SEACHANGE INTERNATIONAL INC
Form 10-K
April 07, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 31, 2015

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

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

50 Nagog Park, Acton, MA 01720

(Address of principal executive offices, including zip code)

(978)-897-0100

(Registrant s telephone number, including area code)

Securities Registered Pursuant To Section 12(b) Of The Act:

Common Stock, $.01 par value

Securities Registered Pursuant To Section 12(g) Of The Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K. x

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of July 31, 2014, the aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price for the registrant s Common Stock on the NASDAQ Global Select Market on such date was $232,231,128. The number of shares of the registrant s Common Stock outstanding as of the close of business on April 2, 2015 was 33,299,577.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement filed no later than 120 days after the Company s fiscal year end pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this Annual Report on Form 10-K (Form 10-K) of SeaChange International, Inc. (SeaChange, the Company, us, or we), including, but not limited to the statements contained in Item 1., *Business,* and Item 7., *Management s Discussion and Analysis of the Financial Condition and Results of Operations,* along with statements contained in other reports that we have filed with the Securities and Exchange Commission (the SEC), external documents and oral presentations, which are not historical facts, are considered to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements which may be expressed in a variety of ways, including the use of forward looking terminology such as believe, expect, seek, intend, may, will, should, potential, continue, estimate, plan, or anticipate, or the negatives thereof, other variations thereon or compatible terminology, relate to, among other things, our transition to being a company that primarily provides software solutions, the effect of certain legal claims against us, projected changes in our revenues, earnings and expenses, exchange rate sensitivity, interest rate sensitivity, liquidity, product introductions, industry changes, general market conditions, our continued limited number of customers, geographic location of sales and a reduction in workforce and the impact thereof. We do not undertake any obligation to publicly update any forward-looking statements.

These forward-looking statements, and any forward looking statements contained in other public disclosures of the Company which make reference to the cautionary factors contained in this Form 10-K, are based on assumptions that involve risks and uncertainties and are subject to change based on the considerations described below. We discuss many of these risks and uncertainties in greater detail in Item 1A., *Risk Factors,* of this Form 10-K. These and other risks and uncertainties may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

The following discussion should be read in conjunction with Part II, Item 7., *Management Discussion and Analysis of Financial Condition and Results of Operations,* and our financial statements and footnotes contained in this Form 10-K.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. BUSINESS
General

SeaChange International, Inc., a Delaware corporation founded on July 9, 1993, is an industry leader in the delivery of multiscreen video. Our products and services facilitate the aggregation, licensing, management and distribution of video (primarily movies and television programming) and television advertising content to cable television system operators, telecommunications and media companies. We sell our software products and services worldwide, primarily to television service providers including: cable television system operators, such as Liberty Global, plc. (LGI), Comcast Corporation (Comcast), Cox Communications, Inc. (Cox) and Rogers Communications, Inc.; telecommunications companies, such as Verizon Communications, Inc., AT&T, Inc. and Eircom; and media companies such as BBC Worldwide.

Our products and services are designed to enable our customers to reduce capital and operating expenses, reduce subscriber turnover, and increase average revenue per subscriber by establishing new, revenue-generating subscription television services and advertising. Using our products and services, we believe our customers can increase their revenues by offering services such as video-on-demand (VOD) television programming on a variety of consumer devices, including mobile telephones (smart phones), personal computers (PCs), tablets and over-the-top (OTT) streaming players. Our systems enable television service providers to offer other interactive television services that allow subscribers to receive personalized services and interact with their video devices, thereby enhancing their viewing experience. Our products also allow our customers to insert advertising into broadcast and VOD content.

SeaChange serves an exciting global marketplace where multiscreen viewing is increasing, consumer device options are evolving rapidly, and viewer habits are shifting. The primary thrust of our business has been to enable the delivery of video assets in the evolving multiscreen television environment. Through acquisitions and partnerships, we have expanded our capabilities, products and services to address the delivery of content to devices other than television set-top boxes, namely PCs, tablets, smart phones and OTT streaming players. We believe that our strategy of expanding into adjacent product lines will position us to further support and maintain our existing service provider customer base. Providing our customers with more technologically advanced software platforms enables them to further reduce their infrastructure costs and improve reliability. Additionally, we believe we are well positioned to capitalize on new customers entering the multiscreen marketplace and increasingly serve adjacent markets, such as mobile and OTT. Our core technologies provide a foundation for products and services that can be deployed in next generation video delivery systems capable of increased levels of subscriber interactivity. We have received several awards for technological excellence, including three Emmy Awards for our pivotal roles in the growth of volume service provider businesses including VOD and multi-channel television advertising. Our achievements on behalf of certain customers have also received significant market recognition including, during fiscal year 2014, winning the Liberty Global Vendor Award for Best Product & Service Quality and the Cable Europe Innovation Award for cable operator Voo s multiscreen service launch.

On February 2, 2015, we acquired TLL, LLC (Timeline Labs), a California-based software-as-a-service (SaaS) company that enables local broadcasters, national news organizations and other media companies and brands to analyze social media messages in real-time, find and broadcast social trends, and measure viewing audience engagements across television, mobile and personal computers. Through its acquisition of Timeline Labs, SeaChange is a partner and technology provider for the NewCoin LLC (NewCoin) local television audience measurement venture with FOX Television Stations, Tribune Media and Univision. NewCoin s mission is to harness the data-gathering power of currently available and emerging technologies in order to create a broader based measurement tool that will accurately measure audiences across the entire spectrum of linear and digital platforms.

In January 2015, we initiated a global restructuring plan to streamline our activities, primarily from an employee headcount reduction of 10%, now that our next generation software products have been brought to market and are being deployed around the globe. The reduction in workforce has been implemented immediately in the

Table of Contents

United States and, to comply with non-U.S. legal requirements, will be implemented on an international basis over the next several quarters. Once fully implemented, we expect this initiative to yield approximately $11 million in annualized cost savings.

