TiVo Q2 2019 Earnings Script

On July 31, 2019, TiVo Corporation held its quarterly conference call to discuss its second quarter 2019 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 Product business, operating results and strategies to drive long-term profitable growth, the success of the Company's plans to separate the Product and IP Licensing businesses into two independent companies, the realization of stockholder value resulting from separation of the businesses, the timing, structure and tax-free nature of the separation of the two businesses, 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 the future growth, market acceptance, business opportunities and operating results of the stand-alone businesses. 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 process to separate the Product and IP businesses, 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, Quarterly Report on Form 10-Q for the period ended June 30, 2019 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, discounts on convertible debt and mark-to-market adjustments for interest rate swaps and interest on escheat liabilities; 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 goodwill impairment, restructuring and asset impairment charges, separation costs, 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 escheat liabilities.

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 equity-based compensation and 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, separation costs, 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 and gain on settlement of acquired receivable.

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, separation costs, 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 and additional depreciation resulting from facility rationalization actions.

Non-GAAP Total COGS and OpEx is defined as GAAP Total Operating costs and expenses, excluding depreciation, amortization of intangible assets, goodwill impairment, restructuring and asset impairment charges, equity-based compensation, separation costs, 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 and gain on settlement of acquired receivable.

Adjusted EBITDA is defined as GAAP operating income (loss) excluding depreciation, amortization of intangible assets, goodwill impairment, restructuring and asset impairment charges, equity-based compensation, strategic review costs, separation costs, 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 and gain on settlement of acquired receivable.

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 escheat liability, 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 or dispose of businesses on a predictable cycle, management excludes the amortization of intangible assets, separation costs, 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 goodwill impairment, restructuring and asset impairment charges, 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 escheat liability. 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, mark-to-market adjustments for interest rate swaps and interest on escheat liability 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.

Legal Overview/Nicole Noutsios

I'm Nicole Noutsios, Investor Relations at TiVo. With me today are Dave Shull, CEO, and Peter Halt, CFO. We just distributed a press release and filed an 8-K detailing our second quarter 2019 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 within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things,

- TiVo’s future Product business, operating results and strategies to drive long-term profitable growth,
- our future product offerings and deployments and market acceptance of these offerings,
- the future growth, business opportunities and operating results of each of the Product and IP businesses,
- the success of the Company's plans to separate the Product and IP Licensing businesses into two independent companies;
- and the realization of stockholder value resulting from separation, and, the tax-free nature, structure and anticipated timing of the separation.

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 turn the call over to our CEO, Dave Shull.

CEO Overview/ Dave Shull

Thank you for joining us for the second quarter 2019 earnings call. We have been very focused on execution this year. I am pleased to announce that we delivered strong financial results across a number of metrics to beat internal and external expectations for Q2 and that we are raising our expectations for revenues and all profitability measures for fiscal 2019 based on the strength of the business. Peter will provide further details later in the call.

This is my first earnings call as TiVo's President and CEO and I am excited to be here. Before I get into the highlights from the quarter, I want to provide some additional color on my background and why it is ideal for TiVo. I will also share my preliminary views after my first two months as CEO. While progress has been made at TiVo, there is still a lot to do as we move forward with the previously announced plan to separate our Product and IP Licensing businesses. My background at DISH and The Weather Channel is directly relevant to our current situation. Shortly after I joined The Weather Channel, we decided to sell the company in two parts. I split the company to complete that transaction, a process that we executed in only three months. I also prepared the television network for independent operation in a tough competitive environment by cutting more than 20% of the operating expenses, while investing strategically to deliver innovative, new digital products. These changes generated substantially improved free cash flow, while also delivering record-setting ratings during major hurricanes. I concluded my time at The Weather Channel with a successful sale of both of the businesses.

So, why did I take this opportunity? Before I decided to join the company, I did my homework and spoke with a number of key customers who were evaluating TiVo's IP and product offerings. The consistent feedback I received was that the technical quality of TiVo's products and IP was very strong and that the team had a rare, but critical understanding of the complexities of the pay-TV business. In particular, TiVo's personalized content discovery capabilities were consistently named as the best in the business. TiVo has a proud history of innovation, strong consumer brand recognition, and a team dedicated to winning.

During my time here, I have traveled around the world and spent significant time with our customers, prospective customers and employees. I am encouraged by the feedback from these conversations. It has all been consistent with the information that I had previously received and confirmed the strength of our product offerings. After two months as CEO, I am confident that we have a strong foundation, and that there are numerous exciting opportunities to drive long-term value at TiVo.

