

**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): August 29, 2019**

**SEACHANGE INTERNATIONAL, INC.**

(Exact Name of Registrant as Specified in its Charter)

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**001-38828**  
(Commission  
File Number)

**04-3197974**  
(I.R.S. Employer  
Identification No.)

**50 Nagog Park, Acton, MA**  
(Address of Principal Executive Offices)

**01720**  
(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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	SEAC	The Nasdaq Global Select Market
Series A Participating Preferred Stock Purchase Rights	SEAC	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

**Item 2.02. Results of Operations and Financial Condition.**

Attached as Exhibit 99.1, and incorporated by reference, is a copy of the press release issued by SeaChange International, Inc. (“SeaChange”) dated August 29, 2019, reporting SeaChange’s financial results for the fiscal quarter ended July 31, 2019.

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 Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(b)

Effective immediately prior to the appointment of Yossi Aloni as the Company’s Chief Executive Officer and President, Mr. Bonney resigned as the Company’s principal executive officer though remains the Company’s Executive Chair.

(c)

Effective August 29, 2019, Mr. Aloni was appointed as the Company’s Chief Executive Officer and President. Mr. Aloni, aged 50, joined the Company in January 2019 as the Company’s Chief Commercial Officer. Prior to that, from January 2015 to December 2018, Mr. Aloni served as the Chief of Corporate Operations at Ateame, and previously served as Vice President Management and Marketing at Magnum Semiconductor from January 2010 to January 2015.

The selection of Mr. Aloni to serve as Chief Executive Officer and President was not pursuant to any arrangement or understanding with respect to any other person. In addition, there are no family relationships between Mr. Aloni and any director or other executive officer of SeaChange and there are no related persons transactions between SeaChange and Mr. Aloni reportable under Item 404(a) of Regulation S-K.

In connection with the appointment of Mr. Aloni as Chief Executive Officer and President, the Compensation Committee and Board agreed to pay Mr. Aloni an annual base salary of \$430,000 per year and to make a one-time equity award of 200,000 stock options with an exercise price equal to SeaChange’s closing stock price on September 4, 2019, with 50,000 shares to vest on September 4, 2020 and 12,500 shares to vest quarterly thereafter. Mr. Aloni has also been awarded a fiscal 2020 short-term incentive award with a target payment of \$179,166 (a pro rated amount of Mr. Aloni’s base compensation for the 5 remaining calendar months in fiscal 2020).

Pursuant to Mr. Aloni’s offer letter, in the event of termination of Mr. Aloni’s employment without cause, subject to Mr. Aloni executing a general release and satisfaction agreement that includes a one year noncompete, Mr. Aloni will be entitled to a one-time payment of 12 months’ base salary, payable over 12 months, and an amount of annual bonus determined based on performance targets pro rated to the date of termination. Attached as Exhibit 10.1, and incorporated herein by reference, is a copy of Mr. Aloni’s offer letter.

Mr. Aloni remains party to his existing Change in Control Severance Agreement, dated as of January 1, 2019, a copy of which is filed as Exhibit 10.20 to the Company’s Annual Report on Form 10-K for the year ended January 31, 2019, and a copy of which is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d)

Exhibit No.	Description
10.1	<a href="#">Offer Letter, dated as of August 29, 2019, by and between SeaChange International, Inc. and Yossi Aloni.</a>
10.2	Change in Control Severance Agreement, dated as of January 1, 2019, by and between SeaChange International, Inc. and Yossi Aloni (filed as <a href="#">Exhibit 10.20</a> to the Company’s Annual Report on Form 10-K previously filed on April 12, 2019 with the Commission and incorporated herein by reference).
99.1	<a href="#">Press release issued by SeaChange International, Inc. dated August 29, 2019.</a>

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**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 hereunto duly authorized.

**SEACHANGE INTERNATIONAL, INC.**

by: /s/ PETER R. FAUBERT

Peter R. Faubert

*Chief Financial Officer, Senior Vice President and Treasurer*

Dated: August 29, 2019

August 28, 2019

Yossi Aloni  
c/o SeaChange International, Inc.