Products and Services

Our business is comprised of three product areas: multiscreen video, television advertising and video gateway software. Our revenue sources consist of product revenue from these areas, as well as related services.

Multiscreen Video

We offer our multiscreen video products under the following two deployment options, on-site software licenses and on a SaaS basis.

On-Site Software Licenses

In this model, revenue is derived from perpetual software license and annual maintenance and support fees, as well as associated professional services. This model includes the following:

SeaChange Adrenalin MultiScreen Television Platform. Adrenalin is a comprehensive software platform that enables service providers to manage, monetize and deliver a seamless viewing experience to subscribers across televisions, PCs, tablets, smart phones and other IP-enabled devices. Adrenalin is modular allowing our customers to gradually adopt new functionality and features to expand multiscreen television distribution capabilities. Adrenalin automates and streamlines functionality in four crucial areas:

- Ingest of video content including custom workflow, transcoding, encryption and distribution;
- Content management including data analysis and management of metadata;
- Business management such as advertising placement, contract rights and subscriber entitlements, cloud-based monitoring and management and recommendation of social media applications; and
- Publishing and purchasing, which allow content to be formatted for viewing on any device.

SeaChange Nitro Subscriber Experience Software. Our Nitro subscriber experience software gives service providers a customizable interface that personalizes the multi-platform subscriber experience and provides consistent presentation and navigation of linear, on-demand, OTT and time-shifted television. Nitro optimizes subscriber engagement and content promotions to ensure that the value of all content is fully realized on any consumer device.

SeaChange AssetFlow. In today s multiscreen viewing platform, a show, movie or advertisement and its associated metadata, such as poster, description and pricing, are reproduced with numerous variants to serve the unique requirements of multiple network types, consumer devices and geographies. At the point of content ingest, our AssetFlow software is used to receive, manage and publish content for on-demand viewing on televisions, tablets, PCs and other consumer devices. AssetFlow simplifies the increasingly complex tasks of movie and television program asset tracking, metadata management, and overall content workflow.

SaaS Offering

In this model, we license our product offerings on a SaaS basis and our customers pay us on a monthly recurring basis based on the total number of subscriber lines deployed by the customer.

SeaChange Rave Premium OTT Video Platform. Our Rave premium OTT platform (Rave) offering provides a managed services offering for our customers. Rave enables live, time-shifted, pay-per-view and on-demand video services and storefront creation. Advanced content recommendations, discovery and social media are enabled through SeaChange s user experience and third-party applications. Rave includes services, tools and integrations for OTT content workflow, media management and analytics. Rave also enables video and interactive cross-device advertising throughout individual streams and user experiences. Advanced content promotion and monetization features include download to purchase and rent, subscription packaging and couponing. Through these features, Rave allows media companies and service providers to fully integrate with the connected consumer lifestyle and create a deeper audience relationship to project their brand and create pertinent, contextual promotions and advertising.

Television Advertising

SeaChange Infusion Advanced Advertising Platform. As more television content is served to multiple consumer devices, the ability to generate additional revenue by inserting targeted advertising on these devices becomes crucial to service providers seeking to offset content rights costs and reduce subscriber fees for viewing the content. Infusion enables service providers to maximize advertising revenue across multiscreen, broadcast, on-demand and OTT viewing and reach their audiences while viewers watch television on multiple devices. The platform incorporates demographic intelligence to target viewers by geography and personal preference, then engages the viewer through pre-rolls, mid-rolls, banners, overlays and click-action interactivity. Infusion scales to support service providers migration to consolidated regional and national advertising systems that are managed from increasingly web-centric and virtualized datacenters.

*SeaChange Infusion AdPulse On-Demand Advertising Software. S*ervice providers leverage Infusion AdPulse to capitalize on their VOD television services with ad placements that are dynamically targeted according to the content viewers select, as well as by geographic, demographic and viewing characteristics. Because the advertisements are tracked separately from the content, the data provided includes detailed advertisement viewing and trick-mode (fast-forward, rewind, and pause) usage leading to easier analysis of reach and effectiveness.

SeaChange AdFlow. AdFlow simplifies the ingest and preparation of content required to cost-effectively deliver multichannel or multiscreen advertising. It enables the range of advertisements to be ready for insertion, regardless of encoding formats, screen size, and the many other factors affecting today s linear, on-demand and multiscreen television operations. It also handles advertisement file processing, verification, transcoding operations and confirms playout for confident revenue booking.

Video Gateway Software

Nucleus. Nucleus ports to any set-top box, or other customer premises equipment hardware and system on a chip (SoC), and acts as a hub for all video distribution to any IP- connected device throughout the home, such as tablets, smart phones and game consoles.

SeaChange capitalized on open software and networking technologies to create Nucleus, a fully customizable foundation for rich multiscreen services running on the chipset and hardware. Nucleus enables the service providers to select the chipset, hardware and set-top box vendor of their choice. Nucleus extends providers video services to a wide range of video consumer devices through its support for DLNA networking protocols, and enables them to enhance their overall offering by providing the framework for the introduction of new applications. Further, Nucleus leverages the industry Reference Design Kit, a technology standard that enables the video service provider community to take advantage of open technologies to more rapidly introduce and support service innovations.

Social Tools

SeaChange Timeline. SeaChange Timeline provides an end-to-end content management platform for media companies and brands to leverage the power of social content and conversations on a SaaS model. SeaChange Timeline simplifies the real-time editorial content and production process by offering the ability to discover social news, gather content relevant to an audience and present it with visualizations ready for video broadcast or the Internet.

Services

SeaChange offers comprehensive professional services and customer support for all of its products. We have developed extensive capabilities in systems integration, implementation and custom engineering. Our focus on,

Table of Contents

and expertise in video means that we often take on the role of primary integrator for increasingly complex multi-vendor deployments. We also offer managed services with advantages, including remote monitoring and proactive system maintenance, to help our customers quickly and confidently establish new on-demand and multiscreen services.

