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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): March 10, 2010

SEACHANGE INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	0-21393	04-3197974
(State or Other Jurisdiction of Incorporation or Organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

50 Nagog Park, Acton, MA	01720
(Address of Principal Executive Offices)	(Zip Code)

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

No change since last report
(Former Name or Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

Attached as Exhibit 99.1, and incorporated herein by reference, are copies of the press release and prepared remarks of SeaChange International, Inc. (“SeaChange”), each dated March 11, 2010, reporting SeaChange’s financial results for the fiscal quarter and year ended January 31, 2010.

The information contained in this Item 2.02 and Exhibit 99.1 attached and incorporated herein by reference, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. This information shall not be incorporated by reference into any filing with the U.S. Securities and Exchange Commission made by SeaChange, whether made before or after the date hereof, regardless of any general incorporation language in such filings.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

(b)

SeaChange and Ed Dunbar reached a mutual agreement that Mr. Dunbar would cease to be SeaChange’s President and Chief Operating Officer, effective March 10, 2010, and that Mr. Dunbar would leave SeaChange on March 15, 2010. In connection with this, SeaChange and Mr. Dunbar entered into a separation agreement, dated as of March 10, 2010. Under the terms of the separation agreement, Mr. Dunbar will continue to receive his base salary through April 13, 2011 and the 60,000 stock options previously granted to Mr. Dunbar upon joining SeaChange were accelerated to be fully vested and exercisable through March 15, 2011.

Mr. Dunbar remains bound by the terms of his previously executed Noncompetition, Nondisclosure and Developments Agreement which provides for a one-year post-employment noncompetition and nonsolicitation period.

A copy of Mr. Dunbar’s separation agreement is attached hereto as Exhibit 10.1.

(c) Election of Yvette Kanouff as President, SeaChange International, Inc.

On March 10, 2010, Yvette Kanouff was appointed SeaChange’s President, in addition to her continuing role as Chief Strategy Officer. Ms. Kanouff, 44, joined SeaChange in September 1997 and has served as SeaChange’s Chief Strategy Officer since March 2006. Previously, Ms. Kanouff served from July 2005 to March 2006 as Senior Vice President, Strategic Planning and

Business Development, and as Vice President, Interactive Television Management from August 2003 to July 2005. Ms. Kanouff served as Vice President, Technology from July 2001 to August 2003, and as Director, Interactive Technology from September 1997 to July 2001. Prior to that, Ms. Kanouff served as Director of Interactive Technologies for Time Warner Cable and worked as a signal processing mathematician at Lockheed Martin.

(e) See Item 5.02(b) above.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

The following Exhibits are furnished as part of this report:

Exhibit No.	Description
10.1	Separation Agreement and General Release, dated as of March 10, 2010, by and between SeaChange International, Inc. and Ed Dunbar.
99.1	Press release and prepared remarks issued by SeaChange International, Inc., each dated March 11, 2010.

SIGNATURE

Pursuant to the requirements of 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.

SEACHANGE INTERNATIONAL, INC.

By: /S/ KEVIN M. BISSON

Kevin M. Bisson
Chief Financial Officer, Treasurer, Secretary and Senior Vice President, Finance and Administration

Dated: March 11, 2010

EXHIBIT INDEX

Exhibit No.	Description
10.1	Separation Agreement and General Release, dated as of March 10, 2010, by and between SeaChange International, Inc. and Ed Dunbar.
99.1	Press release and prepared remarks issued by SeaChange International, Inc., each dated March 11, 2010.

Exhibit 10.1

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (the "Agreement") is entered into by and between SeaChange International, Inc. (the "Company") and Ed Dunbar (the "Employee").

1. Termination of Employment. Employee's employment ended on March 15, 2010 (the "Separation Date"). By signing this Agreement, Employee acknowledges receipt of all salary, bonuses, and other employment compensation, and payment for all accrued, unused vacation, due through and including the Separation Date (excluding the salary continuance provided for in Section 4(b) below.

2. Benefits. Whether or not Employee signs this Agreement, Employee may elect to continue Employee's group medical and/or dental insurance coverage at Employee's expense for up to eighteen (18) months following the Separation Date, provided Employee or Employee's eligible dependent(s) remain eligible for such coverage under the federal law known as COBRA. The Company will provide Employee with further information relating to Employee's eligibility for COBRA coverage under separate cover. Except as provided herein, Employee's right to any and all Company benefits terminated on the Separation Date.

3. Stock Option. Except as provided in Section 4 below with the Company's receipt of this Agreement executed by Employee that has not been revoked during the revocation period, as set forth in the Company Stock Option and Incentive Plan (the "Stock Option Plan") and Employee's Stock Option Agreement with the Company (the "Stock Option Agreement"), Employee's options to purchase stock in the Company ceased vesting on the Separation Date. All of Employee's rights and obligations to stock options, including without limitation vesting, exercise and expiration, will continue to be governed by the terms and conditions of the Stock Option Plan and the Stock Option Agreement.

4. Post-Termination Consideration.

a. Release Consideration. If Employee signs this Agreement within twenty-one (21) days and does not revoke Employee's acceptance within seven (7) days thereafter, then, in exchange for the promises contained herein, the Company will provide Employee with the following release consideration (the "Release Consideration"), which consideration Employee acknowledges is not otherwise owed to Employee under any employment agreement (oral or written) or any Company policy or practice:

i. In exchange for Employee's release of claims under the federal Age Discrimination in Employment law ("ADEA") and notwithstanding section 3 above, the Company shall provide accelerated vesting for thirty thousand (30,000) shares of Employee's stock options that were granted in the stock option agreement dated April 13, 2009 (the "Stock Option Agreement").

ii. In exchange for Employee's release of all other claims of discrimination of any sort and notwithstanding section 3 above, the Company shall provide accelerated vesting for an additional thirty thousand (30,000) shares of Employee's stock options that were granted in the Stock Option Agreement.

iii. In exchange for Employee's release of all other claims of any nature and not withstanding section 3 above, the Company shall extend the period in which Employee may exercise the vested stock option in section 4(a)(i) and 4(a)(ii) above until March 15, 2011. In addition, from the period beginning on March 16, 2010 and ending on October 13, 2012, Employee shall remain eligible to participate in the Company's health plan, as otherwise in effect from time to time (the "Plan") on a COBRA or COBRA-equivalent basis, provided the otherwise applicable requirements of COBRA are satisfied by Employee, recognizing that to the extent this period extends beyond the period of coverage required under COBRA (i.e., the eighteen (18) months beginning on March 16, 2010 and ending October 13, 2011), the Employee's obligations to timely pay the required premium, etc., shall be applied as if the COBRA requirements continued to apply. Further, for the period from March 16, 2010 through April 13, 2011, the Company shall pay Employee additional severance pay (in the addition to the amount otherwise payable under Section 4(b) below) measured by the difference between the COBRA benefit rate and Employee's current benefit contribution rate under the Plan. The initial semimonthly amount for such additional severance pay, less applicable deductions and withholdings, shall be two hundred dollars ($200.00) and will be paid under the Company's normal semimonthly payroll practices. Employee hereby acknowledges that the benefit contribution rates under the Plan are subject to change on an annual basis, and Employee's current benefit contribution rate may change based on such annual Plan changes.