Dear Yossi:

Congratulations! I am pleased to confirm our offer to you to become SeaChange International, Inc.'s President and Chief Executive Officer, effective as of August 29, 2019.

The starting salary for this position is \$430,000.00 which will be paid bi-weekly. Your annual targeted award in the Short-Term Incentive Plan ("STI") will be 100% of your base salary. For fiscal 2020, both your discretionary bonus opportunity of 20% of your then base salary of \$325,000 and your Sales Incentive Compensation Plan ("Incentive Plan") that were offered to you in the offer letter dated December 18, 2018 will cease to accrue to your benefit as of midnight on August 28, 2019 and will be calculated on a pro-rata basis for seven twelfths (7/12) and paid to you based on your achievement of the respective goals following the close and sign off of the Form 10-K for the year ended January 31, 2020. In your new capacity as President and CEO you will be eligible to participate in our fiscal 2020 STI on a pro-rata basis for five twelfths (5/12) and therefore a target payment of \$179,166. Performance metrics will be determined prior to August 29, 2019 under separate cover.

In addition, the Compensation Committee has approved a one-time grant of 200,000 stock options (the "Option Award") exercisable at the price of the Common Stock on September 4, 2019, with 50,000 shares to vest on September 4, 2020 and 12,500 on a quarterly basis thereafter.

You will be eligible to continue to participate in and to receive benefits under any Company group medical, dental, life, disability or other group insurance plans and 401K Plan on the same basis as other employees of the Company.

In addition to all of the above, you will be covered under your existing Change in Control Agreement, dated as of January 1, 2019.

If your employment with SeaChange is terminated by SeaChange without Cause (other than on account of death or Disability) and you are not entitled to payment pursuant to your Change in Control Agreement in connection therewith, subject to your execution of a general release and satisfaction agreement, in form and substance acceptable to the SeaChange, which shall include, without limitation, a noncompete provision of one year, you will be entitled to (i) a one-time payment in an amount equal to the sum of 12 months of Base Salary, payable over 12 months in equal monthly instalments, subject to applicable withholding, and (ii) an amount of your Annual Bonus determined based on performance targets pro rated to the date of termination and based on actual performance through date of termination (with the RSU portion of the Annual Award to be subject to vesting on the last day of the following fiscal year). Capitalized terms used

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in this paragraph not otherwise defined in this letter shall have the meanings assigned to such terms in the Changein Control Agreement.

With the exception of the matters outlined in the attached Change in Control Agreement, please be advised that neither this letter nor its terms, constitutes a contract of employment, or a guarantee of employment for a specific period of time.

We look forward to your acceptance.

Sincerely,

/s/ Mark Bonney

Mark Bonney  
Executive Chair, SeaChange International, Inc.

ACKNOWLEDGED AND AGREED:

/s/ Yossi Aloni

Yossi Aloni  
Date: August 29, 2019



**Contact:** **Investors**  
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Conway Communications  
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**SEACHANGE INTERNATIONAL REPORTS  
SECOND QUARTER FISCAL 2020 RESULTS**

**Revenue Increases by 58% as Framework Offering Gains Traction  
Management Reiterates Full Year Guidance  
Yossi Aloni Named Chief Executive Officer**

**ACTON, Mass. (August 29, 2019)** – SeaChange International, Inc. (NASDAQ: SEAC) today reported second quarter fiscal 2020 revenue of \$18.8 million and a net loss of \$0.2 million, or \$0.00 per basic share, compared to second quarter fiscal 2019 revenue of \$11.9 million and a net loss of \$9.1 million, or \$0.26 per basic share.

**Quarterly and Recent Highlights**

- Announced the release of the Framework 7<sup>th</sup> generation Backoffice, a major milestone for this product family. This critical element of the Framework solution is significantly re-architected for ease of deployment and maintenance for the Framework customers. Also released Orchestrator and Analytics engines, which are critical value-adding components of the Framework.
- Won seven customers since the beginning of the fiscal year covering multi-year commitments for the Framework video delivery platform amounting to more than \$20 million in total deal value.
- Ended the quarter with \$16 million in backlog, an increase of \$5 million, or 45%, from April 30, 2019.
- Recorded \$18.8 million of revenue with the majority from Framework deals.
- Recorded nearly break-even net earnings on a GAAP basis and non-GAAP operating income of \$1.0 million in the quarter.
- Initiated a share repurchase program in June; purchased 100,000 shares for a total consideration of approximately \$140,000 in the quarter.