Strategy

Our goal is to strengthen our position as a leading global provider of multiscreen video by enabling service providers and content owners to increase revenue opportunities by delivering transformative multiscreen video products to their end subscribers. Key elements of our strategy include:

- We intend to continue to provide to our existing base and new customers, industry-leading solutions through our focus on product innovation and substantial investment in research and development for our next generation software products and services;

- We intend to accelerate adoption of our next generation products and services and time to market by promoting and expanding to adjacent markets such as mobile and OTT;

- We intend to provide pre-packaged integrated solutions with the goal of better enabling new and existing customers to drive the adoption of the Rave and Timeline features and functions through a service offering hosted and/or managed by us;

- We intend to continue to pursue acquisitions and collaborations which we believe will strengthen our industry leadership position, expand our geographic presence, or allow us to expand to new products or services, or enhance our existing ones;

- We may enter into strategic relationships to help our customers address deficiencies in the their market space, such as our recent joint venture with FOX, Tribune Media and Univision to address the weaknesses in local television market audience measurement;

- Although our initial sale with a service provider may be for a single screen and device, once a service provider deploys services using our Adrenalin platform, we believe we are well positioned to sell additional features to that service provider to help them expand the number of devices in their customers households; and

- Our customers are located worldwide and include top cable service providers. We believe we are well positioned to grow by adding customers in regions where we already have a strong presence and by expanding our geographic footprint in Asia Pacific and Latin America. In addition, we intend to penetrate more deeply into other markets such as mobile, telecommunications and media companies.

Research and Product Development

Our research and development costs were $42.2 million in fiscal 2015, $39.7 million in fiscal 2014 and $38.7 million in fiscal 2013. We believe that our success will depend on our ability to develop and introduce timely new integrated solutions and enhancements to our existing products that meet changing customer requirements in our current and future customer base as well as new markets. We have made substantial investments in developing and bringing to market our next generation products. Our current research and development activities are focused on developing multiscreen television platforms, video gateway software and advertising solutions in the multiscreen video market, and integrating the solutions we currently offer. Our direct sales and marketing groups closely monitor changes in customer needs, changes in the marketplace and emerging industry standards to help us focus our research and development efforts to address our customers needs, such as increasing average revenue per subscriber, lowering operating and capital costs and reducing customer churn. Our research and development efforts are performed in the United States at our Acton, Massachusetts headquarters as well as our sites in California; Oregon; Pennsylvania; and worldwide in Bangalore, India; Manila, Philippines; and Eindhoven, Netherlands.

During fiscal 2015 we continued the focus of our research and development efforts on the next generation software platforms, which are vital to our customers success. We achieved this by further increasing our investment in our software products for multiscreen video and video gateway software platforms, while reducing our investment in certain legacy product lines. As of January 31, 2015, we had a research and development staff of 296 employees.

Selling and Marketing

Our sales cycle tends to be long, in some instances twelve to twenty-four months, and purchase orders are typically in excess of one million dollars. As a result, it is sometimes difficult to predict what quarter or fiscal year our sales will occur. In light of the complexity of our video products, we primarily utilize a direct sales process. We sell and market our products worldwide through a direct sales organization, primarily conducted from our headquarters although we will use sales representatives deployed in different regions where we do not have a direct sales force. Working closely with customers to understand and define their needs enables us to obtain better information regarding market requirements, enhance our expertise in our customers industries, and more effectively and precisely convey to customers how our solutions address their specific needs. As we recently announced, we have expanded our direct sales presence into Asia Pacific and Latin America.

We use several marketing programs to focus on our targeted markets to support the sale and distribution of our products. We also market certain of our products to systems integrators and value-added resellers. We attend and exhibit our products at a limited number of prominent industry trade shows and conferences and we present our technology at seminars and smaller conferences to promote the awareness of our products. We also publish articles in trade and technical journals. As of January 31, 2015, we had marketing and sales staff of 49 employees.

Manufacturing and Quality Control

Our manufacturing operation consists primarily of component and subassembly procurement, systems integration and final assembly, testing and quality control of the complete systems. As of January 31, 2015 we had a manufacturing staff of 11 employees.

Our Customers

We currently sell our products primarily to video service providers, such as cable system operators and telecommunications companies, as well as content providers. Our customer base is highly concentrated among a limited number of large service provider customers. A significant portion of our revenues in any given fiscal period have been derived from substantial orders placed by these large organizations. For the fiscal year ended January 31, 2015, Comcast and LGI each accounted for more than 10% of our total revenues.

We expect that we will continue to be dependent upon a limited number of customers for a significant portion of our revenues in the near future, even as we intend to penetrate new markets and customers. As a result of this customer concentration, our business, financial condition and results of operations could be materially adversely affected by the failure of anticipated orders to materialize and by deferrals or cancellations of orders as a result of changes in customer requirements or new product announcements or introductions. In addition, the concentration of customers may cause variations in revenue, expenses and operating results on a quarterly basis due to seasonality of orders, the timing and relative size of orders received and accepted during a fiscal quarter, or the timing and size of orders for which revenue recognition criteria have been satisfied during a fiscal quarter.

We do not believe that our backlog at any particular time is meaningful as an indicator of our future level of revenue for any particular period. Because of the requirements of particular customers, orders may require final acceptance prior to revenue being recognized, resulting in the related revenues not being recognized in the ensuing quarter. Therefore, there is no direct correlation between the backlog at the end of any quarter and our total revenue for the following quarter or other periods.