As we move forward with the separation, it is critical that TiVo develops a clear strategic vision, right sizes our operating models, and delivers strong execution in order to best position both our IP and Product businesses for long-term success. We are laser-focused on execution and are moving quickly to complete the separation in a timely manner. While there is still a lot to do, I believe both businesses have bright futures if we execute on a clear, coherent strategy.

So, what have I learned and what is the plan with TiVo? I will start with my thoughts on our Product business. 20 years ago, consumers and our pay-TV customers selected TiVo because of our innovations around the DVR. Today, the world of entertainment has become much more complex and chaotic for consumers. It's not just Netflix, Hulu, and Prime: it seems that virtually every content provider has their own direct-to-consumer offerings in the works. Furthermore, it seems like every day there are more over-the-top offerings in the market.

In this rapidly changing landscape, only TiVo helps consumers tame the entertainment chaos. Let me say that again. Only TiVo helps consumers tame the entertainment chaos by making navigating the sea of entertainment apps simple. Other platforms offer consumers a scattershot selection of apps that have to be clicked on one at a time to determine where their favorite shows might be. At TiVo, not only do we enable consumers to easily find what they want to watch across all of their different apps, sources, and channels, but TiVo also makes this process of discovering content a personalized experience. The TiVo platform is truly unique in how it provides personalized content discovery across live, linear television, subscription video on demand services such as Netflix, Hulu, Prime, and the emerging digital networks. Our platform recommends shows that we think you will want to watch based on the time of day, day of the week, room in the house, and more. We have unique products and patents tied to the underlying artificial intelligence and machine learning required for these recommendations and to the conversation-based voice processing algorithms that help make our customers' content discovery seamless. And, we have experience doing this at scale, with more than 22 million households worldwide currently using a TiVo platform to access their video entertainment.

TiVo's Product business has been assembled through a series of acquisitions. Historically, we have too often operated as independent product silos, so I am taking immediate action to reorganize and break down those walls to form a more cohesive operating structure. As a result, our Product business will be able to better leverage the expertise of each group, improving the quality of our product portfolio, and speed up the pace of innovation. Additionally, I expect these changes to streamline the Product business' operating costs, to improve its stand-alone EBITDA, and to allow us to reinvest in our strategic initiatives around platform footprint and monetization.

To drive long-term profitable growth, the entire Product business will be focused on expanding our platform footprint and then monetizing that footprint with sponsored content discovery, targeted advertising against inventory in our user experience, VOD assets, and dynamic live linear programming, as well as selling our TV audience data. We will execute quickly: our Product business plans to announce several new innovative products in the second half of 2019 that will further advance how users can seamlessly discover and engage with entertainment.

I would like to highlight several developments in the most recent quarter which help illustrate where our Product business is heading:

* 55 out of 56 of our North American TiVo MSO customers are deploying our most advanced TiVo User Experience 4. This solution offers our fully integrated personalized content discovery, and these operators are focused on ramping up our conversation-based discovery offerings using voice-based remote controls.
* Last quarter, we announced that we had signed the first two North American operators who plan to deploy our Android TV version of TiVo User Experience 4. We now have five customers who will be adopting our TiVo for Android TV solution. What is really exciting is that not only does this solution meaningfully reduce our customers' cost of deployment, but each of these companies also sees this solution rolling out beyond their traditional video subscribers and are looking to deploy this solution to their broadband only customers as well. Needless to say, this is a positive development as it significantly increases our addressable market. As these customers solidify their market launch plans, we will jointly provide details on our growing platform footprint.
* Additionally, in the quarter, we expanded our sponsored discovery advertising offering to include promotion of VOD movie transactions. The campaigns delivered strong performance results. As one example, a leading studio ran a campaign over three weekends to promote a new movie title and the campaign

increased transactions by 81% with the people who saw the campaign. Our personalized content discovery and sponsored discovery capabilities should be attractive solutions as they have proven to reduce churn and increase ARPU for our pay-TV operator partners.

- Additionally, TiVo's TV Viewership Data has expanded to provide customers with more flexibility to meet the ever-changing needs of the market. We have done this by adding additional matching capabilities through identity graph partnerships and premium demographic attributes. As a result, Discovery Communications, one of the leading content providers globally, is now licensing TiVo's TV Viewership Data.

As you can tell, we have a lot of exciting opportunities in our Product business. We are working hard to make the necessary changes to enable us to deliver profitable growth.

Now I would like to turn to the Intellectual Property Licensing business. While we have decades of heritage with DVRs and electronic programming guides, the company's IP portfolio has evolved along with the media industry and is even more relevant and cutting edge today than it was 20 years ago.

We have patents that center around the smart home, MoCA, voice recognition and conversation processing algorithms for the video user interface. On the social media front, we also have patents centered around video ad delivery. We plan to capitalize on this base of innovation by strategically expanding our portfolio in closely related smart home and video technologies. We are also executing on deals to expand our geographic reach outside of the United States.