Today SeaChange is also announcing that effective immediately, Yossi Aloni, has been appointed President and Chief Executive Officer of the Company. Mr. Aloni, who joined SeaChange in January 2019 as Chief Commercial Officer, strategized, developed and implemented the Framework solution and Go-to-Market strategy that is responsible for the Company's recent growth. Chad Hassler, who has served as Head of North American Sales,

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has been named Chief Commercial Officer; Mr. Hassler joined SeaChange earlier this year and brings more than 20 years of experience in sales and marketing in the video delivery domain to the Company.

Mark J. Bonney, Executive Chairman said, "We are very pleased with our achievements in the second quarter. The number of Framework deals closed and in the pipeline is solid evidence that the strategy of offering an end-to-end video delivery platform is working. Revenues, mainly from the Framework deals, along with the benefits of the consolidation of our R&D resources in Warsaw, which produced the Backoffice 7<sup>th</sup> generation in one year, and our continual focus on every element of cost in the business allowed us to achieve non-GAAP operating profitability in the second quarter and earlier than previously expected." Mr. Bonney added, "I congratulate Yossi on his appointment, which reflects the entire Board's confidence in his ability to step up to the Chief Executive Officer role and lead SeaChange going forward."

Yossi Aloni, Chief Executive Officer, commented, "I thank the Board for showing their confidence in me and I look forward to leading SeaChange as CEO during these exciting times for the Company and the industry". Mr. Aloni added "I am pleased with our Framework wins in the first half of this year. In the second quarter we began to recognize revenue from some of the customers who have adopted our solution. Based upon our expanding engagement with new and existing customers, we continue to expect transactions involving the Framework solution to increase materially in the back half of the year, in line with our annual guidance. With our results in the first half of this fiscal year, and the second quarter particularly, we remain confident about our ability to achieve our annual revenue guidance."

The Company's U.S. GAAP second quarter fiscal 2020 results included charges of \$1.7 million used in non-GAAP calculations, which consisted of amortization of intangible assets from prior acquisitions of \$0.3 million, severance and other restructuring costs of \$0.7 million, stock-based compensation of \$0.6 million and professional fees of \$0.1 million. Second quarter fiscal 2019 results included charges of \$1.9 million used in non-GAAP calculations, which consisted of stock-based compensation of \$0.9 million, amortization of intangible assets from prior acquisitions of \$0.4 million and severance and other restructuring costs of \$0.5 million. Non-GAAP income from operations in the second quarter of fiscal 2020 was \$1.0 million, or \$0.03 per fully diluted share, compared to a non-GAAP net loss from operations in the second quarter of fiscal 2019 of \$6.4 million, or \$0.18 per basic share.

For the first six months of fiscal 2020, the Company reported revenue of \$27.3 million and a net loss of \$11.0 million, or \$0.30 per basic share, compared to revenue of \$26.8 million and a net loss of \$14.6 million, or \$0.41 per basic share in the same period in the prior fiscal year. The non-GAAP loss from operations for the first six months of fiscal 2020 was \$6.5 million, or \$0.18 per basic share, compared to a non-GAAP loss from operations of \$10.2 million, or \$0.29 per basic share, in the first half of fiscal 2019.