The Company shall provide Employee with the necessary amendments to the Stock Option Agreement to effect the changes in Section 4(a)(i)-(iii), the form of such amendments which are attached as Exhibit B to this Agreement, after the eighth (8th) day following the date on which the Employee signs and returns this Agreement.

b. Company Obligations. Pursuant to the terms of Employee's offer letter dated March 13, 2009 (the "Offer Letter"), the Company shall provide Employee with twenty-five and thirteen/fifteenths (25 13/15) semimonthly salary continuation payments at the rate of $18,750.00/payment, the Employee's current gross semimonthly rate, less applicable deductions and withholdings for the period beginning on March 16, 2010 and ending on April 13, 2011.

5. Internal Revenue Code Section 409A. In the event Employee is determined to be a "Specified Employee" under Treasury Regulation Section 1.409A-1(i) upon Employee's separation from service, any payment under this Agreement shall not be paid until at least six (6) months after such separation date. Notwithstanding the foregoing, Employee's termination of employment (and Separation Date) under this Agreement (a) shall occur only if it constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1) and (b) in the case of any "involuntary separation from service" under Treasury Regulation 1.409A-1(n), the six month delay shall only be applied to the extent such amounts, when added to all other amount required to be taken into account under the "separation pay" limitation of Treasury Regulation Section 1.409A-1(b)(9)(iii), would, if paid within such period, exceed the Employee's Statutory Maximum. Payment of any delayed amounts shall be made as soon as is

administratively practicable, but no more than ten (10) business days, after the expiration of such six (6) month period. For purposes of this Section, the term "Statutory Maximum" means, with respect to a Specified Employee, the "two (2) tines the lesser of" amount describe in Treasury Regulation Section 1.409A(b)(9)(iii)(A).

6. Company Property. By signing this Agreement, Employee represents and acknowledges that Employee has returned to the Company all originals and copies (both in paper and electronic form) of all Company documents and data and all Company property, including without limitation, personal computers, laptops, fax machines, scanners, copiers, cellular phones, Company credit cards and telephone charge cards, manuals, building keys and passes, courtesy parking passes, diskettes, intangible information stored on diskettes, software programs and data compiled with the use of those programs, software passwords or codes, tangible copies of trade secrets and confidential information, sales forecasts, names and addresses of Company customers and potential customers, customer lists, customer contacts, sales information, sales forecasts, memoranda, sales brochures, business or marketing plans, reports, projections, and all other information or property held or used by Employee in connection with Employee's employment with the Company.

7. General Release of Claims.

a. In exchange for the Release Consideration, Employee, on behalf of Employee and Employee's spouse, heirs, executors, administrators, trustees, legal representatives, and assigns, hereby releases, indemnifies, holds harmless and forever discharges the Company, its predecessors and successors, its past and present parent corporations, divisions, subsidiaries, and affiliates, and the past and present officers, directors, employees, consultants, shareholders, partners, benefit plans, attorneys, agents, and assigns of any of them (any or all of which are referred to as the "Releasees"), from any and all claims, demands, liabilities, actions, and causes of action of every name and nature, whether known or unknown, that Employee now has or ever had from the beginning of the world to Effective Date or that arise out of or relate to Employee's employment by or separation from employment with the Releasees or any of them. This general release of claims is intended by you to be all encompassing and to act as a full and total release of any legally available claims, whether specifically enumerated herein or not, that Employee may have or may have had against the Releasees arising from conduct occurring up to and through the Effective Date of this Agreement, including but not limited to any and all claims under local, state or federal law for wrongful discharge, wrongful termination, or wrongful dismissal; any and all claims for breach of an express or implied contract, covenant, or agreement; any and all claims for unlawful discrimination or harassment (including but not limited to claims alleged based on race, sex, sexual preference or sexual orientation, marital status, pregnancy, religion, creed, age, handicap, disability, national origin, ethnic heritage, ancestry, veteran status, retaliation, or any other protected classification protected by local, state, or federal law); any and all claims for violation of any fair employment practice law, including the Age Discrimination in Employment Act, 29 U.S.C. §621 et seq.; any and all claims under the Family and Medical Leave Act or any other federal or state law concerning leaves of absence; any and all claims under the Worker Adjustment and Retraining Notification ("WARN") Act or any other local, state, or federal law; any and all claims under the Employee Retirement Income Security Act (other than claims against an employee benefit plan seeking payment of a vested benefit under the terms of that plan); any and all claims for infliction of emotional distress; any

and all claims for defamation; any and all claims for invasion of any right of privacy; any and all negligence claims; any and all tort claims; any and all statutory claims; any and all constitutional claims; any and all claims for violation of any civil rights; any and all claims for reinstatement or reemployment by the Releasees; any and all claims for wages, bonuses, incentive compensation, equity compensation, stock payments or appraisal rights, phantom stock payments, or other compensation or benefits, and any and all claims for compensatory or punitive damages, interest, attorney's fees, or costs, including costs and fees already incurred.

b. This release shall not be construed to impair Employee's right to enforce the terms of this Agreement.

c. This release does not include any claim which, as a matter of law, cannot be released by private agreement. Nor does this release prohibit or bar Employee from providing truthful testimony in any legal proceeding or from cooperating with, or making truthful disclosures to, any local, state, or federal governmental agency. Notwithstanding the foregoing, with respect to any claim that cannot be released by private agreement, Employee agree to release and waive Employee's right (if any) to any monetary damages or other recovery as to such claims, including any claims brought on Employee's behalf, either individually or as part of a collective action, by any governmental agency or other third party.

d. This release shall not preclude Employee from submitting claims for coverage for any claims asserted against Employee as a result of actions or omissions in the course of Employee's non-negligent duties during Employee's employment with the Company.

8. Non-Filing of Claims. Employee represents and warrants that Employee has not filed any complaints, charges or claims for relief against any of the Releasees with any local, state or federal court or administrative agency.

9. Confidentiality of Agreement. Employee agrees to keep the terms and amount of this Agreement completely confidential, and not to disclose any such matters to anyone, in words or in substance, except as set forth in this Section 9. Employee may disclose the terms and amount of this Agreement (a) to Employee's spouse, attorney, and/or accountant, *provided that* Employee shall first obtain any such person's written agreement to keep any such matters completely confidential and not to disclose any such matters to anyone; (b) to the extent required by law or to the extent necessary to enforce Employee's rights under this Agreement; and (c) to the extent permitted under Section 7(c).

10. Non-Disparagement. Except as permitted by Section 7(c), Employee agrees not to make any statement, written or oral, which disparages the Company, its products or services, or any of its directors, officers, employees, or agents.

