TiVo Q4 2018 Earning Script

On February 26, 2019, TiVo Corporation held its quarterly conference call to discuss its fourth quarter and year-end 2018 financial and operational results. This document is a reproduction of management's planned remarks during such call, following the below disclosures with respect to forward looking statements and Non-GAAP financial information.

Forward Looking Statements

These statements contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, the Company's future growth and success of the Company's Product and IP Licensing businesses, future revenues to be recognized following adoption of the amended revenue recognition guidance, future cost efficiency plans and profitability transformation strategy, the timing of results and the Company's exploration of strategic alternatives, as well as future business strategies and investments, future product offerings, features, launches and deployments, future development of markets in which our customers operate, results of litigation and technology and intellectual property licenses with various customers. These forward-looking statements are based on TiVo's current expectations, estimates and projections about its business and industry, management's beliefs and certain assumptions made by the company, all of which are subject to change. Forward-looking statements generally can be identified by the use of forward-looking terminology such as, "future", "believe," "expect," "may," "will," "intend," "estimate," "continue," or similar expressions or the negative of those terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. Factors that may cause actual results to differ materially include delays, whether inside or outside the Company's control, in the Company's exploration of its strategic alternatives, delays in development, the failure to deliver competitive service offerings and lack of market acceptance of any offerings delivered, as well as the other potential factors described under "Risk Factors" included in TiVo's Annual Report on Form 10-K for the year ended December 31, 2018 and other documents of TiVo Corporation on file with the Securities and Exchange Commission (available at www.sec.gov). TiVo cautions you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. TiVo assumes no obligation to update any forward-looking statements in order to reflect events or circumstances that may arise after the date of this presentation, except as required by law.

Non-GAAP Financial Information

TiVo Corporation provides Non-GAAP information to assist investors in assessing its operations in the way that its management evaluates those operations. Non-GAAP Pre-Tax Income, Non-GAAP Cost of Licensing, Services and Software Revenues, Non-GAAP Cost of Hardware Revenues, Non-GAAP Research and Development Expenses, Non-GAAP Selling, General and Administrative Expenses, Non-GAAP Depreciation, Non-GAAP Total OpEx Excluding Goodwill Impairment, Non-GAAP Total OpEx, Non-GAAP Total COGS and OpEx, Adjusted EBITDA and Non-GAAP Interest Expense are supplemental measures of the Company's performance that are not required by, and are not determined in accordance with, GAAP. Non-GAAP financial information is not a substitute for any financial measure determined in accordance with GAAP.

Non-GAAP Pre-tax Income is defined as GAAP income (loss) from continuing operations before income taxes, as adjusted for the effects of items such as amortization of intangible assets, equity-based compensation, accretion of contingent consideration, amortization or write-off of note issuance costs and discounts on convertible debt and mark-to-market adjustments for interest rate swaps; as well as items which impact comparability that are required to be recorded under GAAP, but that the Company believes are not indicative of its core operating results such as restructuring and asset impairment charges, goodwill impairment, transaction, transition and integration costs, retention earn-outs payable to former shareholders of acquired businesses, earn-out settlements, CEO transition cash costs, remeasurement of contingent consideration, TiVo acquisition litigation, expenses in connection with the extinguishment or modification of debt, gain on settlement of acquired receivable, additional depreciation resulting from facility rationalization actions, other-than temporary impairment losses on strategic investments, gains on the sale of strategic investments and changes in franchise tax reserves.

Non-GAAP Cost of Licensing, Services and Software Revenues is defined as GAAP Cost of licensing, services and software revenues, excluding depreciation and amortization of intangible assets, excluding equity-based compensation and transaction, transition and integration expenses.

Non-GAAP Cost of Hardware Revenues is defined as GAAP Cost of hardware revenues, excluding depreciation and amortization of intangible assets, excluding transition and integration expenses.

Non-GAAP Research and Development Expenses is defined as GAAP research and development expenses excluding equity-based compensation, transition and integration expenses and retention earn-outs payable to former shareholders of acquired businesses.

Non-GAAP Selling, General and Administrative Expenses is defined as GAAP selling, general and administrative expenses excluding equity-based compensation, transaction, transition and integration expenses, retention earn-outs payable to former shareholders of acquired businesses, earn-out settlements, CEO transition cash costs, remeasurement of contingent consideration, gain on settlement of acquired receivable and changes in franchise tax reserves. Included in transition costs in the second quarter of 2018 was a $4.5 million loss associated with a legacy TiVo Solutions legal matter for which a settlement was agreed to in the third quarter of 2018.