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## Outlook

Update on the Company's key metrics for fiscal 2020:

- Goal: Close 20-25 significant deals for multiple product/service offerings on an annual basis. Progress: Closed seven significant deals since the beginning of the fiscal year on February 1, 2019.
- Goal: Increase total annual revenue in the low to mid double digits percentage range to \$70-80 million, despite lower year-over-year service revenues. Progress: The Company is encouraged by the growth of the Framework deal pipeline and remains confident in the full year revenue target.
- Goal: Maintain GAAP gross margins in the low 60 percentage range. Progress: While legacy gross margins resulted in lower overall gross margins in the first half of fiscal 2020, gross margins contributed by the Framework deals in the first half of the fiscal year exceeded 60% and will drive overall gross margins above 60% in the second half of fiscal 2020.
- Goal: Complete the development of three significant new product offerings. Progress: With the release of flagship Adrenalin 7.0, along with Orchestrator 1.0 and Analytics 1.0, product development efforts have already achieved this goal.
- Goal: Continue to reduce costs by focusing on reducing essential third-party costs and eliminating non-essential costs. Progress: Efforts to reduce third-party costs were significantly achieved in Q2 with full annualized savings impact anticipated beginning in Q3. Work here is continuing as we align the organization with the realities of the business needs as the Framework solution continues to roll out. As a result of these continuing efforts, which are anticipated to be completed in the fourth quarter of this fiscal year, we anticipate significant additional savings in FY 2021.
- Goal: Deliver GAAP operating results between a loss of \$0.09 per basic share to income of \$0.07 per fully diluted share and non-GAAP operating income between \$0.03 to \$0.19 per fully diluted share. Progress: Management continues to believe this goal can be met for the full year.
- Goal: Increase cash by \$3-6 million to \$28-31 million. Progress: The Company has re-evaluated this goal based on the early Framework deals where payments have been spread over time as opposed to our original goal which assumed payments for Framework deals would be more front-end loaded. We now expect cash to be in the range of \$22-25 million at year end.

SeaChange management continues to believe that achieving these goals will establish the foundation for a business model that could result in sustainable double-digit revenue growth and non-GAAP operating income growth of 12-15% in 2 to 3 years.

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These GAAP estimates are subject to a number of variables that are outside of management's control, including the size of restructuring expenses, which are influenced by the timing of certain non-U.S. restructuring activities and stock price fluctuations.

### **Conference Call**

The Company will host a conference call to discuss its second quarter Fiscal 2020 results at 5:00 p.m. ET today, Thursday, August 29, 2019. The call may be accessed by dialing 877-407-8037 (U.S.) and 201-689-8037 (international) and via live webcast on the Events page at [investors.seachange.com](http://investors.seachange.com). The webcast replay will be archived the same location following completion of the call.

### **About SeaChange International**

SeaChange is a leading supplier of Video Delivery Software Solutions. Our solution powers hundreds of cloud and on-premise video delivery platforms, servicing over 50 million subscribers worldwide. SeaChange offers value-based engagement which provides content and service providers with a complete software delivery platform for linear, VOD and TSTV over managed and unmanaged networks. The SeaChange Framework solution includes video back-office, media asset management, targeted advertising management, analytics and the client interface for STBs, Smart-TVs and mobile devices. Our solution is available as a product or managed service deployed on-premises, in the cloud or as a hybrid. For more information, please visit [www.seachange.com](http://www.seachange.com).

### **Safe Harbor Provision**

Any statements contained in this press release that do not describe historical facts, including the impact changes currently underway, our framework video delivery model, the share repurchase authorization, the anticipated closing of deals, revenue, gross margins, development of new product offerings, cost savings, income from operations, cash balance and other financial matters, are neither promises nor guarantees and may constitute "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include words such as "may," "might," "will," "should," "could," "expects," "plans," "anticipates," "believes," "seeks," "intends," "estimates," "predicts," "potential" or "continue," the negative of these terms and other comparable terminology. Any such forward-looking statements contained herein are based on current assumptions, estimates and expectations, but are subject to a number of known and unknown risks and significant business, economic and competitive uncertainties that may cause actual results to differ materially from expectations. Numerous factors could cause actual future results to differ materially from current expectations expressed or implied by such forward-looking statements, including, without limitation, the following: the continued spending by the Company's customers on video solutions and services and expenses we may incur in fulfilling customer arrangements; the success of our efforts to introduce SaaS-based multiscreen service offerings; the Company's ability to successfully introduce new products or enhancements to existing products; the manner in which the multiscreen video and OTT markets develop; the Company's transition to being a company that primarily provides software solutions; the Company's ability to compete in the marketplace; any failure by the Company to respond to changing technology; measures taken to address the variability in the market for our products and services; the loss of or reduction in demand, or the return of product, by one of the Company's large customers or the failure of revenue acceptance criteria in a given fiscal quarter; consolidation in the markets the Company serves; the cancellation or deferral of purchases of the Company's products; the adoption of our value-based selling approach; the length of the Company's sales cycles; any decline in demand or average selling prices for our products and services; failure to manage product transitions; failure to achieve our financial forecasts due to inaccurate sales forecasts or other factors, including due to expenses we may incur in fulfilling customer arrangements; the impact of restructuring programs; the Company's ability to manage its growth; the risks associated with international operations; foreign currency fluctuation; 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