11. Cooperation. Employee hereby agrees to provide any and all necessary assistance to and cooperation with the Company if called upon by it with regard to: (i) the transition of Employee's job responsibilities, and (ii) any lawsuit, claim, action, investigation, administrative review or otherwise that may be brought by a third party against the Company and which may involve facts or knowledge of which Employee may be aware as a result of Employee's employment or position with the Company.

12. Waiver of Rights and Claims Under the Age Discrimination in Employment Act. Because Employee is forty (40) years of age or older, Employee is protected against age discrimination by the federal Age Discrimination in Employment Act. Employee has or may have specific rights and/or claims under the Age Discrimination in Employment Act of 1967 (ADEA) and the Employee agrees that:

(a) In consideration for the amounts described in Section 4(a) of this Agreement, which Employee is not otherwise entitled to receive, Employee specifically and voluntarily waives such rights and/or claims under the ADEA, as amended by the Older Workers Benefit Protection Act, that Employee might have against the Company Releasees to the extent such rights and/or claims arose prior to the date this Agreement was executed.

(b) Employee understands that rights or claims under the ADEA which may arise after the date this Agreement is executed are not waived by Employee.

(c) The Company has advised Employee that Employee has at least twenty-one (21) days within which to consider the terms of this Agreement (including all Exhibits) and to consult with or seek advice from an attorney of Employee's choice prior to executing this Agreement. If Employee signs this Agreement in fewer than twenty-one (21) days, Employee acknowledges that the decision was entirely voluntary and that Employee was given the full twenty-one (21) days to consider the Agreement. If Employee does not sign this Agreement and return it to the Company within twenty-one (21) days, the offer contained herein shall be null and void.

(d) The twenty-one (21) day review period will not be affected or extended by any revisions, whether material or immaterial, that might be made to this Agreement.

(e) Employee understands that Employee may revoke this Agreement for a period of seven (7) days after signing this Agreement, and that it shall not be effective or enforceable until the expiration of this seven (7) day Revocation Period. To revoke this Agreement, a written notice of revocation must be received by Human Resources at the Company within the 7-day revocation period.

(f) Employee has carefully read and fully understand all of the provisions of this Agreement, and Employee knowingly and voluntarily agrees to all of the terms set forth in this Agreement; and

(h) In entering into this Agreement Employee is not relying on any representation, promise or inducement made by the Company or its attorneys with the exception of those promises described in this document.

13. Binding Nature of Agreement. This Agreement shall be binding on and inure to the benefit of Employee and Employee's heirs, administrators, representatives, and executors. Employee's obligations under this Agreement are personal and may not be assigned. The Company may assign its rights and obligations under this Agreement. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns.

14. Use of the Agreement as Evidence; Liability. This Agreement may not be used as evidence in any proceeding of any kind, except a proceeding in which one of the parties or a Releasee alleges a breach of the terms of this Agreement or elects to use this Agreement as a defense to any claim. This Agreement shall not constitute an admission or acknowledgment of liability or wrongdoing on the part of any or all of the Releasees.

15. Nondisclosure and Noncompetition Obligations. Regardless of whether Employee signs this Agreement, the Employee Noncompetition, Nondisclosure and Developments Agreement with the Company (the "Noncompetition Agreement"), which is attached hereto as Exhibit A shall remain in full force and effect following the Separation Date. Employee represents and acknowledges that Employee has at all times complied with the Noncompetition Agreement, and will continue to do so following the Separation Date.

16. Consequences of Breach. Employee understands and agrees that the Company may terminate Employee's eligibility for the Release Consideration if Employee violates this Agreement, and that the Company shall further have the right to recover from Employee any Release Consideration paid to Employee or on Employee's behalf during any time periods following the commencement of any such breach. Employee further agrees that a breach of Paragraphs 6, 8, 9, 10, 11 and/or 15 herein would result in irreparable harm to the Company and that money damages would not provide an adequate remedy. Therefore, Employee agrees that in addition to any other rights that it may have, the Company shall have the right to specific performance and injunctive relief in the event Employee breaches any of those Paragraphs of this Agreement.

17. Entire Agreement; Modification. With the exception of the Noncompetition Agreement, the Plan, the Stock Option Plan, and the Stock Option Agreement, all of which shall remain in full force and effect, this Agreement is the entire agreement between the Company and Employee and all previous agreements or promises between them are superseded and void. This Agreement may be modified only by a written agreement signed by Employee and an officer of the Company.

18. Acknowledgements. By signing this Agreement, Employee acknowledges that Employee has carefully read and fully understands this Agreement, Employee is not relying on any representations by any representative of the Company concerning the meaning of any aspect of this Agreement, Employee has had twenty-one (21) days to review this Agreement, and Employee is signing it voluntarily.

19. Governing Law; Interpretation. In the event of any dispute, this Agreement will be construed as a whole, will be interpreted in accordance with its fair meaning, and will not be construed strictly for or against either Employee or the Company. The law of Massachusetts will govern any dispute about this Agreement. If for any reason any part of this Agreement shall be determined to be unenforceable, the remaining terms and conditions shall be enforced to the fullest extent possible.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the date last written below.

/s/ Ed Dunbar	March 10, 2010
Ed Dunbar	DATE

SEACHANGE INTERNATIONAL, INC.

By:	/s/ Laura Waston	March 10, 2010
Title:	HR Director	DATE

Contact:	Jim Sheehan SeaChange PR 1-978-897-0100 x3064 jim.sheehan@schange.com	Martha Schaefer SeaChange IR 1-978-897-0100 x3030 martha.schaefer@schange.com

SeaChange International Announces Fourth Quarter and Full Year Fiscal 2010 Results

- Break-even GAAP results for the fourth quarter: Non-GAAP EPS of $0.07 per share
- Initiated cost reduction actions in the current quarter to drive margin improvement
- Re-alignment of senior management

ACTON, Mass. (March 11, 2010) – SeaChange International, Inc. (NASDAQ: SEAC), a leading provider of software and hardware solutions for video-on-demand (VOD) television, announced financial results for its fiscal 2010 fourth quarter and full year ended January 31, 2010. Total revenues for the fourth quarter under generally accepted accounting principles (GAAP) were $53.0 million, which was $1.0 million lower than revenues of $54.0 million for the fourth quarter of fiscal 2009. Total non-GAAP revenues for the fourth quarter of $54.1 million were $0.1 million higher than revenues for last year's fourth quarter. The Company had GAAP break-even results for the fourth quarter compared with net income of $4.8 million or $0.15 per diluted share for the previous year's fourth quarter. Non-GAAP net income for this year's fourth quarter was $2.3 million or $0.07 per share compared to non-GAAP net income of $5.8 million or $0.19 per share for the fourth quarter of last year.

Total revenues for all of fiscal 2010, ended January 31, 2010, were $201.7 million, which was $0.1 million lower than total revenues of $201.8 million for the prior fiscal year. GAAP net income for fiscal 2010 was $1.3 million or $0.04 per share, compared with GAAP net income of $10.0 million or $0.32 per share for fiscal 2009. Non-GAAP net income for fiscal 2010 was $8.0 million or $0.25 per share compared with non-GAAP net income of $13.9 million or $0.44 per share for fiscal 2009.