Table of Contents

Competition

The markets in which we compete are characterized by intense competition, with a large number of suppliers providing different types of products to different segments of the markets. In new markets for our products, we compete principally based on price. In markets in which we have an established presence, we compete principally on the basis of the breadth of our products features and benefits, including the flexibility, scalability, professional quality, ease of use, reliability and cost effectiveness of our products, and our reputation and the depth of our expertise, customer service and support. While we believe that we currently compete favorably overall with respect to these factors and that our ability to provide integrated solutions to manage and distribute digital video differentiates us from our competitors, in the future we may not be able to continue to compete successfully with respect to these factors.

In the market for multiscreen video, we compete with various larger companies offering video platforms and applications such as Cisco Systems, Inc., Arris Group Inc. (ARRIS), and Ericsson Inc. as well as in-house solutions. In our video gateway software market, we compete with system integrators and gateway software and applications vendors who offer proprietary software and hardware solutions. In the advertisement platform market, we generally compete with ARRIS. In the OTT market, we compete with online video platform providers such as Brightcove, Kaltura and Ooyala. We expect the competition in each of the markets in which we operate to intensify in the future as existing and new competitors with significant market presence and financial resources.

Many of our current and prospective competitors have significantly greater financial, technical, manufacturing, sales, marketing and other resources. As a result, these competitors may be able to devote greater resources to the development, promotion, sale and support of their products. Moreover, these companies may introduce additional products that are competitive with ours or enter into strategic relationships to offer complete solutions, and in the future our products may not be able to compete effectively with these products.

Proprietary Rights

Our success and our ability to compete are dependent, in part, upon our proprietary rights. We have been granted 31 patents worldwide, have several patents pending and have filed foreign patent applications related thereto for various technologies developed and used in our products. In addition, we rely on a combination of contractual rights, trademark laws, trade secrets and copyright laws to establish and protect our proprietary rights in our products. It is possible that in the future not all of these patent applications will be issued or that, if issued, the validity of these patents would not be upheld. It is also possible that the steps taken by us to protect our intellectual property will be inadequate to prevent misappropriation of our technology or that our competitors will independently develop technologies that are substantially equivalent or superior to our technology. In addition, the laws of some foreign countries in which our products are or may be distributed do not protect our proprietary rights to the same extent as do the laws of the United States. Currently, we are not party to intellectual property litigation, but we may be a party to litigation in the future to enforce our intellectual property rights or as a result of an allegation that we infringe others intellectual property.

Employees

The table below represents the number of employees that we employ in different geographic areas across the world for the periods shown. We believe that our relations with our employees are good. None of our employees are represented by a collective bargaining agreement.

	January 31,		
Country	**2015**	**2014**	**2013**
United States	302	382	411
Philippines	161	150	143
Netherlands	137	111	97
Other international	103	80	71
Total employees by country	703	723	722

Table of Contents

Executive Officers

The following is a list of our executive officers, their ages as of March 31, 2015 and their positions held with us:

Name	Age	Title
Jay A. Samit	54	Chief Executive Officer and Board member
Anthony C. Dias	48	Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer
David McEvoy	57	Senior Vice President and General Counsel and Secretary

Mr. Samit joined SeaChange as Chief Executive Officer (CEO) on October 20, 2014. Mr. Samit currently serves on the Board of Equal Earth Corporation and as an adjunct professor at the University of Southern California. Prior to joining SeaChange Mr. Samit was President at ooVoo, a social video chat service, from May 2011 to January 2013. Prior to that Mr. Samit served as CEO of SocialVibe (later renamed TrueX), a digital advertising technology company powering engagement for some of the world s top brands, from October 2009 to January 2011. Prior to that he held senior executive roles with Sony and EMI, where he spearheaded these companies digital media efforts.

Mr. Dias joined the Company on December 3, 2007 as Vice President of Finance and Corporate Controller. He became Chief Financial Officer in September 2013. Prior to that, Mr. Dias served since June 2012 as Chief Accounting Officer. Prior to joining SeaChange, Mr. Dias served as Corporate Controller at LeMaitre Vascular, Inc. from October 2006 to November 2007. Prior to that Mr. Dias held various senior finance positions with Candela Corporation, Globalware, Inc. and Aldiscon, Inc. (later acquired by Logica). Mr. Dias is also a Certified Public Accountant.

Mr. McEvoy joined the Company on July 1, 2012 as Vice President and General Counsel. He became Senior Vice President and General Counsel on February 1, 2013. Prior to joining SeaChange, Mr. McEvoy was the Senior Vice President and General Counsel of Peoplefluent Inc. Mr. McEvoy was the Senior Vice President and General Counsel of Art Technology Group, Inc. (ATG) from September 2005 to March 2010. ATG was acquired by Oracle on January 5, 2011. Prior to joining ATG, Mr. McEvoy was the Group General Counsel of Gores Technology Group, a private equity firm. Mr. McEvoy has held various General Counsel and other executive level legal positions with several companies including Aprisma Inc., Anker Systems Ltd., VeriFone Inc., Mattel Interactive, Broderbund and The Learning Company.

Geographic Information

Geographic information is included in Part II, Item 7 of this Form 10-K under the heading *Management s Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations* and in Note 11., *Segment Information, Significant Customers and Geographic Information,* to the consolidated financial statements located in Part II, Item 8, of this Form 10-K.

Available Information

SeaChange is subject to the informational requirements pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act). SeaChange files periodic reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the

Public Reference Room of the SEC at 100 F Street, N.E., Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Financial and other information about SeaChange, including our Code of Ethics and Business Conduct and charters for our Audit Committee, Compensation Committee and Corporate Governance and Nominating

Table of Contents

Committee, is available on the Investor Relations section of our website at www.schange.com. We make available free of charge on our website our Form 10-K, Quarterly Reports on Form 10-Q (Form 10-Q), Current Reports on Form 8-K (Form 8-K) and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on our web site is not incorporated by reference into this document and should not be considered a part of this Form 10-K. Our website address is included in this document as an inactive textual reference only.

