales and marketing, subscription acquisition activities occur throughout the year.
During the three months ended October 31, 2012, our total acquisition costs were $5.1 million, a decrease of $3.8 million, as compared to the same prior year period primarily due to lower hardware margin loss which was largely driven by lower per unit hardware loss as a higher percentage of consumers purchased higher end units which have lower or no hardware subsidy. Additionally, we decreased our sales and marketing subscription acquisition spending by $838,000 during the quarter ended October 31, 2012 as compared to the same prior year period. This decrease in total acquisition costs for the quarter resulted in a decrease in SAC of $125 for the three months ended October 31, 2012 as compared to the same prior year period.
During the twelve months ended October 31, 2012 our total acquisition costs were $25.2 million, a decrease of $7.8 million compared to the same prior year period. TiVo's sales and marketing, subscription acquisition costs decreased

by $1.8 million, as compared to the same prior year period due to lower incentives for our retailers and less aggressive upfront pricing on TiVo boxes to consumers, which was combined with $6.0 million lower hardware gross margin loss as a higher percentage of consumers purchased higher end units which have lower or no hardware subsidy. The decrease in SAC of $11 for the twelve months ended October 31, 2012 as compared to the same prior year period was largely a result of a decrease in total acquisition costs during the period offset by a lower number of TiVo-Owned subscription gross additions.

Table of Contents

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 TiVo to generate revenues from its subscription base through 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. The inclusion of advertising and audience research measurement revenues in our service revenues has the effect of increasing ARPU above the amounts that are directly attributable to subscription fees received. As such, future revenue estimates based on estimates of future subscription numbers and current ARPU numbers may not be accurate. For example, with the acquisition of TRA in July 2012, expected future growth in our audience research measurement revenues from the acquisition of TRA will have the effect of further increasing this effect on the TiVo-Owned ARPU per month, where all TRA related revenues are reflected. The inclusion of product lifetime subscriptions that have both reached the end of the revenue recognition period and whose DVRs have contacted the TiVo service within the prior six months has the effect of decreasing ARPU as these fully-amortized, active subscriptions no longer generate service revenues yet are included in the denominator of the TiVo-Owned ARPU calculation.

Furthermore, ARPU for our MSOs may not be directly comparable to the service fees we 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. Additionally, our MSO ARPU per month is impacted by the fact that certain of our deployment agreements may include provisions that affect the aggregate services fees paid to us. 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. Additionally, ARPU for our MSO subscriptions may not be reflective of revenues received by TiVo as in certain cases the cost of development for such MSO customer may be deferred on our condensed consolidated balance sheet until later when related revenues from service fees are received and are first recognized as Technology revenues by us until the previously deferred costs of development are fully expensed. This recognition of service fees as Technology revenues will have the effect of lowering ARPU for certain of our MSO subscriptions until such costs of development are fully expensed even though such MSO subscriptions are included in the denominator of the MSO ARPU calculation.

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 and audience research measurement revenues) from our total reported net service revenues and dividing the result by the number of months in the period. We then divide the resulting average service revenue by Average TiVo-Owned subscriptions for the period, calculated as described above for churn rate. The following table shows this calculation:

	Three Months Ended							
TiVo-Owned Average Revenue per Subscription	Oct 31, 2012	Jul 31, 2012	Apr 30, 2012	Jan 31, 2012	Oct 31, 2011	Jul 31, 2011	Apr 30, 2011	Jan 31, 2011
	(In thousands, except ARPU)							
Total Service revenues	35,228	32,302	30,621	31,578	32,413	34,016	33,334	34,453
Less: MSOs'-related service revenues	(7,526)	(5,326)	(3,929)	(4,472)	(4,087)	(4,371)	(3,962)	(4,294)
TiVo-Owned-related service revenues	27,702	26,976	26,692	27,106	28,326	29,645	29,372	30,159
Average TiVo-Owned revenues per month	9,234	8,992	8,897	9,035	9,442	9,882	9,791	10,053
Average TiVo-Owned subscriptions per month	1,050	1,068	1,095	1,122	1,149	1,188	1,238	1,296
TiVo-Owned ARPU per month	$8.79	$8.42	$8.13	$8.05	$8.22	$8.31	$7.91	$7.76

The increase in TiVo-Owned ARPU per month for the three months ended October 31, 2012 as compared to the same prior year period was due primarily to an increase in our audience research measurement revenues associated with our acquisition of TRA and to a lesser extent the greater amount of our TiVo-Owned subscription base paying higher subscription fees as a result of the higher monthly subscription pricing that we initiated during the fourth quarter of the fiscal year ended January 31, 2011 which ended in the first quarter of fiscal year 2013.