The Company ended the fourth quarter of fiscal 2010 with cash, cash equivalents and marketable securities of $48.5 million and no debt compared to $53.4 million and no debt at the end of the third quarter of fiscal 2010. An increase in accounts receivable caused by the timing of several large orders at the end of the fourth quarter along with $1.6 million of capital expenditures was partially offset by $3.8 million of non-cash depreciation, amortization and stock compensation expense.

(more)

Total revenues from the Company’s Software segment in the fourth quarter of fiscal 2010 were $34.9 million, which were $2.9 million or 9% higher than Software segment revenue of $32.0 million generated in last year’s fourth quarter. The increase in Software segment revenues between years was due primarily to increased VOD software subscription revenues from Comcast and Cox and the inclusion of revenue in this year’s fourth quarter from the recently acquired eventIS. Partially offsetting these revenue increases was lower Advertising and Broadcast software revenue due to the impact of the challenging advertising market affecting capital spending for these product areas.

The Servers and Storage segment generated revenue of $12.3 million in the fourth quarter of fiscal 2010 which was $5.4 million lower than revenues of $17.7 million for the fourth quarter of fiscal 2009. The decrease in Servers and Storage revenue from an unusually strong fourth quarter of last year was due to lower VOD server shipments to smaller North American cable television customers. In addition, the segment’s year over year revenue decline was due to lower Broadcast server revenue resulting from the soft advertising market as noted.

The Media Services segment revenues of $5.8 million for the fourth quarter were $1.6 million or 38% higher than comparable revenue for the fourth quarter of fiscal 2009. The year over year increase in revenues was due primarily to increased VOD content processing fees from customers in Greece and Turkey combined with recent contract awards from customers in France and Dubai.

(more)

Financial Guidance and Leadership Changes

Commenting on guidance, Bill Styslinger, SeaChange CEO & Chairman, noted, "We are currently tracking to the revenue guidance we provided in December for fiscal year 2011 revenues of $225-$235 million. Relative to the first quarter, we expect industry seasonality to impact our financial performance. With that in mind, we are targeting fiscal 2011 first quarter revenue to be in the range of $52-$54 million. This top line guidance is based on continued strength in VOD software deployments at key U.S. cable television providers and the addition of eventIS and VividLogic software revenue. We are targeting GAAP break-even results for the first quarter and non-GAAP EPS in the range of $0.06-$0.08 per share. The GAAP and non-GAAP earnings guidance for the first quarter excludes estimated severance charges of $1.5 to $1.8 million related to first quarter headcount reductions for which the Company has notified effected personnel. In addition, we are expecting second half fiscal 2011 revenues to be higher than first half revenues based on stronger VOD software deployments worldwide."

The Company also announced the departure of Ed Dunbar, who had held the role of President and COO. Yvette Kanouff has been promoted to President, where she will be responsible for the Company's business development, overall product strategy, product management, communications and investor relations. Additionally, Erwin van Dommelen has been promoted to President of SeaChange Software, where he will be responsible for the Software business including growth, profit, engineering, product roadmaps and direction, and the general management of the business unit.

Styslinger commented on the management changes, "I would like to note that Ed has been a great colleague and friend over the years, and I appreciate his time and contributions to SeaChange. We all wish him well in his future endeavors. We also look forward to working with Yvette Kanouff and Erwin van Dommelen in their new roles. They have gained much respect in the industry in their prior roles and we're confident that they will continue that trend in their new positions."

(more)

The Company announced that it was targeting a 10% pre-tax margin for the Software business by close of fiscal year 2011 and a 15% pre-tax margin by close of fiscal year 2012. The Company announced plans to leverage its worldwide investments and to create efficiencies through three main areas: off-shoring, creating re-usable components, and evaluating the Company’s product portfolio. In connection with this, the Company announced first quarter headcount reductions in various areas that are expected to generate annual savings of $5.0-$6.0 million beginning in this year’s second quarter.

“We are on target to accomplish our goals for fiscal year 2011. We accomplished a significant milestone in fiscal 2010 by growing our recurring software revenue to over 60%. This accomplishment allows us to now focus on an increased bottom line which will create shareholder value in fiscal 2011,” noted Styslinger.

The Company will discuss its financial results and business outlook in more detail today during its webcast conference call at 5:00 p.m. EST, which will be available live and archived at www.schange.com/IR/.

About SeaChange International

SeaChange International is a leading provider of software applications, services and integrated solutions for video-on-demand (VOD), digital advertising, and content acquisition monetization and management. Its powerful and open VOD and advertising software and scalable hardware enable cable and telco operators, as well as broadcasters, to provide new on-demand services and to gain greater efficiencies in advertising and content delivery. With its Emmy Award-winning and patented technology, thousands of SeaChange deployments are helping broadband, broadcast and satellite television companies to streamline operations, expand services and increase revenues. Headquartered in Acton, Massachusetts, SeaChange has product development, support and sales offices around the world. Visit www.schange.com.

(more)

Safe Harbor Provision

Any statements contained in this document, including the accompanying prepared remarks and letter from the Company's Chief Executive Officer and Chairman, that do not describe historical facts, including without limitation statements concerning expected future performance, product introductions and general market conditions, may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The factors that could cause actual future results to differ materially from current expectations include the following: the continued growth, development and acceptance of the video-on-demand market; current economic and market conditions that make forecasting difficult, including the decline in the market for broadcast and software and capital equipment; the loss of one of the Company's large customers; the cancellation or deferral of purchases of the Company's products; the ability of the Company to integrate businesses acquired by the Company, including eventIS Group B.V., VividLogic, Inc. and Mobix Interactive Ltd.; future acquisitions or joint ventures that are unsuccessful; impairment of the Company's goodwill or intangible assets, in particular related to acquired businesses; a decline in demand or average selling price for the Company's products; the Company's ability to manage its growth; unanticipated delays in or costs and expenses relating to implementation of cost reduction plans; the risks associated with international sales, including risks associated with changes in foreign currency exchange rates; the Company's ability to protect its intellectual property rights and the expenses that may be incurred by the Company to protect its intellectual property rights; an unfavorable result in any future litigation; content providers limiting the scope of content licensed for use in the video-on-demand market; the Company's ability to introduce new products or enhancements to existing products; the Company's dependence on certain sole source suppliers and third-party manufacturers; the Company's ability to obtain licenses or distribution rights for third-party technology at acceptable prices; the Company's ability to compete in its marketplace; the Company's ability to respond to changing technologies; the performance of companies in which the Company has made equity investments, including Casa Systems and On Demand Deutschland GmBH & Co. KG; risks in the Company's investments that adversely affect the value or liquidity of the investments; changes in the regulatory environment; the Company's ability to hire and retain highly skilled employees; any weaknesses over internal controls over financial reporting; any additional tax liabilities that the Company may be subject to; system errors, failures or disruptions; and volatility of the Company's stock price.