In Q2 we had very strong execution from our IP Licensing business, resulting in a 27% year-over-year improvement in Core Intellectual Property Licensing revenues. In particular, we benefited from expanding our relationship with Shaw Communications to include the legacy TiVo IP portfolio. The Shaw Communications license provides coverage for all Shaw video platforms, including BlueSky TV, a syndicated X1 platform. This is just another example of deployed X1 syndication partners who have an IP license for this product.

As previously announced, we also added our first social media customer in our Licensing business. This is a large opportunity for us and one that will allow us to monetize our IP platform with a very different and growing customer base. Some other notable wins include Xumo, an adsupported streaming video service platform, and, in early Q3, LG Electronics.

Additionally, I would like to provide an update on our ongoing Comcast litigation. Litigation is a core part of any IP business. While I would always prefer to get to a fair business deal without litigation, if the other party is not reasonable, then we have no choice but to litigate. We have a portfolio of more than 5,000 patents and applications, hundreds of which cover technology innovations related to Comcast's X1 platform user experience. While Comcast may be able to design around any single patent, if we are able to demonstrate that they have violated even a small percentage of these hundreds of patents, the Comcast service will likely continue to lose features that are important to their customers. Because the ITC process only allows us to include a few of these patents at a time, we committed to this lengthy process at the outset. I am always willing to enter into a productive business dialogue, but in the meanwhile, we are committed to the litigation and Comcast continues to incur liability for their violations of our IP. That said, I think it's important to understand that this litigation is not impacting our licensing businesses success. We have successfully negotiated deals with all of the major Pay-TV operators in the United States and, this quarter, we completed fifteen new and renewal IP Licensing deals.

As I look to the future, we are focused on growing the business with our social media conversations, consumer electronics providers, and new geographic territories. As always, our IP Licensing business will continue to manage its costs to ensure strong returns while also making targeted investments to drive further growth in our IP portfolio. I'm very excited about the prospects here for our IP Licensing Business.

I would like to finish up with a few comments regarding the separation of the business into two independent entities. We believe the separation will unlock shareholder value and increase our flexibility in pursuing new and growing market opportunities. We are on track to complete this transaction in the first half of 2020. We intend that this separation will be tax-free to our stockholders and are actively pursuing a ruling from the IRS on that front. We expect a ruling in late 2019 or early 2020. Further, to provide you additional transparency, we anticipate we will be filing our initial Form 10 by Q4 of 2019. As we have stated previously, throughout the separation process the Board of Directors will continue to be open to strategic transactions for each business that could create additional stockholder value and, to that end, we continue to be actively engaged in discussions with interested parties.

While we have made a lot of progress this quarter, we have a lot to accomplish in the coming months. However, after meeting our global customers and employees, I am confident that we have a strong foundation to drive long-term profitable growth.

With that, I will turn the call over to Peter to provide a financial overview of the quarter.

<u>CFO Script/Peter Halt</u>

Thank you, Dave.

As Dave outlined, we had a very strong quarter and demonstrated that we remain focused on improving the execution of our overall business, while we work on separating the two businesses.

In addition to delivering strong financial results, we are pleased to raise our expectations for the second time. Before I share with you the progress we made in the quarter, I would like to discuss our improved expectations for fiscal 2019. We have been very focused on company execution and based upon our performance in Q2, we are raising our expectations for revenue to a range of $650 million to $665 million. We now expect our GAAP loss before taxes to be lower and in the range of $69 million to $77 million. Additionally, we are raising our expectations for Adjusted EBITDA to a range of $180 million to $190 million and Non-GAAP Pre-tax Income of $129 million to $137 million. We anticipate incurring $28 million to $29 million in Cash Taxes based on our operating expectations. Additionally, we expect GAAP Diluted Weighted Average Shares Outstanding to be approximately 126 million and Non-GAAP Diluted Weighted Average Shares Outstanding to be approximately 127 million.

Two points to keep in mind regarding our expectations: First, the first half of the year benefited from the timing of IP litigation spend. As we prepare for our third trial in the ITC, we anticipate higher IP Litigation spend in the second half of the year than we spent in the first six months of the year. Second, in terms of revenue, Q3 is traditionally a softer quarter for us and Q4 is usually a much stronger quarter and we would expect that trend to continue this year.

