

SEACHANGE INTERNATIONAL INC

Form 10-Q

September 03, 2015

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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 July 31, 2015

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 **(IRS Employer**
of 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

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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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 September 1, 2015 was 33,596,720.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****SEACHANGE INTERNATIONAL, INC.****CONSOLIDATED BALANCE SHEETS***(Amounts in thousands, except share data)*

	July 31, 2015 (Unaudited)	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 60,560	\$ 90,019
Restricted cash		1,073
Marketable securities	4,009	7,516
Accounts and other receivables, net of allowance for doubtful accounts of \$454 and \$400 at July 31, 2015 and January 31, 2015, respectively	25,824	24,962
Unbilled receivables	10,234	6,588
Inventories, net	3,325	2,864
Prepaid expenses and other current assets	3,574	3,026
Total current assets	107,526	136,048
Property and equipment, net	14,991	15,869
Marketable securities, long-term	8,274	6,793
Investments in affiliates	3,081	3,051
Intangible assets, net	11,636	7,314
Goodwill	57,632	41,008
Other assets	2,670	2,268
Total assets	\$ 205,810	\$ 212,351
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 6,972	\$ 5,129
Deferred stock consideration	6,543	
Other accrued expenses	9,958	12,507
Deferred revenues	15,257	17,398
Total current liabilities	38,730	35,034
Deferred revenue, long-term	1,539	1,690
Other liabilities, long-term	2,051	1,493
Taxes payable, long-term	1,960	1,993

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Deferred tax liabilities, long-term	1,058	1,090
Total liabilities	45,338	41,300
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized; 33,397,287 shares issued and 33,357,503 outstanding at July 31, 2015, and 32,733,636 shares issued and 32,693,852 outstanding at January 31, 2015	334	327
Additional paid-in capital	224,556	219,651
Treasury stock, at cost; 39,784 common shares	(1)	(1)
Accumulated loss	(58,024)	(43,172)
Accumulated other comprehensive loss	(6,393)	(5,754)
Total stockholders' equity	160,472	171,051
Total liabilities and stockholders' equity	\$ 205,810	\$ 212,351

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

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	Three Months Ended July 31,		Six Months Ended July 31,	
	2015	2014	2015	2014
Revenues:				
Products	\$ 6,955	\$ 8,740	\$ 10,119	\$ 13,798
Services	20,916	21,109	40,929	40,388
Total revenues	27,871	29,849	51,048	54,186
Cost of revenues:				
Products	1,561	1,865	3,238	3,409
Services	11,663	12,281	22,866	23,876
Amortization of intangible assets	192	267	373	537
Stock-based compensation expense	28	49	28	86
Total cost of revenues	13,444	14,462	26,505	27,908
Gross profit	14,427	15,387	24,543	26,278
Operating expenses:				
Research and development	8,370	10,869	17,903	21,797
Selling and marketing	3,630	3,624	7,298	7,062
General and administrative	3,911	4,038	7,798	8,054
Amortization of intangible assets	1,024	822	1,965	2,331
Stock-based compensation expense	1,128	752	1,839	1,311
Earn-outs and change in fair value of earn-outs	481		983	
Professional fees - other	16	251	144	353
Severance and other restructuring costs	617	218	829	692
Total operating expenses	19,177	20,574	38,759	41,600
Loss from operations	(4,750)	(5,187)	(14,216)	(15,322)
Other (expense) income, net	(199)	(333)	(428)	82
Loss before income taxes and equity income in earnings of affiliates	(4,949)	(5,520)	(14,644)	(15,240)
Income tax provision (benefit)	78	167	225	(67)
Equity income in earnings of affiliates, net of tax			17	19
Loss from continuing operations	(5,027)	(5,687)	(14,852)	(15,154)

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Income from discontinued operations, net of tax		119		119
Net loss	\$ (5,027)	\$ (5,568)	\$ (14,852)	\$ (15,035)
Net loss	\$ (5,027)	\$ (5,568)	\$ (14,852)	\$ (15,035)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment	(347)	(605)	(624)	(85)
Unrealized loss on marketable securities	(3)	(17)	(15)	(12)
Comprehensive loss	\$ (5,377)	\$ (6,190)	\$ (15,491)	\$ (15,132)
Net loss per share:				
Basic	\$ (0.16)	\$ (0.17)	\$ (0.45)	\$ (0.46)
Diluted	\$ (0.16)	\$ (0.17)	\$ (0.45)	\$ (0.46)
Net loss per share from continuing operations:				
Basic	\$ (0.16)	\$ (0.17)	\$ (0.45)	\$ (0.46)
Diluted	\$ (0.16)	\$ (0.17)	\$ (0.45)	\$ (0.46)
Net income per share from discontinued operations:				
Basic	\$	\$ 0.00	\$	\$ 0.00
Diluted	\$	\$ 0.00	\$	\$ 0.00
Weighted average common shares outstanding:				
Basic	33,350	32,806	33,339	32,902
Diluted	33,350	32,806	33,339	32,902

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

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SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, amounts in thousands)

	Six Months Ended July 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (14,852)	\$ (15,035)
Net income from discontinued operations		(119)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property and equipment	1,703	1,918
Amortization of intangible assets	2,338	2,868
Fair value of acquisition-related contingent consideration	983	
Stock-based compensation expense	1,867	1,397
Other	102	334
Changes in operating assets and liabilities, excluding impact of acquisition:		
Accounts receivable	(1,147)	3,568
Unbilled receivables	(3,850)	299
Inventories	(732)	1,235
Prepaid expenses and other assets	(598)	(981)
Accounts payable	1,875	(1,070)
Accrued expenses	(3,127)	(3,278)
Deferred revenues	(1,929)	(784)
Other	(832)	(59)
Net cash used in operating activities from continuing operations	(18,199)	(9,707)
Net cash provided by operating activities from discontinued operations		119
Total cash used in operating activities	(18,199)	(9,588)
Cash flows from investing activities:		
Purchases of property and equipment	(795)	(686)
Purchases of marketable securities	(2,002)	(5,591)
Proceeds from sale and maturity of marketable securities	4,003	3,575
Proceeds from sale of equity investments		239
Investment in affiliate		(2,000)
Cash paid for acquisition of business, net of cash acquired	(11,686)	
Increase in other long-term assets	(1,453)	
Total cash used in investing activities	(11,933)	(4,463)
Cash flows from financing activities:		
Proceeds from issuance of common stock relating to stock option exercises	20	

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Repurchases of common stock		(5,504)
Total cash provided by (used in) financing activities	20	(5,504)
Effect of exchange rate changes on cash	653	376