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of current or future litigation relating to the Company's intellectual property; content providers limiting the scope of content licensed for use in the video-on-demand and OTT market or other limitations in materials we use to provide our products and services; the Company's ability to realize the benefits of completed or future acquisitions, including Xstream A/S; the impact of acquisitions, divestitures or investments made by the Company; the Company's ability to raise additional funds through capital markets on favorable terms and in a timely manner; the Company's ability to access sufficient funding to finance desired growth and operations; any impairment of the Company's assets; the ability of the Company to use its net operating losses; the Company's ability to hire and retain highly skilled employees; the ability of the Company to manage and oversee the outsourcing of engineering work; additional tax liabilities to which the Company may be subject, including should the Company's net operating loss carry-forwards be impaired, notwithstanding the Company's Tax Benefits Preservation Plan; possible adjustments to estimates resulting from the new tax legislation; any breach of the Company's security measures and customer data or our data being obtained unlawfully; evolving data privacy regulations; service interruptions or delays from our third-party data center hosting facilities; disruptions to the Company's information technology systems; stock price volatility and compliance with Nasdaq continued listing standards; actions that may be taken by significant stockholders, notwithstanding the February 2019 Cooperation Agreement with TAR Holdings LLC; if securities analysts do not publish favorable research or reports about our business; our use of non-GAAP reporting; change in accounting standards; any weakness in the Company's internal controls over financial reporting; the Company's use of estimates in accounting for the Company's contracts; the performance of the Company's third-party vendors; the Company's entry into fixed price contracts and the related risk of cost overruns; the risks associated with purchasing material components from sole suppliers and using a limited number of third-party manufacturers; the performance of companies in which the Company has made investments; the impact of changes in the market on the value of our investments; changes in the regulatory environment; uncertainties of regulation of the Internet and data traveling over the Internet; the ability of the Company and its intermediaries to comply with the Foreign Corrupt Practices Act; terrorist acts, conflicts, wars and geopolitical uncertainties; and the Company's Delaware anti-takeover provisions. These risks and other risk factors that could cause actual results to differ from those anticipated are detailed in various publicly available documents filed by the Company from time to time with the Securities and Exchange Commission (SEC), which are available at [www.sec.gov](http://www.sec.gov), including but not limited to, such information appearing under the caption "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC on April 12, 2019. Any forward-looking statements should be considered in light of those risk factors. The Company cautions readers not to rely on any such forward-looking statements, which speak only as of the date they are made. The Company disclaims any intent or obligation to publicly update or revise any such forward-looking statements to reflect any change in Company expectations or future events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results may differ from those set forth in such forward-looking statements.

TABLES TO FOLLOW

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**SeaChange International, Inc.**  
**Preliminary Condensed Consolidated Balance Sheets**  
(Unaudited, amounts in thousands)

	July 31, 2019	January 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 9,202	\$ 20,317
Marketable securities	9,589	10,359
Accounts and other receivables, net	11,019	19,267
Unbilled receivables	9,002	5,448
Inventories, net	198	924
Prepaid expenses and other current assets	6,087	6,033
Property and equipment, net	6,888	7,192
Goodwill and intangible assets, net	12,760	8,753
Unbilled receivables, long-term	3,066	-
Other assets	2,381	450
Total assets	<u>\$ 70,192</u>	<u>\$ 78,743</u>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable and other liabilities	\$ 14,203	\$ 12,265
Deferred revenues	9,156	10,746
Deferred tax liabilities and income taxes payable	418	632
Total liabilities	<u>23,777</u>	<u>23,643</u>
Total stockholders' equity	<u>46,415</u>	<u>55,100</u>
Total liabilities and stockholders' equity	<u>\$ 70,192</u>	<u>\$ 78,743</u>