Table of Contents

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 and audience research measurement 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 following table shows this calculation:

MSOs' Average Revenue per Subscription	Three Months Ended Oct 31, 2012	Jul 31, 2012	Apr 30, 2012	Jan 31, 2012	Oct 31, 2011	Jul 31, 2011	Apr 30, 2011	Jan 31, 2011
	(In thousands, except ARPU)							
Total Service revenues	35,228	32,302	30,621	31,578	32,413	34,016	33,334	34,453
Less: TiVo-Owned-related service revenues	(27,702)	(26,976)	(26,692)	(27,106)	(28,326)	(29,645)	(29,372)	(30,159)
MSOs'-related service revenues	7,526	5,326	3,929	4,472	4,087	4,371	3,962	4,294
Average MSOs' revenues per month	2,509	1,775	1,310	1,491	1,362	1,457	1,321	1,431
Average MSOs' subscriptions per month	1,771	1,539	1,283	1,049	828	753	768	905
MSOs' ARPU per month	$1.42	$1.15	$1.02	$1.42	$1.65	$1.94	$1.72	$1.58

The MSOs' ARPU per month for the quarter ended October 31, 2012 decreased by $0.23 per subscription to $1.42 per subscription, as compared to the same prior year period. This decrease in MSOs' ARPU per month is due to the increased number of average MSO monthly subscriptions combined with the fact that subscription additions from some newly launched deployment agreements, including Virgin, which is a primary driver of our MSO subscription growth, do not necessarily correspond to an increase in service revenues as the cost of development for certain MSO customers has been deferred on our condensed consolidated balance sheet and such MSO service fees are being first recognized as technology revenues until the previously deferred costs of development related to such MSO customers are fully expensed. This recognition of service fees as Technology revenues has the effect of lowering MSO ARPU per month until such costs of development are fully expensed. We expect that our MSO ARPU per month will continue to be negatively impacted by the recovery of these previously incurred development costs in the rest of fiscal year 2013 and next year. Additionally, our MSO ARPU per month is impacted by the fact that DIRECTV's fixed minimum fee commitment (which extends through the term of our agreement with DIRECTV which expires on February 15, 2015, unless extended until February 15, 2018 by DIRECTV) is being spread over a declining DIRECTV subscription base.

Critical Accounting Estimates

In preparing our condensed consolidated financial statements, we make assumptions, judgments and estimates that can have a significant impact on our revenue, operating income (loss) and net income (loss), as well as on the value of certain assets and liabilities on our condensed consolidated balance sheets. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. At least quarterly, we evaluate our assumptions, judgments and estimates and make changes accordingly. Historically, our assumptions, judgments and estimates relative to our critical accounting estimates have not differed materially from actual results. During the nine months ended October 31, 2012 there were no material changes to our critical accounting policies or in the matters for which we make critical accounting estimates in the preparation of our condensed consolidated financial statements as compared to those disclosed under the heading "Critical Accounting Estimates" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2012.

Results of Operations

Net Revenues.

Our net revenues for the three and nine months ended October 31, 2012 and 2011 as a percentage of total net revenues were as follows:

28

Table of Contents

	Three Months Ended October 31,				Nine Months Ended October 31,			
	2012		2011		2012		2011	
	(In thousands, except percentages)							
Service revenues	$35,228	43 %	$32,413	50 %	$98,151	46 %	$99,763	58 %
Technology revenues	$25,727	31 %	$19,391	30 %	$71,439	33 %	$40,480	24 %
Hardware revenues	$21,072	26 %	$12,970	20 %	$45,462	21 %	$31,465	18 %
Net revenues	$82,027	100 %	$64,774	100 %	$215,052	100 %	$171,708	100 %
Change from same prior year period	27 %		27 %			25 %	5 %	

Service Revenues. The increase in Service revenues of $2.8 million in the three months ended October 31, 2012, as compared to the same prior year period was largely related to our increase in MSO related service revenues related to the increased subscription base and a Classification of increased DIRECTV minimums in service revenues and and an increase in audience research measurement revenues from our recent acquisition of TRA.