Item 1A. RISK FACTORS

We wish to caution each reader of this Form 10-K to consider the following factors and other factors discussed herein and in other past reports, including but not limited to prior year Form 10-K and Form 10-Q reports filed with the SEC. Our business and results of operations could be materially affected by any of the following risks. The factors discussed herein are not exhaustive. Therefore, the factors contained herein should be read together with other reports that we file with the SEC from time to time, which may supplement, modify, supersede, or update the factors listed in this document.

Our business is dependent on customers continued spending on video systems and services. A reduction in spending by customers would adversely affect our business.

Our performance is dependent on customers continued spending for video systems and services. Spending for these systems and services is cyclical and can be curtailed or deferred on short notice. A variety of factors affect the amount of spending, and, therefore, our sales and profits, including:

- general economic conditions;
- customer specific financial or stock market conditions;
- availability and cost of capital;
- governmental regulation;
- demand for services;
- competition from other providers of video systems and services;
- acceptance of new video systems and services by our customers; and
- real or perceived trends or uncertainties in these factors.

Any reduction in spending by our customers would adversely affect our business. We continue to have limited visibility into the capital spending plans of our current and prospective customers. Fluctuations in our revenue can lead to even greater fluctuations in our operating results. Our planned expense levels depend in part on our expectations of future revenue. Our planned expenses include significant investments, particularly within our research and development organization, which we believe are necessary to continue to provide innovative solutions to meet our current and prospective customers needs. As a result, it is difficult to forecast revenue and operating results. If our revenue and operating results are below the expectations of our investors and market analysts, it could cause a decline in the price of our common stock.

Our future success is dependent on the continued development of the multiscreen video and over the top (OTT) market and if these markets do not continue to develop, our business may not continue to grow.

A large portion of our anticipated revenue growth is expected to come from sales and services related to our multiscreen video and OTT products. However, these markets continue to develop as a commercial market, both within and outside North America. The potential size of these markets and the timing of their development are uncertain. The success of these markets require that video service providers continue to upgrade their cable networks to service and successfully market multiscreen video, OTT and similar services to their cable television subscribers. Some cable system operators, particularly outside of North America, are still in the early stages of commercial deployment of multiscreen video and OTT service to major residential cable markets. If cable system operators and telecommunications companies fail to make the capital expenditures necessary to upgrade their networks or determine that broad deployment of multiscreen video and OTT services is not viable as a business proposition or if our products cannot support a substantial number of subscribers while maintaining a high level of performance, our revenues will not grow as we have planned.

Our efforts to introduce a SaaS-based multiscreen service offering may either not succeed or impair our sale of on-site licensed offerings. The occurrence of either of which may adversely affect our financial condition and operating results.

We have been, and will continue to, devote considerable resources and allocate capital expenditures to growing our SaaS service offering revenue over the next several years. There can be no assurance that we will meet our revenue targets for this service and if we fail to achieve our revenue goals, our growth and operating results will be materially adversely affected. Additionally, new or existing customers may choose to purchase our SaaS services rather than our on-premise solutions. If our customers purchases trend away from perpetual licenses toward our SaaS, or to the extent customers defer orders due to evaluation SaaS, our product revenues, and our timing of revenue generally, may be adversely affected, which could adversely affect our results of operations and financial condition.

If we are unable to successfully introduce new products or enhancements to existing products on a timely basis, our financial condition and operating results may be adversely affected by a decrease in sales of our products.

Because our business plan is based on technological development of new products and enhancements to our existing products, our future success is dependent on our successful introduction of these new products and enhancements on a timely basis. In the future we may experience difficulties that could delay or prevent the successful development, introduction and marketing of these and other new products and enhancements, or find that our new products and enhancements do not adequately meet the requirements of the marketplace or achieve market acceptance. Announcements of currently planned or other new product offerings may cause customers to defer purchasing our existing products. Moreover, despite testing by us and by current and potential customers, errors or failures may be found in our products, and, even if discovered, may not be successfully corrected in a timely manner. These errors or failures could cause delays in product introductions and acceptance, or require design modifications that could adversely affect our competitive position. Currently, we are focused on our next generation software products, including SeaChange Adrenalin , SeaChange Nucleus , SeaChange Infusion Advanced Advertising Platform and SeaChange Rave . Our inability to complete the development of these new products or enhancements on a timely basis or the failure of these new products or enhancements to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations in fiscal 2016 and in future periods.

We may be unsuccessful in our efforts to become a company that primarily provides software solutions.

Our efforts to become a company that primarily provides software solutions may result in a reduction in both the range of products and services we offer and in the range of our current and potential future customers. Each of these factors may increase the level of execution risk in our strategy, in that there may be increased variability in our revenues. If we are unsuccessful in this transition, our business, financial condition and results of operation may be adversely affected, and the market price of our common stock may decrease.

Our business is impacted by worldwide economic cycles, which are difficult to predict.

The global economy and financial markets experienced a severe downturn in recent years. The downturn stemmed from a multitude of factors, including, among other things, extreme volatility in security prices, diminished credit availability, concerns about inflation and deflation, rapid changes in foreign exchange rates, increased energy costs, decreased consumer confidence, rating downgrades of certain investments and declining valuations of others. These economic developments, the rate of recovery and the change in business spending resulting from these developments affect businesses such as ours and those of our customers and vendors in a number of ways that could result in unfavorable consequences to us. The continuation of the change in business spending from these events or further disruption and deterioration in economic conditions may reduce customer purchases of our products and services, thereby reducing our revenues and earnings. In addition, these events may, among other things, result in increased price competition for our products and services, increased risk in the collectability of our accounts receivable from our customers, increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable, and higher operating costs as a percentage of revenues. We have taken actions to address the effects of the change in business spending and future economic cycles, including implementing cost control and cost reduction measures. It is possible that we may need to take further actions to control our cost structure and implement further cost reduction measures. We cannot predict whether these measures will be sufficient to offset certain of the negative trends that might affect our business.