Turning now to our current quarter results, on a consolidated basis, second-quarter revenues were $176.2 million, with almost all of our revenue, $174.3 million, or 98.9%, coming from our core business. We are pleased to have put nearly all of our headwinds behind us. For the second quarter in a row, we had the highest percentage contribution from core revenues since we closed the TiVo acquisition in Q3 2016. As previously discussed, we no longer have revenue from the Legacy TiVo Time Warp deals, which contributed $8.4 million in revenue a year ago, and we have largely transitioned away from selling Hardware and analog products, which only contributed $1.7 million and approximately $200 thousand, respectively, in the current quarter.

In terms of GAAP costs and results for Q2, we continue to make progress optimizing the business to decrease our cost structure to prepare us for the separation of the two businesses. GAAP Total Operating Costs of $163.5 million were down $18.1 million or 10% from a year ago. This decrease is primarily due to the Company's continuing cost reduction efforts, lower amortization of intangible assets, and the timing of IP litigation spend as mentioned earlier.

Q2 GAAP operating costs include $33.5 million of depreciation and amortization, $8.9 million in stock-based compensation, and $7.5 million of other costs primarily related to our ongoing restructuring and separation efforts, all of which are excluded from our calculation of Adjusted EBITDA. GAAP Operating Income in Q2 was $12.6 million and our GAAP Net Loss before Taxes was $1.8 million.

In terms of our non-GAAP results, Non-GAAP Total COGS and Operating Expenses were $113.6 million, down $7.4 million, or 6% year-over-year. This quarter's Non-GAAP Total COGS and Operating Expenses benefited from our ongoing cost savings initiatives and the timing of litigation spend. Non-GAAP Total COGS and Operating Expenses include an inventory impairment charge of $2.4 million as we continue our transition away from selling Hardware products.

Adjusted EBITDA in Q2 was $62.6 million, up $10.7 million, or 21%, year-over-year. Non-GAAP Pre-tax Income was $50.0 million, up $12.5 million, or 31%, year-over-year. The increases in Adjusted EBITDA and Non-GAAP Pre-tax Income are driven by the increase in Intellectual Property Licensing revenue, combined with the benefit of our ongoing cost savings initiatives and the timing of IP litigation costs.

For the second quarter, estimated cash taxes were $8.9 million. GAAP Diluted Weighted Average Shares Outstanding were 125.0 million and Non-GAAP Diluted Weighted Average Shares Outstanding were 125.5 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 Q2 segment results, Core Product revenues were $83.3 million, down 6% year-on-year. The revenue decline was primarily due to a decrease in consumer subscriber revenue and the prior year benefiting from the recognition of $2.2 million in minimum guarantee revenues.

We exited Q2 with approximately $76.5 million in contracted quarterly product run rate revenues. These are contracted revenues, generally long-term, for our core products. These measures exclude NRE and Advertising revenues, which, while recurring, have short-term commitments and our non-core analog products and hardware revenues. We exited Q2 with a $1.5 million increase in contracted quarterly product run rate revenues from Q1.

Product Adjusted Operating Expenses were $77.7 million in Q2, down 5% from last year. This was primarily attributable to reduced R&D spend, as the result of our ongoing cost savings initiatives, partially offset by a $2.4 million inventory impairment as we transition away from selling Hardware products.

Moving on to the IP Licensing business, Core IP Licensing revenues were $91.0 million, up 27% year-on-year, due to the contribution from adding our first social media customer and expanding our IP licensing arrangement with Shaw Communications to also include the TiVo patent portfolio. In addition to benefiting future periods, expanding our relationship with Shaw was the largest contributor to the $24.5 million in past usage revenues recognized in the quarter. As a reminder, the last of the TiVo Time Warp agreements expired in July 2018. We recognized $8.4 million of Time Warp revenues in Q2 last year. We exited Q2 with approximately $66.5 million in contracted quarterly IP Licensing run rate revenues, which exclude catch-up revenues intended to make us whole for the pre-license period of use. This also represents a $1.5 million increase in contracted quarterly license run rate revenues from Q1.

IP Licensing Adjusted Operating Expenses of $21.4 million in Q2 were down 14% from last year. This is attributable to a decrease in IP litigation cost, primarily due to the timing of costs in the ongoing Comcast litigation.

We have a very strong balance sheet with cash and investments at the end of the second quarter of $287 million. The largest use of cash in Q2 was our repurchase of $50 million of our Convertible Notes which come due in Q1 2020. This repurchase lowered the outstanding 2020 Convertible Notes balance to $295 million. We expect to repay the remaining 2020 Convertible Notes by their maturity date. Additionally, we plan to refinance our Term Loan B Facility before separation of the IP Licensing and Product businesses.

Finally, our Board declared a quarterly dividend of eight cents per share, which is to be paid on September 19th to stockholders of record on September 5th.

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

At the end of the Q&A from Dave when the call is over

Thank you for your time today. I look forward to meeting many of you this quarter as we become active on the IR front.