Non-GAAP Depreciation is defined as GAAP depreciation expenses excluding the impact of additional depreciation resulting from changes in the estimated useful lives of assets involved in facility rationalization actions.

Non-GAAP Total OpEx Excluding Goodwill Impairment is defined as GAAP Total Operating costs and expenses excluding goodwill impairment.

Non-GAAP Total OpEx is defined as the sum of GAAP research and development and selling, general and administrative expenses, depreciation and gain on sale of patents excluding equity-based compensation, transaction, transition and integration expenses, retention earn-outs payable to former shareholders of acquired businesses, earnout settlements, CEO transition cash costs, remeasurement of contingent consideration, gain on settlement of acquired receivable, additional depreciation resulting from facility rationalization actions and changes in franchise tax reserves.

Non-GAAP Total COGS and OpEx is defined as GAAP Total Operating costs and expenses, excluding amortization of intangible assets, restructuring and asset impairment charges, goodwill impairment, equity-based compensation, transaction, transition and integration expenses, retention earn-outs payable to former shareholders of acquired businesses, earnout settlements, CEO transition cash costs, remeasurement of contingent consideration, gain on settlement of acquired receivable, depreciation and changes in franchise tax reserves.

Adjusted EBITDA is defined as GAAP operating income (loss) excluding depreciation, amortization of intangible assets, restructuring and asset impairment charges, goodwill impairment, equity-based compensation, transaction, transition and integration costs, retention earn-outs payable to former shareholders of acquired businesses, earn-out settlements, CEO transition cash costs, remeasurement of contingent consideration, gain on settlement of acquired receivable and changes in franchise tax reserves.

Non-GAAP Interest Expense is defined as GAAP interest expense, excluding accretion of contingent consideration, amortization or write-off of issuance costs, discounts on convertible debt and interest on franchise tax reserves, plus the reclassification of the current period benefit (cost) of the interest rate swaps from gain (loss) on interest rate swaps.

Cash Taxes are defined as GAAP current income tax expense excluding changes in reserves for unrecognized tax benefits.

Non-GAAP Diluted Weighted Average Shares Outstanding is defined as GAAP diluted weighted average shares outstanding except for periods of a GAAP loss. In periods of a GAAP loss, GAAP diluted weighted average shares outstanding are adjusted to include dilutive common share equivalents outstanding that were excluded from GAAP diluted weighted average shares outstanding because the Company had a loss and therefore these shares would have been anti-dilutive.

Uses and Limitations of Non-GAAP Information

The Company's management evaluates and makes decisions about its business operations primarily based on Non-GAAP financial information. Management uses Non-GAAP financial measures as the basis for decision-making as they exclude items management does not consider to be “core costs” or “core proceeds”. For each Non-GAAP financial measure, the adjustment provides management with information about the Company's underlying operating performance that enables a more meaningful comparison to its historical and projected financial performance in different reporting periods. For example, since the Company does not acquire businesses on a predictable cycle, management excludes the amortization of intangible assets, transaction, transition and integration costs, retention earn-outs payable to former shareholders of acquired businesses, earnout settlements, CEO transition cash costs, remeasurement of contingent consideration, TiVo Acquisition litigation, and gain on settlement of acquired receivables from its Non-GAAP financial measures in order to make more consistent and meaningful evaluations of the Company's operating expenses as these items may be significantly impacted by the timing and magnitude of acquisitions. Management also excludes the effect of restructuring and asset impairment charges, goodwill impairment, expenses in connection with the extinguishment or modification of debt, gain on the settlement of acquired receivable, additional depreciation resulting from facility rationalization actions, other-than-temporary impairment losses on strategic investments, gains on the sale of strategic investments and changes in franchise tax reserves. Management excludes the impact of equity-based compensation to provide meaningful supplemental information that allows investors greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may facilitate comparison with the results of other companies in our industry, as well as to provide the Company’s management with an important tool for financial and operational decision-making and for evaluating the Company’s performance over different periods of time. Due to varying valuation techniques, reliance on subjective assumptions and the variety of award types and features that may be in use, we believe that providing Non-GAAP financial measures excluding equity-based compensation allows investors to make more meaningful comparisons between our operating results and those of other companies. Management excludes the accretion of contingent consideration, amortization or write-off of note issuance costs and discounts on convertible debt and mark-to-market adjustments for interest rate swaps when management evaluates the Company's expenses. Management reclassifies the current period benefit (cost) of the interest rate swaps from gain (loss) on interest rate swaps to interest expense in order for Non-GAAP Interest Expense to reflect the effects of the interest rate swaps as these interest rate swaps were entered into to control the effective interest rate the Company pays on its debt.