The decrease in service revenues of $1.6 million in nine months ended October 31, 2012 as compared to the same prior year period was due to a lower cumulative TiVo-Owned subscription base combined with the total number of fully-amortized product lifetime subscriptions which no longer generated subscription revenues. Additionally, effective November 1, 2011, we extended the period we use to recognize product lifetime subscription revenues from 60 months to 66 months on a prospective basis for product lifetime subscriptions acquired on or after October 31, 2006, which resulted in lower quarterly revenue for these subscriptions.

Technology Revenues. Technology revenues for the three and nine months ended October 31, 2012 increased by $6.3 million and $31.0 million, respectively, as compared to the same prior year periods primarily due to our agreement with DISH Network, which generates $11.1 million in revenue per quarter, our agreement with AT&T which generates $6.1 million in revenue per quarter, and our agreement with Verizon which generated $2.4 million in revenue for the three months ended October 31, 2012. The three months ended October 31, 2011 did not include any AT&T or Verizon related technology revenues, as the AT&T agreement was signed during the quarter ended January 31, 2012 and the Verizon agreement was signed during the quarter ended October 31, 2012.

The nine months ended October 31, 2012 includes $33.3 million in DISH Network Corporation related technology revenues as compared to $22.2 million for the same prior year period, as the DISH Network Corporation agreement was signed on April 29, 2011. The nine months ended October 31, 2011 did not include any AT&T or Verizon related technology revenues, as the AT&T agreement was signed during the quarter ended January 31, 2012 and the Verizon agreement was signed during the quarter ended October 31, 2012.

Hardware Revenues. Hardware revenues, net of allowance for sales returns and net of revenue share and marketing development fund payments for the three and nine months ended October 31, 2012 increased by $8.1 million and $14.0 million, respectively, as compared to the same prior year period. This increase in net hardware revenues is largely related to increased hardware units sold at a higher average selling price, as compared to the same prior year periods.

Cost of service revenues.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Cost of service revenues	$11,238	$9,265	$28,488	$27,154
Change from same prior year period	21 %	(6)%	5 %	(10)%
Percentage of service revenues	32 %	29 %	29 %	27 %
Service gross margin	$23,990	$23,148	$69,663	$72,609
Service gross margin as a percentage of service revenues	68 %	71 %	71 %	73 %

Cost of service revenues consists primarily of telecommunication and network expenses, employee salaries, service center, credit card processing fees, and other expenses related to providing the TiVo service. Cost of service revenues increased by $2.0 million and $1.3 million for the three and nine months ended October 31, 2012, respectively, as

compared to the same prior year periods. This increase in cost of service revenues is largely

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Table of Contents

related to the costs associated with our higher audience measurement research revenues following the acquisition of TRA.

Cost of technology revenues.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Cost of technology revenues	$5,779	$7,721	$15,857	$18,554
Change from same prior year period	(25)%	85 %	(15)%	38 %
Percentage of technology revenues	22 %	40 %	22 %	46 %
Technology gross margin	$19,948	$11,670	$55,582	$21,926
Technology gross margin as a percentage of technology revenues	78 %	60 %	78 %	54 %

Cost of technology revenues includes costs associated with our development work primarily for DIRECTV, Virgin, Com Hem and our other international and domestic projects. Cost of technology revenues decreased by $1.9 million and $2.7 million for the three and nine months ended October 31, 2012, respectively, as compared to the same prior year periods.

The decrease of $1.9 million in cost of technology revenues in the three months ended October 31, 2012 was related primarily to the number of ongoing technology projects and the recognition of revenues for those projects during quarter.

The decrease of $2.7 million in cost of technology revenues for the nine months ended October 31, 2012 was related primarily to lower development technology revenues that we were able to recognize for development work that we performed during the current period as compared to the same prior year period. Additionally, that the prior year period included $1.5 million of cost of technology revenue that was deemed not recoverable from a customer.

The increase in technology gross margin for the three and nine months ended October 31, 2012 as compared to the same prior year periods was primarily due to the revenue recognized from our DISH, Verizon, and AT&T agreements.

In certain of our distribution deals, such as Virgin, TiVo is not being paid in full for the upfront development cost. However, in exchange, TiVo is receiving guaranteed financial commitments over the duration of the distribution deal. If we are reasonably assured that these arrangements as a whole will be profitable (assuming successful completion of development), we do not expense the development costs that exceed cash payable for the development work as incurred but rather we defer those costs and recognize these costs later when we receive service fees. As a result, a portion of service fees used to recover the initial development costs would be classified as technology revenues and timing of recognition of these costs and revenues may differ from when these costs are actually incurred.