We have taken and continue to take measures to address the variability in the market for our products and services, which could have long-term negative effects on our business or impact our ability to adequately address a rapid increase in customer demand.

We have taken and continue to take measures to address the variability in the market for our products and services, to increase average revenue per unit of our sales and to reduce our operating expenses, rationalize capital expenditure and minimize customer turnover. These measures include shifting more of our operations to lower cost regions by outsourcing and off-shoring, implementing cost reduction programs and reducing and rationalizing planned capital expenditures and expense budgets. We cannot ensure that the measures we have taken will not impair our ability to effectively develop and market products and services, to remain competitive in the industries in which we compete, to operate effectively, to operate profitably during slowdowns or to effectively meet a rapid increase in customer demand. These measures may have long-term negative effects on our business by reducing our pool of technical talent, decreasing or slowing improvements in our products and services, making it more difficult to hire and retain talented individuals and to quickly respond to customers or competitors in an upward cycle.

Because our customer base is highly concentrated among a limited number of large customers, a change in demand by, a return of product by or the failure to satisfy revenue acceptance criteria in a given quarter by one or more of these customers, could have a material adverse effect on our business, financial condition and results of operations.

Our customer base is highly concentrated among a limited number of large customers, and, therefore, a limited number of customers account for a significant percentage of our revenues in any fiscal period. We generally do not have written agreements that require customers to purchase fixed minimum quantities of our products. Our sales to specific customers tend to vary significantly from year to year and from quarter to quarter depending upon these customers budgets for capital expenditures and our new product introductions. We believe that a significant amount of our revenues will continue to be derived from a limited number of large customers in the future. The loss of, reduced demand for products or related services by, return of a product previously purchased by any of our major customers or the failure of revenue acceptance criteria to have been satisfied in a given fiscal quarter, could materially and adversely affect, either in a particular quarter or on a more long-term basis, our business, financial condition and results of operations.

Consolidations in the television service providers industry could result in delays or reductions in purchases of products, which would have a material adverse effect on our business.

The television service providers industry has historically experienced, and continues to experience, the consolidation of many industry participants. For example, in the first half of calendar 2014, Comcast announced its proposed acquisition of Time Warner Cable and AT&T announced its proposed acquisition of DIRECTV and in February 2015, Verizon Communications Inc. announced that it is selling certain wireline businesses to Frontier Communications Corp. When consolidations occur, it is possible that the acquirer will not continue using the same suppliers, possibly resulting in an immediate or future elimination of sales opportunities for us or our competitors. Even if sales are not reduced, consolidation can also result in pressure from customers for lower prices or better terms, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. Consolidations also could result in delays in purchasing decisions by the affected companies prior to completion of the transaction and by the merged businesses. The purchasing decisions of the merged companies could have a material adverse effect on our business.

Cancellation or deferral of purchases of our products or final customer acceptance, or the return of previously purchased products could cause a substantial variation in our operating results, resulting in a decrease in the market price of our common stock and making period-to-period comparisons of our operating results less meaningful.

We derive a substantial portion of our revenues from purchase orders that exceed one million dollars in value. Therefore, any significant cancellation or deferral of purchases of our products or receiving final customer acceptance could result in a substantial variation in our operating results in any particular quarter due to the resulting decrease in revenue and gross margin. In addition, to the extent significant sales occur earlier than expected, operating results for subsequent quarters may be adversely affected because our operating costs and expenses are based, in part, on our expectations of future revenues, and we may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Because of these factors, in some future quarter our operating results may be below guidance that we may issue or the expectations of public market analysts and investors, any of which may adversely affect the market price of our common stock. In addition, these factors may make period-to-period comparisons of our operating results less meaningful.

Due to the lengthy sales cycle involved in the sale of our products, our quarterly results may vary and should not be relied on as an indication of future performance.

Our next generation software products and related services are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and implementation procedures within an organization. Moreover, the purchase of these products typically requires coordination and agreement among a potential customer s corporate headquarters and its regional and local operations. For these and other reasons, the sales cycle associated with the purchase of our next generation software products and services is typically lengthy and subject to a number of significant risks, including customers budgetary constraints and internal acceptance reviews, over which we have little or no control. Based upon all of the foregoing, we believe that our quarterly revenues and operating results are likely to vary significantly in the future, that period-to-period comparisons of our results of operations are not necessarily meaningful and that these comparisons should not be relied upon as indications of future performance.

If there were a decline in demand or average selling prices for our products, our revenues and operating results would be materially affected.

We expect our next generation software product lines to account for a significant portion of our revenues. Accordingly, a decline in demand or average selling prices for these products in the foreseeable future, whether as a result of new product introductions by others, price competition, technological change, inability to enhance the products in a timely fashion, or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

14

Table of Contents

We must manage product transitions successfully in order to remain competitive.

The introduction of a new product or product line is a complex task, involving significant expenditures in research and development, training, promotion and sales channel development. However, we cannot assure that we will be able to execute product transitions in an efficient manner or that product transitions will be executed without harming our operating results. Failure to develop products with required features and performance levels or any delay in bringing a new product to market could significantly reduce our revenues and harm our competitive position.

We may fail to achieve our financial forecasts due to inaccurate sales forecasts or other factors.

