

SEACHANGE INTERNATIONAL INC

Form 10-Q

December 07, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 04-3197974
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

50 Nagog Park, Acton, MA 01720

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (978) 897-0100

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant’s Common Stock on December 1, 2017 was 35,503,871.

SEACHANGE INTERNATIONAL, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share data)

	October 31, 2017 (Unaudited)	January 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,155	\$28,302
Restricted cash	8	109
Marketable securities	4,990	5,253
Accounts and other receivables, net of allowance for doubtful accounts of \$294		
and \$876 at October 31, 2017 and January 31, 2017, respectively	28,437	25,985
Unbilled receivables	3,630	6,553
Inventories, net	850	770
Prepaid expenses and other current assets	2,856	2,393
Total current assets	67,926	69,365
Property and equipment, net	10,131	11,485
Marketable securities, long-term	4,485	4,991
Investments in affiliates	2,000	2,000
Intangible assets, net	1,616	2,603
Goodwill, net	24,506	23,287
Other assets	1,200	2,336
Total assets	\$ 111,864	\$ 116,067
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,631	\$4,978
Deferred revenues	12,558	12,517
Other accrued expenses	12,788	9,928
Total current liabilities	26,977	27,423
Deferred revenue, long-term	3,058	2,419
Deferred tax liabilities, long-term	16,253	14,732
Taxes payable, long-term	973	1,427
Other liabilities, long-term	—	530
Total liabilities	47,261	46,531
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 35,544,361	355	353

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shares issued and 35,503,871 outstanding at October 31, 2017, and 35,339,232		
shares issued and 35,298,742 outstanding at January 31, 2017		
Additional paid-in capital	238,955	236,677
Treasury stock, at cost; 40,490 common shares at October 31, 2017 and January 31,		
2017, respectively	(5)	(5)
Accumulated loss	(169,238)	(162,118)
Accumulated other comprehensive loss	(5,464)	(5,371)
Total stockholders' equity	64,603	69,536
Total liabilities and stockholders' equity	\$ 111,864	\$ 116,067

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

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited, amounts in thousands, except per share data)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2017	2016	2017	2016
Revenues:				
Products	\$11,119	\$3,746	\$18,907	\$10,481
Services	12,311	16,215	38,415	49,502
Total revenues	23,430	19,961	57,322	59,983
Cost of revenues:				
Products	1,198	1,824	3,088	4,506
Services	5,612	7,470	15,810	26,336
Amortization of intangible assets	255	315	764	947
Stock-based compensation expense	1	(26)	3	131
Total cost of revenues	7,066	9,583	19,665	31,920
Gross profit	16,364	10,378	37,657	28,063
Operating expenses:				
Research and development	5,634	7,325	17,411	23,751
Selling and marketing	3,916	3,988	9,292	12,487
General and administrative	3,868	3,673	10,595	11,579
Amortization of intangible assets	370	540	1,075	1,572
Stock-based compensation expense	696	791	2,224	1,685
Change in fair value of earn-outs	—	—	—	249
Professional fees - other	—	24	21	328
Severance and other restructuring costs	960	2,373	3,670	5,991
Loss on impairment of long-lived assets	—	99	—	99
Total operating expenses	15,444	18,813	44,288	57,741
Income (loss) from operations	920	(8,435)	(6,631)	(29,678)
Other income (expenses), net	14	(67)	969	220
Income (loss) before income taxes	934	(8,502)	(5,662)	(29,458)
Income tax provision (benefit)	1,154	(420)	1,458	14,415
Net loss	\$(220)	\$(8,082)	\$(7,120)	\$(43,873)
Net loss	\$(220)	\$		