Further information on factors that could cause actual results to differ from those anticipated is detailed in various publicly available documents made by the Company from time to time with the Securities and Exchange Commission, including but not limited to, those appearing at Item 1A under the caption "Risk Factors" in the Company's Annual Report on Form 10-K filed with the Commission on April 14, 2009. Any forward-looking statements should be considered in light of those factors. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak as of the date they are made.

The Company disclaims any obligation to publicly update or revise any such statements to reflect any change in Company expectations or events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results may differ from those set forth in the forward-looking statements.

(more)

Use of Non-GAAP Financial Information

To supplement our financial results presented in accordance with Generally Accepted Accounting Principles (GAAP), this press release and the accompanying tables contain certain non-GAAP financial measures that we believe are helpful in understanding our past financial performance and future results. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures and should be read in conjunction with our consolidated financial statements prepared in accordance with GAAP. Our management regularly uses our supplemental non-GAAP financial measures internally to understand and manage our business and make operating decisions. Our non-GAAP financial measures include adjustments based on the following items, as well as the related income tax effects:

Deferred software revenue: Business combination accounting rules require us to account for the fair value of customer contracts assumed in connection with our acquisitions. In connection with the acquisition of eventIS Group B.V. on September 1, 2009, the book value of our deferred software revenue was reduced by approximately $5.3 million in the adjustment to fair value. Because these customer contracts may take up to 18 months to complete, our GAAP revenues subsequent to this acquisition do not reflect the full amount of software revenues on assumed customer contracts that would have otherwise been recorded by eventIS Group B.V. We believe this adjustment is useful to investors as a measure of the ongoing performance of our business because we have historically experienced high renewal rates on similar customer contracts, although we cannot be certain that customers will renew these contracts.

Stock-based compensation expenses: We have excluded the effect of stock-based compensation and stock-based payroll expenses from our non-GAAP operating expenses and net income measures. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our business performance excluding stock-based compensation expenses. Stock-based compensation expenses will recur in future periods.

Amortization of intangible assets: We have excluded the effect of amortization of intangible assets from our non-GAAP operating expenses and net income measures. Amortization of intangibles is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of intangible assets contributed to revenues earned during the periods presented and will contribute to future period revenues as well. Amortization of intangibles assets will recur in future periods.

Acquisition related and other expenses: We incurred significant expenses in connection with our acquisitions of eventIS Group B.V. and VividLogic, Inc. and also incurred certain other operating expenses, which we generally would not have otherwise incurred in the periods presented as a part of our continuing operations. Acquisition related and other expenses consist of transaction costs, costs for transitional employees, other acquired employee related costs, and integration related professional services. We believe it is useful for investors to understand the effects of these items on our total operating expenses.

(more)

SeaChange International, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	January 31, 2010 (unaudited)	January 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 37,647	$ 62,458
Restricted cash	73	1,431
Marketable securities	2,114	9,447
Accounts receivable, net	54,278	46,108
Inventories, net	17,830	17,251
Prepaid expenses and other current assets	7,253	3,902
Deferred tax asset	2,474	217
Total current assets	121,669	140,814
Property and equipment, net	39,682	35,217
Marketable securities, long-term	8,688	12,415
Investments in affiliates	13,697	13,043
Intangible assets, net	26,264	4,621
Goodwill	55,876	27,422
Other assets	1,271	451
Total assets	$ 267,147	$ 233,983
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 10,371	$ 11,951
Other accrued expenses	11,174	10,974
Customer deposits	4,279	1,966
Deferred revenues	34,158	26,237
Deferred tax liability	800	137
Total current liabilities	60,782	51,265
Deferred revenue, long-term	12,635	6,737
Long term liabilities	6,574	—
Distribution and losses in excess of investment	1,469	1,745
Deferred tax liabilities and income taxes payable	7,765	2,000
Total liabilities	89,225	61,747
Stockholders' equity:		
Common stock	326	318
Additional paid-in capital	211,504	206,411
Treasury stock	(8,757)	(5,989)
Accumulated deficit	(17,450)	(18,773)
Accumulated other comprehensive loss	(7,701)	(9,731)
Total stockholders' equity	177,922	172,236
Total liabilities and stockholders' equity	$ 267,147	$ 233,983

(more)

SeaChange International, Inc.
Condensed Consolidated Statement of Operations—Unaudited
(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	January 31, 2010	January 31, 2009	January 31, 2010	January 31, 2009
Revenues	$ 52,992	$ 53,952	$ 201,665	$ 201,836
Cost of revenues	26,028	26,201	98,412	98,540
Gross profit	26,964	27,751	103,253	103,296
Operating expenses:				
Research and development	13,231	11,031	50,664	43,042
Selling and marketing	6,260	6,987	25,842	27,506
General and administrative	5,683	5,430	21,719	20,979
Amortization of intangibles	982	389	2,826	1,575
	26,156	23,837	101,051	93,102
Income from operations	808	3,914	2,202	10,194
Other income (expense), net	(594)	(467)	145	1,125
Income before income taxes and equity loss in earnings of affiliates	214	3,447	2,347	11,319
Income tax provision	(34)	1,524	(371)	(575)
Equity loss in earnings of affiliates	(136)	(194)	(653)	(770)
Net income	$ 44	$ 4,777	$ 1,323	$ 9,974
Basic income per share	$ —	$ 0.16	$ 0.04	$ 0.32
Diluted income per share	$ —	$ 0.15	$ 0.04	$ 0.32
Weighted average common shares outstanding:				
Basic	30,927	30,710	30,860	30,724
Diluted	31,530	31,306	31,433	31,192

(more)

SeaChange International, Inc.
Condensed Consolidated Operating Segments—Unaudited
(in thousands)

	Three Months Ended		Twelve Months Ended	
	January 31, 2010	January 31, 2009	January 31, 2010	January 31, 2009
Software				
Revenue:				
Products	$ 17,092	$ 17,481	$ 66,968	$ 78,397
Services	17,800	14,549	64,346	53,840
Total revenue	34,892	32,030	131,314	132,237
Gross profit	21,209	18,257	79,543	76,087
Operating expenses:				
Research and development	10,360	8,420	39,592	33,373
Selling and marketing	4,074	4,021	16,624	16,417
General and administrative	430	—	502	—
Amortization of intangibles	744	364	2,246	1,456
	15,608	12,805	58,964	51,246
Income from operations	$ 5,601	$ 5,452	$ 20,579	$ 24,841
Servers and Storage				
Revenue:				
Products	$ 8,533	$ 13,720	$ 34,974	$ 38,975
Services	3,779	4,002	15,583	14,665
Total revenue	12,312	17,722	50,557	53,640
Gross profit	4,035	8,837	20,426	24,865
Operating expenses:				
Research and development	2,871	2,611	11,072	9,669
Selling and marketing	2,186	2,951	9,218	11,025
	5,057	5,562	20,290	20,694
(Loss) income from operations	$ (1,022)	$ 3,275	$ 136	$ 4,171
Media Services				
Service revenue	$ 5,788	$ 4,200	$ 19,794	$ 15,959
Gross profit	1,720	657	3,284	2,344
Operating expenses:				
Selling and marketing	—	15	—	64
General and administrative	671	599	3,015	3,049
Amortization of intangibles	237	25	580	119
	908	639	3,595	3,232
Income (loss) from operations	$ 812	$ 18	$ (311)	$ (888)
Unallocated Corporate				
Operating expenses:				
General and administrative	$ 4,583	$ 4,831	$ 18,202	$ 17,930
Total unallocated corporate expenses	$ 4,583	$ 4,831	$ 18,202	$ 17,930
Consolidated income from operations	$ 808	$ 3,914	$ 2,202	$ 10,194