In accordance with our revenue recognition policies, we have deferred costs of approximately $30.2 million related to development work, largely related to Virgin, ONO, Com Hem, Suddenlink, and Charter, and these costs are recorded on our condensed consolidated balance sheets under deferred cost of technology revenues, current and deferred cost of technology revenues, long-term at October 31, 2012. In instances where TiVo does not host the TiVo service, these costs (up to the amount billed) will be recognized when related revenues are recognized upon billing our customers, as specified in the agreement. In instances where TiVo hosts the TiVo service, starting upon deployment, these costs will be amortized to cost of revenues over the longer of the contractual or customer relationship period.

Cost of hardware revenues.

Table of Contents

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Cost of hardware revenues	$23,434	$16,817	$56,336	$39,071
Change from same prior year period	39%	24%	44%	(12)%
Percentage of hardware revenues	111%	130%	124%	124%
Hardware gross margin (loss)	$(2,362)	$(3,847)	$(10,874)	$(7,606)
Hardware gross margin as a percentage of hardware revenue	(11)%	(30)%	(24)%	(24)%

Cost of hardware revenues include all product costs associated with the TiVo-enabled DVRs we distribute and sell, including manufacturing-related overhead and personnel, warranty, certain licensing, order fulfillment, and freight costs. We sell this hardware primarily as a means to grow our service revenues and, as a result, do not intend to generate positive gross margins from these hardware sales. Our cost of hardware sales for the three and nine months ended October 31, 2012 increased by $6.6 million and $17.3 million as compared to the same prior year periods. These increases for the three and nine months ended October 31, 2012 are largely related to a larger volume of products sold at a higher average selling price per unit to our customers as compared to the same prior year period. Additionally, costs increased due to higher cost of hard drives resulting from manufacturing disruption due to flooding in Thailand in late calendar 2011. We also recorded an inventory write-down charge of $1.5 million and a loss from adverse purchase commitments of $1.2 million in the nine months ended October 31, 2012 due to potential reduction in demand for TiVo-built hardware in light of changes in MSO purchase forecasts and our recent efforts to port the TiVo experience to third-parties' hardware, such as Pace. If our MSO customers choose to reduce or shift their hardware purchases to third-parties' products earlier or faster than currently expected, we may need to record additional write-downs of our component inventory; or, in the event they increase forecasts or purchase less third-parties' products than currently expected, we may need to purchase more inventory from our contract manufacturer.

Hardware gross margin (loss) for the three months ended October 31, 2012 improved by $1.5 million as compared to the same prior year period largely due to more DVR units sold during the quarter at a higher average selling price per unit which had a lower or no hardware subsidy.

Hardware gross margin (loss) for the nine months ended October 31, 2012 increased by $3.3 million, as compared to the same prior year period largely due to higher cost of hard drives and write-down of charges during fiscal 2013. These increased costs were slightly offset by increased volume of products sold to our MSO customers.

Research and development expenses.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Research and development expenses	$28,277	$27,272	$88,489	$80,542
Change from same prior year period	4%	33%	10%	38%
Percentage of net revenues	34%	42%	41%	47%

Our research and development expenses consist primarily of employee salaries, related expenses, and consulting expenses related to our development of new technologies and products, such as whole home DVR technology and new features and functionality as well as investments in creating an integrated software code base across our product lines to increase the efficiency of our product development efforts in the future.

The increase in research and development expenses of $1.0 million and $7.9 million for the three and nine months ended October 31, 2012, respectively, as compared to the same prior year period was largely related to changing mix between engineering effort on internal projects versus projects that are subject to reclassification from research and development to current of deferred cost of technology revenues, combined with overall decreased headcount,

headcount related, and consulting costs.

Sales and marketing expenses.

Table of Contents

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Sales and marketing expenses	$7,958	$6,753	$21,425	$19,995
Change from same prior year period	18%	10%	7%	(3)%
Percentage of net revenues	10%	10%	10%	12%

Sales and marketing expenses consist primarily of employee salaries and related expenses. Sales and marketing expenses for the three and nine months ended October 31, 2012 increased by $1.2 million and $1.4 million as compared to the same prior year periods. These increases are largely related to the additional headcount and sales related activities associated with our TRA acquisition.We expect these costs to increase in the remainder of fiscal 2013 as we plan to increase promotion of our TiVo brand through our brand ambassador program with Tim Tebow.