Management uses these Non-GAAP financial measures to help it make decisions, including decisions that affect operating expenses and operating margin. Management believes that making Non-GAAP financial information available to investors, in addition to GAAP financial information, may facilitate more consistent comparisons between the Company's performance over time with the performance of other companies in our industry, which may use similar financial measures to supplement their GAAP financial information.

Management recognizes that these Non-GAAP financial measures have limitations as analytical tools, including the fact that management must exercise judgment in determining which types of items to exclude from the Non-GAAP financial information. In addition, as other companies, including companies similar to TiVo Corporation, may calculate their Non-GAAP financial measures differently than the Company calculates its Non-GAAP financial measures, these Non-GAAP financial measures may have limited usefulness to investors when comparing financial performance among companies. Management believes, however, that providing Non-GAAP financial information, in addition to GAAP financial information, facilitates consistent comparison of the Company's financial performance over time. The Company provides Non-GAAP financial information to the investment community, not as an alternative, but as an important supplement to GAAP financial information; to enable investors to evaluate the Company's core operating performance in the same way that management does. Reconciliations for each Non-GAAP financial measure to its most directly comparable GAAP financial measure are posted on our IR site at http://ir.tivo.com.

Nicole Noutsios

I'm Nicole Noutsios, Investor Relations at TiVo. With me today are Raghu Rau, interim CEO, and Peter Halt, CFO. We just distributed a press release and filed an 8-K detailing our fourth quarter and full year 2018 financial results. In addition, we posted a downloadable model on our IR site showing our historical financial results and GAAP to non-GAAP reconciliations. After this call, you will be able to access a recording of this call on our website at tivo.com, as well as a transcript of the Company's prepared remarks.

Our discussion includes forward-looking statements about TiVo's future business, licensing, product, estimated annual run rate savings, and growth strategies. We caution you not to put undue reliance on these forward-looking statements, as they involve risks and uncertainties that may cause actual results to vary materially from these forward-looking statements, as described in our "Risk Factors" in our reports filed with the SEC. Any forward-looking statements made on this call reflect our analysis as of today and we have no plans or duty to update them except as required by law. With that, I will now turn the call over to our interim CEO, Raghu Rau.

CEO Script/Raghu Rau

Thank you Nicole and thank you all for joining us for our fourth quarter earnings conference call.

We continue to make progress with our strategic review process and are still in ongoing discussions with parties interested in each of our Product and IP Licensing businesses. As we said last quarter, this process is taking longer than we hoped due to the unique nature of our Product and IP Licensing businesses. To that end, we have proactively begun working internally on preparing for the possible separation of the businesses to help address some of those complexities and to potentially facilitate strategic transactions. The Board and management team continue to be thoughtful about the outcome that can best unlock shareholder value for TiVo.

While we work on the strategic review process, in tandem, we continue to remain focused on driving growth and improving our two businesses. We have recently launched our five pillars - growth with profitability, transformation strategy. This plan has been announced internally, and embraced by employees, as we look to transform our business. I would like to share with you the five pillars plan.

First, we will launch the most advanced new content discovery solution for the internet age. This product will combine our expertise in Pay TV and OTT to build a unique, integrated entertainment discovery platform for the streaming era. This product will be designed to allow customers to build their own entertainment or streaming content bundle, and truly personalize their experience. Key capabilities include enabling our customers to transition to internet or streamed video delivery, powering natural language voice interactions, enabling personalized content discovery, monetizing audiences through sponsored promotions and delivering media engagement data to enable targeted advertising solutions.

Central to the experience are streaming channels that bring made for digital content, movies and a variety of internet video streams together in a single location. It will be easy to access across content platforms and content discovery will be seamless, offering an entertainment experience that is highly personalized for viewers. It also provides viewers the ability to access ad-supported free programming, a-la-carte purchases and subscription collections of their favorite internet-based content. Our customers will also have access to categories like news, sports and entertainment, as well as internet favorites from well-known content aggregators. This experience will allow both our service provider customers and our retail customers access to all this content directly from TiVo Experience 4.