**SeaChange International, Inc.**  
**Preliminary Condensed Consolidated Statements of Operations**  
(Unaudited, amounts in thousands, except per share data)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2019	2018	2019	2018
Revenue:				
Product	\$ 11,968	\$ 1,462	\$ 13,147	\$ 4,553
Service	6,844	10,439	14,150	22,283
Total revenue	18,812	11,901	27,297	26,836
Cost of revenue:				
Product	3,039	490	3,948	816
Service	4,885	5,125	9,553	10,828
Total cost of revenue	7,924	5,615	13,501	11,644
Gross profit	10,888	6,286	13,796	15,192
Operating expenses:				
Research and development	3,775	5,185	8,027	10,914
Selling and marketing	2,963	3,932	5,815	7,599
General and administrative	4,150	4,903	8,399	9,475
Severance and restructuring costs	659	536	870	590
Total operating expenses	11,547	14,556	23,111	28,578
Loss from operations	(659)	(8,270)	(9,315)	(13,386)
Other expense, net	(78)	(1,962)	(1,869)	(2,811)
Loss before income taxes	(737)	(10,232)	(11,184)	(16,197)
Income tax benefit	(563)	(1,152)	(161)	(1,646)
Net loss	\$ (174)	\$ (9,080)	\$ (11,023)	\$ (14,551)
Net loss per share, basic and diluted	\$ -	\$ (0.26)	\$ (0.30)	\$ (0.41)
Weighted average common shares outstanding, basic and diluted	36,602	35,649	36,532	35,628

**SeaChange International, Inc.**  
**Preliminary Condensed Consolidated Statements of Cash Flows**  
(Unaudited, amounts in thousands)

	For the Six Months Ended July 31,	
	2019	2018
<b>Cash flows from operating activities:</b>		
Net loss	\$ (11,023)	\$ (14,551)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	1,093	1,552
Provision for bad debts	388	—
Stock-based compensation expense	197	1,802
Deferred income taxes	(203)	(758)
Unrealized foreign currency transaction gain	1,340	1,431
Other	67	76
Changes in operating assets and liabilities, including impact of acquisitions:		
Accounts receivable	8,482	10,115
Unbilled receivables	(6,598)	(2,335)
Inventory	726	(165)
Prepaid expenses and other current assets and other assets	196	(1,584)
Accounts payable	1,350	371
Accrued expenses and other liabilities	(2,463)	(10,640)
Deferred revenue	(1,590)	(5,729)
Other operating activities	—	2,430
Net cash used in operating activities	<u>(8,038)</u>	<u>(17,985)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(153)	(284)
Cash paid for acquisitions, net	(3,838)	—
Purchases of marketable securities	(823)	(4,354)
Proceeds from sales and maturities of marketable securities	1,593	2,761
Other investing activities	—	(60)
Net cash used in investing activities	<u>(3,221)</u>	<u>(1,937)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	9	74
Repurchases of common stock	(142)	—
Other financing activities	—	(35)
Net cash (used in) provided by financing activities	<u>(133)</u>	<u>39</u>
Effect of exchange rate on cash and cash equivalents	277	1,162
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(11,115)</b>	<b>(18,721)</b>
Cash, cash equivalents and restricted cash at beginning of period	20,317	43,661
Cash, cash equivalents and restricted cash at end of period	<u>\$ 9,202</u>	<u>\$ 24,940</u>
<b>Supplemental disclosure of cash flow information</b>		
Income taxes paid	<u>\$ 76</u>	<u>\$ 2,735</u>
<b>Non-cash activities:</b>		
Purchases of property and equipment included in accounts payable	<u>\$ 58</u>	<u>\$ —</u>
Fair value of common stock issued in acquisition	<u>\$ 874</u>	<u>\$ —</u>