(more)

SeaChange International, Inc.
Reconciliation of Selected GAAP Measures to Non-GAAP Measures—Unaudited
(in thousands)

	Three Months Ended January 31, 2010			Three Months Ended January 31, 2009			Twelve months Ended January 31, 2010			Twelve months Ended January 31, 2009		
	GAAP	Adjustment	Non-GAAP	GAAP	Adjustment	Non-GAAP	GAAP	Adjustment	Non-GAAP	GAAP	Adjustment	Non-GAAP
Revenues (1)	$52,992	$ 1,076	$54,068	$53,952	$ —	$53,952	$201,665	$ 1,807	$203,472	$201,836	$ —	$201,836
Operating expenses	26,156	—	26,156	23,837	—	23,837	101,051		101,051	93,102	—	93,102
Stock-based compensation (2)	—	740	740	—	1,118	1,118	—	3,105	3,105	—	3,954	3,954
Amortization of intangible assets—eventIS (3)	—	585	585	—	—	—	—	978	978	—	—	—
Amortization of intangible assets—other (3)	—	487	487	—	469	469	—	2,487	2,487	—	2,025	2,025
Acquisition related costs (4)	—	351	351	—	—	—	—	1,413	1,413	—	—	—
	26,156	2,163	28,319	23,837	1,587	22,250	101,051	7,983	93,068	93,102	5,979	87,123
Income from operations	808	3,239	4,047	3,914	1,587	5,501	2,202	9,790	11,992	10,194	5,979	16,173
Income tax impact expense (benefit) (5)	34	972	1,006	(1,524)	551	(973)	371	3,106	3,477	575	2,073	2,648
Net income	$ 44	$ 2,267	$ 2,311	$ 4,777	$ 1,036	$ 5,813	$ 1,323	$ 6,684	$ 8,007	$ 9,974	$ 3,906	$ 13,880
Diluted income per share	$ 0.00	$ 0.07	$ 0.07	$ 0.15	$ 0.04	$ 0.19	$ 0.04	$ 0.21	$ 0.25	$ 0.32	$ 0.12	$ 0.44
Diluted weighted average common shares outstanding	31,530	31,530	31,530	31,306	31,306	31,306	31,433	31,433	31,433	31,192	31,192	31,192

(1) Business combination accounting rules require us to account for the fair value of deferred revenue assumed in connection with an acquisition. This non-GAAP adjustment reflects the full amount of software contract revenue that would otherwise been recorded subsequent to our acquisition of eventIS Group B.V.

(2) For GAAP purposes, stock-based compensation is included in the following expense categories:

	Three Months Ended		Twelve Months Ended	
	January 31, 2010	January 31, 2009	January 31, 2010	January 31, 2009
Cost of revenues	$ 99	$ 112	$ 417	$ 443
Research and development	241	262	815	1,074
Selling and marketing	110	148	505	657
General and administrative	290	596	1,368	1,780
Total stock-based compensation	$ 740	$ 1,118	$ 3,105	$ 3,954

(3) The intangible assets recorded at fair value as a result of our acquisitions are amortized over the estimated useful life of the related asset. Amortization expense related to intangible assets is included in the following expense categories:

	Three Months Ended		Twelve Months Ended	
	January 31, 2010	January 31, 2009	January 31, 2010	January 31, 2009
Cost of revenues:				
eventIS	$ 237	$ —	$ 396	$ —
Other	(149)	81	241	450
Operating expenses:				
eventIS	348	—	582	—
Other	636	388	2,246	1,575
Total amortization of intangibles	$ 1,072	$ 469	$ 3,465	$ 2,025

(4) We incurred expenses in connection with our acquisition of eventIS Group B.V. and VividLogic Inc. during fiscal 2010 which would not have otherwise occurred in the periods presented as part of our operating expenses.

(5) The non-GAAP income tax adjustment reflects the effective income tax rate for the tax jurisdiction in which the non-GAAP adjustment occurs.

(more)

SeaChange International, Inc.

Fourth Quarter Fiscal 2010 Financial Results
Prepared Remarks
March 11, 2010

SeaChange is providing a copy of these prepared remarks in combination with its press release. This process and these remarks are offered to provide shareholders and analysts with additional time and detail for analyzing our financial results in advance of our quarterly earnings conference call. As previously scheduled, the conference call will begin today, March 11, 2010 at 5:00 p.m. EST and will include only brief comments followed by questions and answers. These prepared remarks will not be read on the call.

The conference call may be accessed using the following information:

- Telephone 888-287-3944 (U.S.) and 706-758-3938 (International)
- Conference ID: 579-636-34
- Webcast: www.schange.com/IR (An archived webcast will be available at this site)

Fiscal 2010 Fourth Quarter Financial Discussion

Revenues for the fourth quarter of fiscal 2010 amounted to $53.0 million, which were $1.0 million lower than revenues of $54.0 million generated in the fourth quarter of last year. Non-GAAP revenues for the fourth quarter were $54.1 million which were $0.1 million higher than last year's revenue for the fourth quarter. From an operating segment perspective, revenues from our Software segment for the fourth quarter were $34.9 million, which were $2.9 million or 9% higher than revenues of $32.0 million for the fourth quarter of fiscal 2009. Increased VOD software subscription revenue from Comcast and Cox during the quarter combined with revenues from eventIS were partially offset by lower Advertising and Broadcast software revenue resulting from the softer advertising market.

Servers and Storage segment revenues of $12.3 million were $5.4 million lower than revenues of $17.7 million included in last year's fourth quarter. The decrease in Servers and Storage revenues between years was due primarily to lower VOD server shipments principally to smaller North American service providers. In addition, Servers and Storage revenue for this year's fourth quarter was adversely impacted by lower Broadcast server shipments due to the less favorable advertising environment for broadcaster capital spending.

(more)

The Media Services segment generated revenues of $5.8 million for the fourth quarter which was $1.6 million or 38% higher than revenues of $4.2 million in the fourth quarter of fiscal 2009. The increase in Media Services revenues between years was due mainly to increased VOD content services revenues from customers in Germany, Greece and Turkey. In addition, revenues from new customers in France, Dubai and Cyprus contributed to the year over year revenue increase.