Second, we will monetize TiVo footprint through a focus on promotion and advertising. We view monetizing our discovery footprint via transactional revenue as a great opportunity for us. We can do this using anonymized data to power personalized experiences through Sponsored Discovery, Content Merchandising, UX Display Promotions, DVR playback Advertising, Promotion Windows, and targeted monetization opportunities around pure play IP content on our forthcoming guide for the streaming era.

Third, we will invest in Internet delivered TV and the Android platform. We believe the cost associated with deploying QAM based TV services have hindered deployment of next generation services. We are launching an IPTV solution on the Android Platform to take advantage of our TiVo Experience 4 IPTV solution to address this growing ecosystem. This will significantly lower our customers' deployment costs and should, as a result, accelerate our growth.

Fourth, we will grow our consumer business and footprint. As a company with a subscription model, now developing a transactional model, a direct to consumer footprint becomes even more valuable. As such, we are looking to leverage our focus on IPTV and the Android platform to grow our consumer footprint. On that front, we intend to give consumers a low-cost entry point to a world of rich content discovery across all their video entertainment sources, and expand our transactional monetization opportunity.

Fifth, we will continue to build on our strong foundation of the IP Licensing Business. The company has an extraordinary catalog of foundational IP across the TV and Video domain. We are investing to grow and expand our portfolio and licensing business in new markets, both geographic and technology related. Another growth opportunity for TiVo, beyond traditional video providers is the expanding interest in TV and Video provided by mobile, OTT and Social App providers.

In summary, our transformation strategy will provide us a significantly enhanced footprint, content and monetization opportunities.

Underpinning the Five Pillars of growth with profitability plan is a continued focus on cost efficiencies, retiring technical debt and executing flawlessly. We have a strong track record of driving cost efficiencies, while balancing investment for future growth. As I mentioned on last quarter's call, we exceeded our goal for cost reductions in 2018. In 2019, we will continue to benefit from these actions and we will also continue to focus on additional cost efficiencies. I look forward to speaking to progress on that front on future earnings calls.

With that overview on our growth strategy, I will now turn to our two businesses. I will start with our **Product Business**. We now have 55 customers signed up to deploy TiVo User Experience 4 and 50 customers who have begun deploying this guide. Among those deploying TiVo User Experience 4 are Mediacom, RCN, Cogeco, Atlantic Broadband and Service Electric. We will also have two major IPTV solution deployments in the first half of 2019. We anticipate having an IPTV solution will help drive both conversions and new household deployments for our next generation discovery experience.

In September we launched the TiVo BOLT OTA™, a premium, 4K Ultra High Definition capable set-top box designed to work with a high-definition antenna. Consumers now have an advanced discovery option available to them regardless of whether they subscribe to a linear pay-television service. Following our announcement last quarter of the deployment of our personalized advertising product, Sponsored Discovery, we launched our first advertiser campaign in Q4 with a major broadcaster for the promotion of one of their fall TV show launches. We were very successful, and for viewers that saw the ad, it led to a 142% increase in tune-in rate to the new show.

Additionally, Verizon extended a multi-year agreement to have access to the latest version of TiVo's Personalized Content Discovery Platform conversation, search and recommendations services across set-top boxes, websites and popular streaming devices, bringing forth a more personal entertainment experience for its customers.

In terms of voice enabled discovery, our natural language understanding entertainment discovery solutions continues its impressive traction. In Q4, TiVo's unique voice users grew 54%, from 2.4 million at the end of Q3 to 3.7 million unique users at the end of Q4. Additionally, quarterly queries grew by 93%, from 123 million queries in Q3 to 238 million queries in Q4. We are pleased with the continual progress we are making in extending our discovery technology leadership.

On the **Intellectual Property Licensing** front, we continue to make progress in terms of innovations and customers. On the innovation front, we had 193 patents granted in 2018, a company record. This validates our continuing thought leadership in the video space. In terms of customers, we continued to demonstrate the relevancy of our industry leading patent portfolio as Samsung renewed its multi-year patent license agreement for the global use of Rovi's video discovery patents and technologies across Samsung's smartphone and tablet devices. Additionally, Minerva Networks renewed its multi-year IP license in the quarter.

In terms of our ongoing Comcast litigation, as we've highlighted before, nine of the top ten Pay TV service providers in the US license our vast portfolio of intellectual property for its use, except Comcast which let its license lapse at the end of Q1 2016. In 2017, the International Trade Commission, or ITC, ruled that Comcast infringed two of Rovi's remote record patents. Comcast chose to no longer make those popular remote recording capabilities available to their X1 subscribers, rather than obtain a market rate license.