## Non-GAAP Measures

We define non-GAAP loss from operations as U.S. GAAP operating loss plus stock-based compensation expenses, amortization of intangible assets, non-operating expense professional fees and severance and other restructuring costs. We discuss non-GAAP loss from operations in our quarterly earnings releases and certain other communications, as we believe non-GAAP operating loss from operations is an important measure that is not calculated according to U.S. GAAP. We use non-GAAP loss from operations in internal forecasts and models when establishing internal operating budgets, supplementing the financial results and forecasts reported to our Board of Directors, determining a component of bonus compensation for executive officers and other key employees based on operating performance and evaluating short-term and long-term operating trends in our operations. We believe that the non-GAAP loss from operations financial measure assists in providing an enhanced understanding of our underlying operational measures to manage the business, to evaluate performance compared to prior periods and the marketplace, and to establish operational goals. We believe that the non-GAAP financial adjustments are useful to investors because they allow investors to evaluate the effectiveness of the methodology and information used by management in our financial and operational decision-making.

Non-GAAP loss from operations is a non-GAAP financial measure and should not be considered in isolation or as a substitute for financial information provided in accordance with U.S. GAAP. This non-GAAP financial measure may not be computed in the same manner as similarly titled measures used by other companies. We expect to continue to incur expenses similar to the financial adjustments described above in arriving at non-GAAP loss from operations and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring. The following table includes the reconciliations of our U.S. GAAP loss from operations, the most directly comparable U.S. GAAP financial measure, to our non-GAAP loss from operations for the three and six months ended July 31, 2019 and 2018:

**SeaChange International, Inc.**  
**Fiscal Year Reconciliation of GAAP to Non-GAAP**  
**(Unaudited, amounts in thousands, except per share and percentage data)**

	For the Three Months Ended July 31,	
	2019	2018
	(Amounts in thousands)	
GAAP loss from operations	\$ (659 )	\$ (8,270 )
Amortization of intangible assets	299	411
Stock-based compensation	631	923
Professional fees – other	61	—
Severance and other restructuring costs	659	536
Non-GAAP income (loss) from operations	<u>\$ 991</u>	<u>\$ (6,400 )</u>
Net income (loss) per share per non-GAAP income (loss) from operations, basic and diluted	\$ 0.03	\$ (0.18 )
Weighted average common shares outstanding, basic and diluted	36,602	35,649

**SeaChange International, Inc.**  
**Reconciliation of GAAP to Non-GAAP Guidance**  
**(Unaudited, amounts in thousands, except per share data)**

	Twelve Months Ended January 31, 2020	
	GAAP revenue guidance	\$ 70,000
GAAP income (loss) from operations per basic share	(0.09 )	0.07
Exclude stock compensation expense	0.07	0.07
Exclude amortization of intangible assets	0.02	0.02
Exclude professional fees associated with divestitures	0.01	0.01
Exclude restructuring costs	0.02	0.02
Non-GAAP income from operations per diluted or basic shares	<u>\$ 0.03</u>	<u>\$ 0.19</u>

**SeaChange International, Inc.**  
**Supplemental Schedule - Revenue Breakout**  
**(Unaudited, amounts in thousands)**

	<u>Three Months Ended July 31,</u>		<u>Six Months Ended July 31,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	(Amounts in thousands)		(Amounts in thousands)	
Product revenues:				
Framework	\$ 8,244	\$ —	\$ 8,244	\$ —
Video platform	11	524	168	3,339
OVP	811	—	1,566	—
Advertising	545	609	724	609
User experience	—	7	—	24
Hardware	2,357	322	2,445	581
Total product revenues	<u>11,968</u>	<u>1,462</u>	<u>13,147</u>	<u>4,553</u>
Service revenues:				
Maintenance and support	4,999	7,017	10,238	14,239
Framework and support services	109	-	109	-
SaaS	223	63	426	193
Professional services - video platform	1,513	3,359	3,377	7,730
User experience	—	—	—	121
Total service revenues	<u>6,844</u>	<u>10,439</u>	<u>14,150</u>	<u>22,283</u>
Total revenues	<u>\$ 18,812</u>	<u>\$ 11,901</u>	<u>\$ 27,297</u>	<u>\$ 26,836</u>