Geographically, revenue for the fourth quarter of fiscal 2010 included 57% in North America, 30% in Europe, Middle East and Africa, 8% in Latin America and 5% in Asia Pacific. Comcast, Virgin Media and Cox Communications were 10% or greater customers in the fourth quarter of fiscal 2010.

Revenues for all of fiscal 2010 amounted to $201.7 million which were $0.1 million lower than the $201.8 million of revenues generated in fiscal 2009. Higher VOD software license and subscription revenues derived from increased VOD deployments at primarily North American service providers combined with accelerated revenue growth in Media Services were essentially offset by reduced Advertising and Broadcast product revenues for the reasons cited earlier.

Total gross margin of 50.9% for the fourth quarter was 0.5 points lower than total gross margin of 51.4% for the fourth quarter of fiscal 2009. Reviewing gross margin by business segment, Software segment gross margin for this year's fourth quarter of 60.8% was 3.8 points higher than gross margin of 57.0% for the fourth quarter of last year. The increase in Software gross margin between years is due to higher sales volume-related VOD subscription revenue along with a more favorable mix of higher margin VOD software licensing revenue.

Servers and Storage gross margin of 32.8% for the fourth quarter of fiscal 2010 was 17.1 points lower than gross margin of 49.9% for the fourth quarter of fiscal 2009. The decrease in the Servers and Storage's gross margin between years was due to a greater proportion of lower margin VOD server shipments in this year's fourth quarter compared to the fourth quarter of last year. VOD server gross margins are expected to be in excess of 40% as they revert to historical levels in fiscal 2011 as the Company begins shipping a higher performance and less costly VOD server this quarter.

(more)

Media Services gross margin of 29.7% for this year’s fourth quarter was 14.1 points higher than gross margin of 15.6% in the fourth quarter of last year. The increase in gross margin between years was due mainly to recent contract awards that generated higher than historical gross margin for the segment. In addition, the completion of the in-sourcing of content preparation and processing activities combined with higher overall revenues from existing Media Services customers increased service cost utilization driving gross margin improvement for the fourth quarter.

Total gross margin for the full year of fiscal 2010 was 51.2% which was flat with gross margin for all of fiscal 2009. Significant improvement in Software segment gross margin due to higher VOD software subscription margin and a greater mix of higher margin VOD software revenue was essentially offset by lower Servers and Storage gross margin due to lower margin VOD server shipments in the second half of fiscal 2010.

Operating expenses for the fourth quarter of $26.2 million were $2.4 million higher than the $23.8 million of operating expenses incurred in the fourth quarter of last year. The acquisition of eventIS in the third quarter contributed $2.7 million of operating expenses in the fourth quarter. In addition, the Company incurred $0.4 million of one-time transaction costs in this year’s fourth quarter primarily related to the completion of the Company’s acquisition of VividLogic, Inc. which closed subsequent to year end. Partially offsetting these increases in operating expenses for this year’s fourth quarter were lower sales commission and other compensation expenses.

Reported operating expenses for all of fiscal 2010 of $101.1 million was $8.0 million higher than operating expenses of $93.1 million for fiscal 2009. The acquisition of eventIS accounted for $4.5 million of the increase in operating expenses between years. The remaining increase in operating expenses was attributable to increased research and development headcount-related expenses primarily for the middleware product line.

(more)

The Company generated GAAP break-even results for the fourth quarter of fiscal 2010 compared to GAAP net income of $4.8 million for the fourth quarter of last year. On a GAAP earnings per share basis, the Company had break-even results compared to GAAP diluted earnings per share of $0.15 per share for the same period last year. Non-GAAP net income for this year’s fourth quarter was $2.3 million compared to non-GAAP net income of $5.8 million for the fourth quarter of last year. The corresponding non-GAAP earnings per share for this year’s fourth quarter were $0.07 per share compared to non-GAAP earnings per share of $0.19 per share for the fourth quarter of last year.

For all of fiscal 2010, GAAP net income and earnings per share was $1.3 million and $0.04 per share, respectively, compared to GAAP net income and earnings per share of $10.0 million and $0.32 per share, respectively, for all of fiscal 2009. Non-GAAP net income and earnings per share for fiscal 2010 was $8.0 million and $0.25 per share, respectively, compared to non-GAAP net income and earnings per share of $13.9 million and $0.44 per share, respectively, for fiscal 2009.

From a balance sheet perspective, the Company ended fiscal 2010 with cash and marketable securities of $48.5 million and no debt compared to $53.4 million and no debt at October 31 of this year. The reduction in cash and marketable securities in the fourth quarter of this year was related mainly to a $12.5 million increase in accounts receivable caused by the timing of the shipment of several large orders at the end of the quarter combined with our annual product maintenance billings to customers in January of this year. In addition, for cash flow purposes, $1.6 million of capital expenditures in the fourth quarter along with the accounts receivable increase was partially offset by $3.8 million of non-cash depreciation, amortization and stock compensation expense.

(more)

A letter from Bill Styslinger, CEO & Chairman, SeaChange International:

Dear Shareholders,

As we close out our fiscal year and look towards the future, I’d like to take the opportunity to provide some highlights and guidance.

It’s been a challenging week for us as we’ve said goodbye to a number of old friends. We are at the point where our software business can stand on its own and produce a good profit. We will take advantage of synergies with our recent acquisitions, reviewing strategically our products, utilizing our offshore facilities and making use of a broad development strategy of reusable components to reduce various costs over time and in particular the percent of R&D in software.

As we look towards fiscal 2011, we will be focusing on shareholder value. The major achievement of exceeding 60% recurring software revenue this last year allows us to now focus on spending and consolidation efficiencies. As I have mentioned in the past, we will be focusing on our software business, with specific concentration on lower R&D expenses, growth readiness, and Over-The-Top products.

(more)

Management Changes

There have been a few management changes that I would like to share with you. The first is the departure of Ed Dunbar. Ed has been a wonderful colleague and friend over the years, and we appreciate his time and contributions to SeaChange. I wish him well in his future endeavors. Yvette Kanouff has been promoted to President. Yvette came to SeaChange to establish the VOD business and more recently established and grew the company's software business. She is much respected by all of us and by our industry, she has won numerous industry leadership awards and we welcome her in her new position. In her new role, Yvette will be focused on overall product strategy, business development, product management, communications, and investor relations. I'd also like to mention the promotion of Erwin van Dommelen to President of Software. Erwin came to us from eventIS, and he has shown skill in managing a nimble and growing software business. He successfully grew the eventIS business to become the leading cable software provider in Europe. In his new role Erwin will be responsible for the entire software business including growth, profit, engineering, product roadmaps and direction, and the general management of the business unit. I look forward to working with Erwin in this new, greater capacity.

Bottom Line Focus

While we've talked a lot about the opportunities that our industry has for SeaChange, this year will be about driving shareholder value and the bottom line. We remain bullish on the industry opportunities, but equally important are the areas over which we have control regardless of the timing of top line impacts. The future of our company is software centric; as a result we are taking various steps to position ourselves for further success in the software arena. As a result of re-alignment, we announced several headcount reductions in various business areas.