Our revenues are difficult to forecast, and as a result, our quarterly operating results can fluctuate substantially. We use a pipeline system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all proposals and estimate when a customer will make a purchase decision and the dollar amount of the sale. These estimates are aggregated periodically to generate a sales pipeline. Our pipeline estimates can prove to be unreliable both in a particular quarter and over a longer period of time, in part because the conversion rate or closure rate of the pipeline into contracts can be very difficult to estimate. A reduction in the conversion rate, or in the pipeline itself, could cause us to plan or budget incorrectly and adversely affect our business or results of operations. In particular, a slowdown in capital spending or economic conditions generally can unexpectedly reduce the conversion rate in particular periods as purchasing decisions are delayed, reduced in amounts or cancelled. The conversion rate can also be affected by the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms, which can also impede our ability to negotiate, execute and deliver upon these contracts in a timely manner. In addition, for our new product offerings, including those acquired through our Timeline Labs acquisition, we have limited ability to predict how their pipelines will convert into sales or revenues. Conversion rates for new product offerings are often variable as product acceptance often takes longer than anticipated and conversion rates for products acquired through acquisition may be quite different from the acquired companies historical conversion rates, including from changes in our business practices that we implement with our newly acquired companies that may affect customer behavior.

Because a significant portion of our cost structure is largely fixed in the short-term, revenue shortfalls tend to have a disproportionately negative impact on our profitability. The number of large new software licenses transactions increases the risk of fluctuations in our quarterly results because a delay in even a small number of these transactions could cause our quarterly revenues and profitability to fall significantly short of our predictions.

If we are unable to manage our growth and the related expansion in our operations effectively, our business may be harmed through a diminished ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees.

Our ability to successfully offer new products and services and implement our business plan in a rapidly evolving market requires effective planning and management. We are also continuing to transition towards greater reliance on our software products and services for a significant portion of our total revenue. In light of the growing complexities in managing our expanding portfolio of products and services, our anticipated future operations may continue to strain our operational and administrative resources. To manage future growth effectively, we must continue to improve our operational controls and internal controls over financial reporting, integrate new personnel and the businesses we have acquired, or will acquire, and manage our expanding international operations. A failure to manage our growth may harm our business through a decreased ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees upon which our business is dependent.

15

Table of Contents

Because our business is susceptible to risks associated with international operations, we may not be able to maintain or increase international sales of our products and services.

Our international operations are expected to continue to account for a significant portion of our business in the foreseeable future. However, in the future we may be unable to maintain or increase international sales of our products and services. Our international operations are subject to a variety of risks, including:

- difficulties in establishing and managing international distribution channels;
- difficulty in staffing and managing foreign operations;
- difficulties in selling, servicing and supporting overseas products and services and in translating products and services into foreign languages;
- the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property;
- fluctuations in currency exchange rates;
- multiple and possibly overlapping tax structures;
- negative tax consequences such as withholding taxes and employer payroll taxes;
- differences in labor laws and regulations affecting our ability to hire and retain employees;
- business and operational disruptions or delays caused by political, social and economic instability and unrest, including risks related to terrorist activity;
- changes in economic policies by foreign governments, including the imposition and potential continued expansion of economic sanctions by the U.S. and the European Union on the Russian Federation;
- the burden of complying with a wide variety of foreign laws, treaties and technical standards; and
- growth and stability of the economy or political changes in international markets.

The effect of one or more of these international risks could have a material and adverse effect on our business, financial condition, operating results and cash flow.

We are subject to the Foreign Corrupt Practices Act (FCPA), and our failure to comply could result in penalties which could harm our reputation, business, and financial condition.

We are subject to the FCPA, which generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. The FCPA also requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the Company. Under the FCPA, U.S. companies may be held liable for actions taken by their strategic or local partners or representatives. The FCPA and similar laws in other countries can impose civil and criminal penalties for violations.

If we do not properly implement practices and controls with respect to compliance with the FCPA and similar laws, or if we fail to enforce those practices and controls properly, we may be subject to regulatory sanctions, including administrative costs related to governmental and internal investigations, civil and criminal penalties, injunctions and restrictions on our business activities, all of which could harm our reputation, business and financial condition.

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. An increase in the value of the U.S. dollar could increase the real cost to our customers of our products in those markets outside the United States where we often sell in dollars, and a weakened dollar could increase local currency operating costs. In preparing our consolidated financial statements, certain financial information is required to be translated from foreign currencies to the U.S. dollar using either the spot rate or the weighted-average exchange rate. If the U.S. dollar weakens or strengthens relative to applicable local currencies, there is a risk our reported sales, operating expenses, and net income could significantly fluctuate. We are not able to predict the degree of exchange rate fluctuations, nor can we estimate the effect any future fluctuations may have upon our future operations. For example, the exchange rate of the U.S. dollar to foreign currency has strengthened significantly of late, which could make the price of our products and services outside the United States less competitive, reducing our sales and negatively impacting our financial results.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from third-party challenges.

Our success and ability to compete depends upon our ability to protect our proprietary technology that is incorporated into our products. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Although we have issued patents, we cannot assure that any additional patents will be issued or that the issued patents will not be invalidated. We also enter into confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our software, documentation and other proprietary information. Despite these precautions, it may be possible for a third-party to copy or otherwise misappropriate and use our products or technology without authorization, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. We may need to resort to litigation in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. If competitors are able to use our technology, our ability to compete effectively could be harmed.

We have been and in the future could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant legal costs to defend our intellectual property rights.

The industry in which we operate is characterized by vigorous protection and pursuit of intellectual property rights or positions, which on occasion, have resulted in significant and often protracted litigation. We have from time to time received, and may in the future receive, communications from third parties asserting infringements on patent or other intellectual property rights covering our products or processes. We may be a party to litigation in the future to enforce our intellectual property rights or as a result of an allegation that we infringe others intellectual property. Any parties asserting that our products infringe upon their proprietary rights would force us to defend ourselves and possibly our customers or manufacturers against the alleged infringement, as many of our commercial agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. We have received certain claims for indemnification from customers but have not been made party to any litigation involving intellectual property infringement claims as a result. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. This possibility of multiple damages serves to increase the incentive for plaintiffs to bring such litigation. In addition, these lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention away from our operations. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. In addition, any potential intellectual property litigation also could force us to stop selling, incorporating or using the products that use the infringed intellectual property or obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, although this license may not be available on reasonable terms, or at all, or redesign those products that use the infringed intellectual property. If we are forced to take any of the foregoing actions, our business may be seriously harmed.