We pursued a second case in the ITC, which went to trial in October 2018 on three additional patents covering different popular features innovated by Rovi. Due to the government shutdown, the initial results of the second ITC case are now expected in late Q2 or early in Q3 and the final results are expected sometime in Q4.

In addition, we have a number of District Court cases filed in New York, Massachusetts and California. We expect the case related to the '034 patent to become active later this year. We also filed a new district court case in California in January relating to Comcast's infringing eight Rovi cloud and network DVR patents. These district court cases are where Comcast would incur significant monetary damages if we prevail.

While the ITC and district court cases are ongoing, Comcast continues to pursue patent challenges in the form of Inter-Partes Review, or IPR, with the Patent Trial & Appeal Board, or PTAB. While we have had mixed results at the PTAB thus far, TiVo has appealed many of the adverse determinations of the IPRs related to the lawsuits we filed in 2016. Notably, since November 13, 2018 the PTAB rules have changed to make the PTAB process more equitable to inventors like Rovi.

TiVo is fully committed to protecting its intellectual property from unauthorized use and we expect Comcast will ultimately pay a license for our innovations, just as its Pay-TV peer companies do, and as Comcast itself has done in the past.

In summary, I want to thank our employees, customers and investors for their continuing support. As we move forward on our path to unlock value for our shareholders, we remain focused on driving long-term profitable growth while maintaining a cost-efficient structure.

With that, I would like to turn the call over to Peter, who will provide a financial overview.

CFO Script/Peter Halt

Thank you, Raghu.

Before I get into a detailed discussion of our results, I want to remind you that our results in 2018 are being reported in accordance with ASC 606. As discussed on our last three earnings calls, we adopted the amended revenue and cost recognition guidance on January 1, 2018 using the modified retrospective transition approach. As a result, our financial results for 2017 are reported under the prior standard and our results for 2018 are reported under the new standard. While there is no change in either the nature of our business operations or our cash flows, revenue recognition in 2018 is considerably different than in 2017.

On a consolidated basis, fourth-quarter revenues were $168.5 million, and our core business generated $161.0 million. Core revenue was eight hundred thousand less under ASC 606 in Q4, than it would have been under the prior revenue recognition standard. In Q4, our non-core revenues were $7.5 million, as hardware sales were $3.8 million and sales of Other Products, primarily our legacy analog ACP product, were $3.7 million. We no longer have revenue from the Legacy TiVo Time Warp deals in Q4 and, as previously discussed, we are also transitioning away from selling Hardware and analog products.

For the full year 2018, non-core revenues included $20.1 million of Legacy TiVo Time Warp IP revenues, $14.7 million of Hardware revenue and $8.7 million of Other Product revenue, primarily our legacy analog ACP business. As a result, non-core revenues were down $100.6 million versus the prior year. As we have stated in the past, these are areas where we anticipate minimal to no contribution in fiscal 2019. Excluding these known declining revenue streams, our core business generated $652.4 million in revenue in 2018, down $30 million year-on-year. Core revenues in 2018 included $23.2 million of catch-up revenues, largely related to agreements with parties who were previously out of license, which is $23.8 million less than in the prior year. The prior year benefited from including a license to legacy TiVo IP in several renewal agreements with legacy Rovi licensees. The decline in non-core revenues, the drop-off in catch-up revenues and our having a single large CE Manufacture out-of-license for the entire year drove the $130.6 million decrease in revenues year-on-year.

Included in our 2018 core revenues are $30.1 million related to an international MSO customer exercising a contractual option to purchase a fully paid license to its current version of the TiVo software with $25.3 million recognized in Q1. Under the prior revenue recognition standard this would have been recognized over time.

In terms of GAAP costs and results for Q4, GAAP Total Operating Costs of $441.9 million in Q4 were up $230.7 million or 109% from last year. Total Operating Costs increased primarily as the result of a non-cash $269 million Goodwill impairment charge for our Product reporting unit. Total Operating Costs excluding the Goodwill impairment charge were down $38.3 million due to lower Amortization of intangible assets, the Company’s continuing cost reduction efforts, and a reduction in hardware COGS, as a result of the planned transition of our MSO partners and retail customers to deploying the TiVo service on third-party hardware.

The Product reporting unit goodwill impairment charge is a function of an impairment analysis triggered by the fall in the trading price of our stock and a reduction in expectations for our Product business from our prior long-range internal plan. We lowered our expectations for the Company’s Platform Solutions products, in part due to changes in both the market and business models internationally, as well as the decision to eliminate certain underperforming analytics products. The changes in internal expectations related to revenue growth rates, current market trends, business mix, cost structure and other expectations about anticipated short- and long-term operating results.