(more)

I’d like to provide some detail of our long term goals. We’re targeting a 10% pre-tax margin for the software business by close of Fiscal 2011 and a 15% pre-tax margin by close of Fiscal 2012. Some further detail is as follows:

Gross Margin 60%

R&D 22%–25%

Sales and Marketing 11%–13%

G&A 7%–9%

Amortization 3%

I realize these goals are aggressive, but the strong recurring revenue and market position of our software business makes these short and long term goals achievable.

Today our R&D expenses are around 30%. The reason for this R&D percentage is to secure our position in this industry as the leading software company. We would not be in this position if we did not spend this level of R&D. Many customers have unique integration and customization needs, and that investment has made us valuable to our customers, as well as difficult to displace, as it would take a significant investment to duplicate that work. That said, we do plan to get under 26% investment in R&D expenses as a goal for FY11 and 22% for FY12. R&D remains an important investment for our future, so it needs to be very carefully managed and planned. To accomplish our R&D goals, we’re concentrating on three major areas:

(more)

1. Off-shoring – It is very important to mix the expertise close to the customer (e.g. North America or EMEA) with execution in Manila and China. We're starting to see successful product transitions to these areas, while maintaining the design and management of software products in the current facilities. This will continue as we design products and specifications in the U.S. and EMEA and help with the execution in China and Manila. Our R&D expenses have remained on the high side while we bring those countries up to speed and transition products. The expenses will go down when either (1) revenue grows in new product areas and/or (2) transitions to these countries progresses.
2. Re-usable components – We have invested in various software companies including ZQ, Liberate, VividLogic, eventIS, DVA, and Mobix, with a mix of domestic and international investment. We've embarked on a next generation architecture of re-usable components such that each development center can use each other's components and yet have the customization and integrations needed locally. This has been a significant R&D investment for us. We foresee a benefit as a global software company that can be very nimble and build flexible software products, taking advantage of all of development groups. Each group is focusing on an area of expertise that others will use. We expect that as we begin to see the shareability of these components in fiscal year 2011, we'll eliminate duplication and overlap of products, resulting in lower R&D costs.
3. Product Portfolio – We are also reviewing our entire product portfolio. This year we will focus on those products that have a clear and strong path for success. This will also help lower R&D expenses.

(more)

I’d like to reiterate that one of the most important accomplishments of this last year is the achievement of over 60% recurring revenue in the software business unit. As we look towards our opportunities, we know this is a great business for us to be in, and we’ve built a solid, recurring revenue based business. With a significant focus on the bottom line in FY11 we have a solid business even if we don’t always have clear transparency on customer spending timelines and growth.

Quarter update and growth indicators

As we close both the quarter and the year, I’d like to mention some highlights in various geographies:

EMEA

- We won, rolled out, and launched VOD Advertising at Virgin Media throughout its entire footprint
- We won the back-office software business for a new geography with a large multi-national operator in EMEA, expanding our footprint there
- We expanded software systems in Germany with one of the largest European operators including dual screen (set-top and PC streaming) software
- We added two new VOD customers in Southern Europe
- We expanded our Channel Management Software to four new customers in EMEA

(more)

- We are expecting a significant growth in On Demand Group (ODG) revenue this fiscal year. A few further ODG/Media Services highlights include:
  - The first long-form content mobile SVOD service on 3UK is going well. 3UK has the largest number of 3G subscribers in the U.K. As a result of these developments, it’s opening up opportunities for expansion with other Hutchison Whampoa companies
  - ODG saw a 38% revenue growth from fiscal 2009 to fiscal 2010 using local currencies and we see an approximate 25% growth from fiscal 2010 to fiscal 2011
  - The European market has seen an increasing trend towards content aggregation outsourcing, which should provide more opportunities for ODG in the near future
  - ODG completed the commissioning of its state-of-the-art digital processing workflow factory, thereby enabling it to take more control of the value chain and to process content faster, cheaper, and in multiple languages. Prior to Q3 all of this activity was outsourced and this strategic change has not only enabled ODG to scale up to meet the increased sales activity, but has also resulted in a doubling of the gross margin levels achieved on those sales. Gross margins at 22% in the second half of the year just ended were up from 10% during the first half of the year. It has therefore meant that ODG has been able to expand its activities such that it is now supplying VOD and SVOD content services on 12 distribution platforms across 9 territories in six languages. The improved margins delivered significant improvements in the profitability of the media services division during the second half of the year, despite having to fund the launch investments associated with seeding new markets like France and the Middle East. We expect these improved margin rates to continue to be achieved during the current year

(more)

APAC

- We expanded our TV channel management software to two new customers in APAC
- We continued our rollout of Digivision in India
- We continued expansion with KDDI

Americas

- We won 2 new customers for our new workflow software called AssetFlow
- We won Centralized Recording System for one of our largest U.S. customers
- We received a large expansion order for Cablevision Mexico
- We won a large CDN order for one of our largest customers in the U.S.
- We expanded footprint in the US with operators that have selected us as their single back-office provider
- We added three new software subscription customers and plan to add another three within the first quarter of fiscal 2011
- We completed a master purchase contract with Rogers
- We see significant growth in VOD advertising
- Three North American and four international customers are looking at expanding their current software platform to include multiple screens and/or over the top software with us. We also have our over the top software in labs for one MSO and one telco

(more)

- We’re working with two large North American telcos on linear advertising solutions which we expect to grow over the next few years
- VividLogic is gaining traction with contracts in several major MSOs in addition to the CE companies such as Funai, Mitsubishi, Panasonic, Pace, and Cisco

We see Over The Top software as a major opportunity for us. We’ve won several over the top software customers and with the recent news about Viacom pulling out of Hulu, we see further opportunity for our customers to lead in the over the top space. We also see significant interest in customers offering services out of network, which our software supports for both linear and on-demand programming. We continue active discussions with various operators in relation to our over the top solution.

Guidance

It’s been a difficult economic climate this past year. We’ve accomplished much, especially by achieving a 60% recurring software revenue, yet there is much left to be done.

We remain on track with our guidance of $225-235 million for fiscal 2011, as mentioned on last earnings call. For the first quarter, we are forecasting revenues of $52-$54 million which reflects continued strength within our core VOD software relative to increased licensing and subscription revenue from our larger North American customers. In addition, we expect to see software revenue growth from our recent acquisitions of eventIS and VividLogic. We are targeting first quarter GAAP break-even results and non-GAAP EPS in the range of $0.06-$0.08 per share as increased operating expenses related to the VividLogic acquisition are essentially offset by margin improvements in the Servers and Storage segment. The GAAP and non-GAAP earnings guidance for the first quarter excludes an estimated charge in the range of $1.5-$1.8 million related to severance charges for headcount reductions in the first quarter. We forecast the year to progressively improve as VOD software and over the top deployments are expected to increase worldwide as content becomes increasingly available for VOD and as the global economics improve.

I look forward to working with all of you throughout the year as we work to achieve shareholder value and a focus on the bottom line goals.

With best regards,

Bill Styslinger