Sales and marketing, subscription acquisition costs.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
Sales and marketing, subscription acquisition costs	$1,560	$2,398	$5,189	$6,072
Change from same prior year period	(35)%	72%	(15)%	2%
Percentage of net revenues	2%	4%	2%	4%

Sales and marketing, subscription acquisition costs include advertising expenses and promotional expenses directly related to our efforts to acquire new TiVo-Owned subscriptions to the TiVo service. Sales and marketing, subscription acquisition expenses for the three and nine months ended October 31, 2012 decreased by $838,000 and $883,000 as compared to the same prior year periods, as we deferred some of our media spending from the three months ended October 31, 2012 into the three months ending January 31, 2013. We expect these costs to increase in the remainder of fiscal 2013 as we plan to increase promotion of our products and services into the holiday season.

General and administrative expenses.

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
	(In thousands, except percentages)			
General and administrative	$21,772	$18,032	$63,367	$58,310
Change from same prior year period	21%	12%	9%	39%
Percentage of net revenues	27%	28%	29%	34%
Litigation Expense (included in total General and Administrative expense above)	$9,473	$8,167	$27,646	$23,795

General and administrative expenses consist primarily of employee salaries and related expenses for executive, administrative, accounting, information technology systems, facility costs, and legal and professional fees. During the three months ended October 31, 2012, general and administrative expenses increased by $3.7 million, as compared to the same prior year period. This increase was largely related to increased headcount and headcount related costs of approximately $3.7 million, largely related to stock compensation expense for performance shares and payments to employees in connection with our successful conclusion of the Verizon litigation.

During the nine months ended October 31, 2012, general and administrative expenses increased by $5.1 million, as compared to the same prior year period. This increase was largely related to increased headcount and headcount related costs of $2.1 million combined with increased litigation expenses of $3.9 million, of which $3.2 million relates to a one-time accrual of a recent arbitration judgment relating to a contractual dispute combined with increased spending of $1.3 million related to our patent enforcement cases.

32

Table of Contents

Litigation proceeds. On September 21, 2012, TiVo Inc. entered into a Settlement and Patent License Agreement with Verizon Communications, Inc. ("VZ"). Under the terms of the Agreement, VZ has agreed to pay TiVo a minimum amount of $250.4 million plus incremental monthly fees per DVR subscriber if VZ's subscriber base exceeds certain pre-determined levels which increase annually. The initial payment of $100.0 million was paid to TiVo on September 28, 2012 with the remaining $150.4 million due to TiVo 30 days after the end of each calendar quarter in the amount of $6.0 million through the calendar quarter ending September 30, 2018.

The total consideration of $250.4 million was allocated on a relative fair value basis as $78.4 million to the past infringement and litigation settlement element, $568,000 to interest income related to past infringement and $171.4 million to the future base license royalties element. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the three months ended October 31, 2012. The amount related to interest income was recorded under “Interest income” in the three months ended October 31, 2012.

On April 29, 2011, we entered into a Settlement and Patent License Agreement with EchoStar Corporation (“EchoStar”) and DISH Network Corporation (“DISH”). Under the terms of the agreement, DISH and EchoStar agreed to pay us $500.0 million, including an initial payment of $300.0 million received by us on May 2, 2011 with the remaining $200.0 million to be distributed in six equal annual installments of $33.3 million between 2012 and 2017.

The total consideration of $500.0 million was allocated on a relative fair value basis as $175.7 million to the past infringement and litigation settlement element, $2.9 million to interest income related to past infringement and $321.4 million to the future license royalties element. The amount related to past infringement and settlement was recorded under “Litigation proceeds” in the three months ended April 30, 2011. The amount related to interest income was recorded under “Interest income” in the three months ended April 30, 2011.

Interest income. Interest income for the three and nine months ended October 31, 2012 was $1.4 million and $3.1 million, respectively. Interest income for the three and nine months ended October 31, 2011 was $759,000 and $4.6 million, respectively. The increase in interest of $624,000 for the quarter ended October 31, 2012 as compared to the same prior year period was related to the Verizon settlement and the interest allocated to the past infringement. The decrease in interest of $1.5 million for the nine month period ended October 31, 2012 compared to the same prior year period was related to the $2.9 million in interest received from the Echostar and DISH settlement during the quarter ended April 30, 2011.