In addition to the goodwill impairment charge, Q4 GAAP operating costs included $33.1 million of depreciation and amortization, $11.6 million in stock-based compensation, and $2.0 million of other costs, primarily related to our ongoing restructuring actions, that are excluded from our calculation of Adjusted EBITDA.

GAAP Operating Loss in Q4 was $273.5 million and our GAAP Net Loss before Taxes from continuing operations was $287.4 million, reflecting the $269 million goodwill impairment charge related to the Product reporting unit.

In terms of our non-GAAP results, Non-GAAP Total COGS and Operating Expenses were $126.3 million, down $13.4 million or 9.6% year-over-year. This quarter's Non-GAAP Total COGS and Operating Expenses, like last quarter's, benefited from reduced hardware costs due to the planned transition of our MSO partners and retail customers to deploying the TiVo service on third-party hardware, along with our ongoing cost reduction efforts.

Adjusted EBITDA in Q4 was $42.1 million and Non-GAAP Pre-tax Income was $30.2 million, down $32.4 million and $30.2 million year-over-year. The decrease in Adjusted EBITDA in Q4 reflects a decline in revenue, partially offset by benefits from the aforementioned shift to deploying the TiVo service on third-party hardware and our cost savings initiatives.

For the full year, Adjusted EBITDA was $200.1 million and Non-GAAP Pre-tax Income was $146.9 million, down $90.1 million and $87.9 million year-over-year. The decrease in Adjusted EBITDA for the year reflects the $130.5 million decline in revenue discussed earlier and an $11.3 million increase in IP litigation costs, primarily related to the ongoing Comcast litigation. This was partially offset by the benefits from shifting our customers to deploying the TiVo service on third-party hardware and our cost savings initiatives.

For the quarter, estimated cash taxes were approximately $3.5 million, GAAP Diluted Weighted Average Shares Outstanding were 123.8 million and Non-GAAP Diluted Weighted Average Shares Outstanding were 124.3 million. For those interested in calculating our Non-GAAP EPS, take our Non-GAAP Pre-tax Income, subtract our cash taxes, and divide by Non-GAAP Weighted Average Shares Outstanding.

Turning to segment results, in Q4, Core Product revenues were $89.0 million, down 3% year-on-year. The revenue decline was primarily due to a $2.2 million decrease in revenue from classic guides and a $1.3 million decrease in revenue due to the adoption of ASC 606. This was partially offset by an increase in revenue from TiVo MSO customers. We exited Q4 with approximately $75 million in contracted quarterly product run rate revenues, excluding ACP, NRE, advertising and hardware revenues.

Product Adjusted Operating Expenses were $83.4 million in Q4, down 14% from last year. A $5.6 million decrease in hardware COGS, plus our ongoing operational efficiencies, drove this decrease.

Moving on to the IP Licensing business, IP Licensing revenues of $72.0 million in Q4 no longer include any Time Warp revenues. As a reminder, the last of the Time

Warp revenue agreements expired in July. In comparison, we recognized $25.8 million of Time Warp revenues in Q4 last year. In terms of Core IP Licensing revenues, we were down 18% year-on-year, largely due to a $12.3 million decrease in revenue from catch-up payments intended to make us whole for the pre-license period of use. IP licensing revenues also continue to be negatively impacted by a CE manufacturer being out-of-license. We anticipate this customer will eventually execute a new license. We exited Q4 with approximately $65 million in contracted quarterly IP Licensing run rate revenues, excluding catch-up revenues intended to make us whole for the pre-license period of use.

IP Licensing Adjusted Operating Expenses of $25.7 million in Q4 were down 7% from last year. This is attributable to benefits from cost savings initiatives, as year-on-year IP litigation expenses were flat for Q4. For the full year, litigation expenses were up $11.3 million and we don't anticipate a decline in 2019, as long as we still are in litigation with Comcast.

We have a very strong balance sheet with cash and investments at the end of the quarter of $394.1 million. In terms of debt, in Q1, we will make a required payment of $46.7 million on our Term Loan. We also have $1.0 billion in Federal NOLs and a remaining stock repurchase program authorization of $150.0 million.

Finally, our Board, once again, declared a quarterly dividend of 18 cents per share, which is to be paid on March 26 to shareholders of record on March 12.

With that, I will now turn the call over to the operator to open the line for questions.

Operator?