Interest expense and other. Interest expense and other income for the three and nine months ended October 31, 2012 was $2.0 million and $5.9 million, respectively as compared to $2.0 million and $6.6 million for the three and nine months ended October 31, 2011, respectively. The decrease in interest expense for the nine months ended October 31, 2012 as compared to the same prior year period was due to one-time expenses associated with the convertible senior notes in the quarter ended April 30, 2011.

Benefit from (provision for) for income taxes. Income tax provision for the three and nine months ended October 31, 2012 was $(848,000) and $(1.1) million, respectively. Benefit from (provision for) income taxes for the three and nine months ended October 31, 2011 was $242,000 and $$(746,000), respectively. The higher tax provision in the three and nine months ended October 31, 2011, as compared to the same prior year periods was related to state income tax amounts due to the Company's profitability during the quarter ended October 31, 2012.

Liquidity and Capital Resources

We have financed our operations and met our capital expenditure requirements primarily from the proceeds from the sale of equity securities, issuance of convertible senior notes, litigation proceeds, and cash flows from operations. Our cash resources are subject, in part, to the amount and timing of cash received from our license agreements, subscriptions, deployment agreements, and hardware customers. As of October 31, 2012, we had $623.6 million of cash, cash equivalents, and short-term investments. We also have $172.5 million in outstanding convertible senior subordinated notes, which are due on March 15, 2016. The notes are unsecured senior obligations of the Company and the Company may not redeem these notes prior to their maturity date although investors may convert the notes into TiVo common stock at any time until March 14, 2016 at their option.

We believe our cash, cash equivalents and short-term investments, provide sufficient resources to fund operations, capital expenditures, future repurchases of TiVo shares in connection with our previously announced share repurchase program, and working capital needs through the next twelve months.
Statement of Cash Flows Discussion

33

Table of Contents

The following table summarizes our cash flow activities:

	Nine Months Ended October 31,	
	2012	2011
	(in thousands)	
Net cash provided by operating activities	$52,016	225,782
Net cash used in investing activities	$(30,507)	$(387,685)
Net cash provided by (used in) financing activities	$(13,598)	$174,623

Net Cash Provided by Operating Activities

During the nine months ended October 31, 2012 our net cash provided by operating activities was $52.0 million as compared to net cash provided by operating activities of $225.8 million during the same prior year period. This change of $173.8 million in operating cash flow was largely related to receipt of litigation settlement amounts. We received $300 million in cash upon our settlement with DISH Network Corporation during the nine months ended October 31, 2011 and we received $100.0 million in cash upon our settlement with Verizon Communications, Inc. during the nine months ended October 31, 2012.

Net Cash Used in Investing Activities

The net cash used in investing activities for the nine months ended October 31, 2012 was approximately $30.5 million compared to net cash used in investing activities of $387.7 million for the same prior year period.

The net cash used in investing activities for the nine months ended October 31, 2012 was largely related to TiVo's business acquisitions for $24.5 million, net of cash acquired, and property and equipment of $4.6 million which is used to support our business.

The net cash used in investing activities for the nine months ended October 31, 2011 was largely related to TiVo's cash management process and the investment of proceeds from the DISH settlement and the proceeds from convertible debt issued in April 2011 and through the purchase and sales of short-term investments resulting in a net cash usage of $383.3 million . Additionally, during the nine months ended October 31, 2011, we acquired property and equipment of $4.1 million which was used to support our business.

Net Cash Provided by (Used in) Financing Activities

The net cash used in financing activities for the nine months ended October 31, 2012 was approximately $13.6 million as compared to net cash provided by financing activities of $174.6 million for the same prior year period. This decrease in the net cash provided by financing activities is related to our issuance of convertible debt that occurred during the quarter ended April 30, 2011 that provided $166.1 million. There was no such similar transaction during the nine months ended October 31, 2012.

For the nine months ended October 31, 2012 the principal sources of cash generated from financing activities was related to the issuance of common stock upon exercise of stock options which generated $5.8 million and the issuance of common stock related to our employee stock purchase plan of $3.7 million. These amounts were more than offset by the repurchase of $23.1 million in treasury stock acquired during the nine months ended October 31, 2012. Of this $23.1 million, $13.7 million was related to our stock repurchase program with the remaining $9.4 million related to treasury shares acquired from the vesting of restricted stock to satisfy employee tax withholdings on stock-based awards.

For nine months ended October 31, 2011 the principal sources of cash generated from financing activities was related to the issuance of convertible senior notes which generated $166.1 million. Additionally, we had issuance of common stock upon exercise of stock options which generated $9.8 million and issuance of common stock related to the employee stock purchase plan of $3.3 million. These amounts were partially offset by the repurchase of $4.6 million in restricted stock to satisfy employee tax withholdings.

Financing Agreements

Share Repurchases. On August 11, 2011, the Company's board of directors authorized a $100 million discretionary share repurchase program, that became effective on August 29, 2011. As of October 31, 2012 we had purchased 1,553,493 shares of common stock under this program at a weighted average price of $8.83 per share for an aggregate purchase price of $13.7 million and the remaining authorized amount for stock repurchases under this program is $86.3 million with a termination date of August 29, 2013.

34

Table of Contents

Universal Shelf Registration Statement. We have an effective universal shelf registration statement on Form S-3 (No. 333-171031) on file with the SEC under which we may issue an unlimited amount of securities, including debt securities, common stock, preferred stock, and warrants. Depending on market conditions, we may issue securities under this or future registration statements or in private offerings exempt from registration requirements.

Contractual Obligations

	Payments due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
	(In thousands)				
Long-Term Debt Obligations	$172,500	$—	$—	$172,500	$—
Interest on Long-Term Debt Obligations	24,054	6,900	13,800	3,354	—
Operating leases	12,665	2,756	6,022	3,887	—
Purchase obligations	21,993	21,993	—	—	—
Total contractual cash obligations	$231,212	$31,649	$19,822	$179,741	$—

Purchase Commitments with Contract Manufacturers and Suppliers. We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, in order to manage manufacturing lead times and help assure adequate component supply, we enter into agreements with contract manufacturers and suppliers that either allow them to procure inventory based upon criteria as defined by us or that establish the parameters defining our requirements. In certain instances, these agreements allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. The table above displays that portion of our purchase commitments arising from these agreements that is firm, non-cancelable, and unconditional. If there are unexpected changes to anticipated demand for our products or in the sales mix of our products, some of the firm, non-cancelable, and unconditional purchase commitments may result in TiVo being committed to purchase excess inventory.

As discussed earlier in Cost of Hardware revenues, we recorded an inventory write-down charge of $1.5 million and a loss from adverse purchase commitments on $1.2million in the nine months ended October 31, 2012 due to potential reduction in demand for TiVo-built hardware in light of changes in MSO purchase forecasts and our recent efforts to port the TiVo experience to third-parties' hardware, such as Pace. If our MSO customers choose to reduce or shift their hardware purchases to third-parties' products earlier or faster than currently expected, we may need to record additional write-downs of our component inventory; or, in the event they increase forecasts or purchase less third-parties' products than currently expected, we may need to purchase more inventory from our contract manufacturer. We also recorded an inventory write-down charge of $1.5 million and a loss from adverse purchase commitments of $1.2 million in the nine months ended October 31, 2012

As of October 31, 2012, gross unrecognized tax benefits, which if recognized would affect the effective tax rate, were approximately $231,000, which are classified as long-term liabilities in the condensed consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes and the related ability to use net operating loss or tax credit carryforwards; therefore, such amounts are not included in the above contractual obligation table.

Off-Balance Sheet Arrangements

As part of our ongoing business, we generally do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities. Accordingly, our operating results, financial condition, and cash flows are not generally subject to off-balance sheet risks associated with these types of arrangements. We did not have any material off-balance sheet arrangements as of October 31, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio. We do not use derivative financial instruments in our investment portfolio and we conduct transactions in U.S. dollars. We currently

invest the majority of our cash in money market funds, investment-grade government and corporate debt,

Table of Contents

and government securities. We maintain our investments with two financial institutions with high credit ratings. As part of our cash management process, we perform periodic evaluations of the relative credit ratings of issuers of these securities. We have not experienced any credit losses on our cash, cash equivalents, or short and long-term investments. Our investment portfolio only includes instruments with original maturities of less than two years held for investment purposes, not trading purposes. Due to the short-term nature of our cash equivalents and short-term investments we do not anticipate any material effect on our portfolio due to fluctuations in interest rates.
Our convertible debt has a fixed interest rate and therefore we are not exposed to fluctuations in interest rates on this debt.

ITEM 4. CONTROLS AND PROCEDURES

We are committed to maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures and implementing controls and procedures based on the application of management's judgment.
Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures, as defined above, were effective in reaching a reasonable level of assurance as of October 31, 2012 (the end of the period covered by this Report).
There have been no changes in our internal control over financial reporting during the three months ended October 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented or over-ridden by the individual acts of some persons, by the collusion of two or more people, or by management. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements or omissions due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information under the heading “Legal Matters” set forth under Note 6. of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this report, is incorporated herein by reference.

ITEM 1A. RISK FACTORS

36

Table of Contents

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risk factors described in our annual report on Form 10-K for the year ended January 31, 2012 in the section entitled "Risk Factors", in addition to the other cautionary statements and risks described elsewhere, and the other information contained in this report and in our other filings with the SEC, including our annual report on Form 10-K for the year ended January 31, 2012, and subsequent reports on Form 8-K and Form 10-Q.

New regulations related to "conflict minerals" may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

We generate a significant amount of revenue from our patent settlement agreements with DISH, AT&T and Verizon which expire in calendar year 2018, and if we are unable to renew or replace these revenues, our business would be harmed.

In fiscal year 2012, we entered into patent settlement agreements with DISH and AT&T and in fiscal year 2013, we entered into a patent settlement agreement with Verizon. DISH, AT&T, and Verizon will pay us recurring revenues until 2018. We generate a significant amount of revenues as a result from these settlement agreements. If we are unable to renew or replace these revenues through similar or other business arrangements, our revenues would decline and our business would be harmed as a result.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

We have reacquired shares of stock through our share repurchase program and from employees upon the vesting of restricted stock that was granted under our Amended & Restated 1999 Employee Incentive Plan and our Amended & Restated 2008 Equity Incentive Award Plan. The shares that were forfeited by the employees and reacquired by us were to satisfy the employees' minimum statutory tax withholding which is required on restricted stock once they become vested and those share amounts are included in the following table:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per share	(c) Total Number of Share Purchased as Part of Publicly Announced Plans or Programs (3)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs (4)
August 1, through August 31, 2012	17,241	(1) $ 8.89	—	$100,000,000
	226,684	(2) $ 9.84	—	$91,777,040

September 1, through September 30, 2012				
October 1, through October 31, 2012	552,172	$ 9.96	552,172	(3) $86,279,939

(1) During the month of August 2012 TiVo acquired 17,241 shares at a weighted average price of $8.89 from employees upon the vesting of restricted stock.
(2) During the month of September 2012 TiVo acquired 226,796 shares at a weighted average price of $9.84 from employees upon the vesting of restricted stock.
(3) On August 11, 2011, our board of directors authorized a $100 million discretionary share repurchase program, that became effective on August 29, 2011 and expires on August 29, 2013. As of October 31, 2012, we had purchased 1,553,493 shares of common stock under this program at a weighted average price of $8.83 per share for an

Table of Contents

aggregate purchase price of $13.7 million and the remaining authorized amount for stock repurchases under this program is $86.3 million with a termination date of August 29, 2013.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

Table of Contents

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1+	Settlement and Patent License Agreement between TiVo Inc. and Verizon Communications Inc., effective September 21, 2012 (filed herewith).
10.2	Fourth Amended and Restated Employment Agreement between Thomas S. Rogers and TiVo Inc., effective September 13, 2012 (filed herewith).
10.3	Third Amended and Restated Change of Control Terms and Conditions between TiVo Inc. and Thomas S. Rogers, effective September 13, 2012 (filed herewith).
10.4	Consulting Agreement between James Barton and TiVo Inc., effective March 16, 2012 (filed herewith).
31.1	Certification of Thomas S. Rogers, President and Chief Executive Officer of TiVo Inc. dated November 30, 2012 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.1	Certification of Anna Brunelle, Chief Financial Officer of TiVo Inc. dated November 30, 2012 pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1*	Certification of Thomas S. Rogers, President and Chief Executive Officer of TiVo Inc. dated November 30, 2012 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2*	Certification of Anna Brunelle, Chief Financial Officer of TiVo Inc. dated November 30, 2012 in accordance with 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

+ Confidential treatment has been requested as to portions of this agreement.

* The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of TiVo Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-Q, irrespective of any general incorporation language contained in such filing.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

39

Table of Contents

SIGNATURES AND OFFICER CERTIFICATIONS

Pursuant to the requirements the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TIVO INC.

Date:	11/30/2012	By:	/S/ THOMAS S. ROGERS Thomas S. Rogers President and Chief Executive (Principal Executive Officer)
Date:	11/30/2012	By:	/S/ ANNA BRUNELLE Anna Brunelle Chief Financial Officer (Principal Financial and Accounting Officer)