If content providers limit the scope of content licensed for use in the digital VOD and OTT market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe and have communicated to the financial markets.

The success of the multiscreen video market is contingent on content providers permitting their content to be licensed for use in this market. Content providers may, due to concerns regarding either or both marketing and illegal duplication of the content, limit the extent to which they provide content to their subscribers. A limitation of content for the VOD and OTT market would indirectly limit the market for our products which are used in connection with that market.

If we are not able to obtain necessary licenses, services or distribution rights for third-party technology at acceptable prices, or at all, our products could become obsolete or we may not be able to deliver certain product offerings.

We have incorporated third-party licensed technology into our current products and our product lines. From time to time, we may be required to license additional technology or obtain services from third parties to develop new products or product enhancements or to provide specific solutions. Third-party providers may not be available or continue to be available to us on commercially reasonable terms. The inability to maintain or re-license any third-party products required in our current products or to obtain any new third-party licenses and services necessary to develop new products and product enhancements or provide specific solutions could require us to obtain substitute technology of lower quality or performance standards or at greater cost. Such inabilities could delay or prevent us from making these products or services, which could seriously harm the competitiveness of our solutions.

We may also incorporate open source software into our products. Although we monitor our use of open source closely, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. We could also be subject to similar conditions or restrictions should there be any changes in the licensing terms of the open source software incorporated into our products. In either event, we could be required to seek licenses from third parties in order to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely or successful basis, any of which could adversely affect our business, operating results and financial condition.

If we are unable to successfully compete in our marketplace, our financial condition and operating results may be adversely affected.

We currently compete against large companies offering video software solutions. To the extent the products developed are competitive with and not complementary to our products, they may be more cost effective than our solutions, which could result in cable system operators and telecommunications companies discontinuing their purchases of our on-demand products. Due to the rapidly evolving markets in which we compete, additional competitors with significant market presence and financial resources, such as in-house solutions and online video platforms, may enter those markets, thereby further intensifying competition. Increased competition could result in price reductions, cancellations of purchase orders, losses of business with current customers to competitors, and loss of market share which would adversely affect our business, financial condition and results of operations. Many of our current and potential competitors have greater financial, selling and marketing, technical and other resources than we do. They may be in better position to withstand any significant reduction in capital spending by customers in our markets and may not be as susceptible to downturns in a particular market. Moreover, our competitors may also foresee the course of market developments more accurately than we do. Although we believe that we have certain technological and other advantages over our competitors, realizing and maintaining these advantages will require a continued high level of investment by us in research and product development, marketing and customer service and support. In the future we may not have sufficient resources to continue to make these investments or to make the technological advances necessary to compete successfully with our existing competitors or with new competitors. If we are unable to compete effectively, our business, prospects, financial condition and operating results would be materially adversely affected because of the difference in our operating results from the assumptions on which our business model is based.

If we fail to respond to rapidly changing technologies related to multiscreen video, our business, financial condition and results of operations would be materially adversely affected because the competitive advantage of our products and services relative to those of our competitors would decrease.

The markets for our products are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions and enhancements. Future technological advances in the television and video industries may result in the availability of new products or services that could compete with the solutions provided by us or reduce the cost of existing products or services, any of which could enable our existing or potential customers to fulfill their video needs better and more cost efficiently than with our products. Our future success will depend on our ability to enhance our existing video products, including the development of new applications for our technology, and to develop and introduce new products to meet and adapt to changing customer requirements and emerging technologies such as the OTT market. In the future, we may not be successful in enhancing our video products or developing and marketing new products which satisfy customer needs or achieve market acceptance. In addition, there may be services, products or technologies developed by others that render our products or technologies uncompetitive, unmarketable or obsolete, or announcements of currently planned or other new product offerings either by us or our competitors that cause customers to defer or fail to purchase our existing solutions.

We may not fully realize the benefits of our completed acquisitions or it may take longer than we anticipate for us to achieve those benefits. Future acquisitions may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

As part of our business strategy, we have acquired and may in the future seek to acquire or invest in new businesses, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities such as our acquisition of Timeline Labs on February 2, 2015. Acquisitions could create risks for us, including:

- difficulties in assimilation of acquired personnel, operations, technologies or products which may affect our ability to develop new products and services and compete in our rapidly changing marketplace due to a resulting decrease in the quality of work and innovation of our employees upon which our business is dependent;

- delays in realizing, or failure to realize, the anticipated benefits of an acquisition;

- adverse effects on the business relationships with pre-existing suppliers and customers of both companies. This may be of particular importance to our business because we sell our products to a limited number of large customers, we purchase certain components used in manufacturing our products from sole suppliers and we use a limited number of third-party manufacturers to manufacture our product; and uncertainty among current and prospective employees regarding their future roles with our company, which might adversely affect our ability to retain, recruit and motivate key personnel.

Acquisitions or divestitures may adversely affect our financial condition.

We acquired Timeline Labs on February 2, 2015 to supplement and expand our product offerings. In the future, we could acquire additional products, technologies or businesses, or enter into joint venture arrangements, for the purpose of complementing or expanding our business. Negotiation of potential acquisitions, divestitures or joint ventures and our integration or transfer of acquired or divested products, technologies or businesses, could divert management s time and resources.

Table of Contents

As part of our strategy for growth, we may continue to explore acquisitions, divestitures, or strategic alliances, which may not be completed or may not be ultimately beneficial to us.

Acquisitions or divestitures may pose risks to our operations, including:

- problems and increased costs in connection with the integration or divestiture of the personnel, operations, technologies, or products of the acquired or divested businesses;
- unanticipated costs;
- potential disruption of our business and the diversion of management s attention from our core business during the acquisition process;
- inability to make planned divestitures of businesses on favorable terms in a timely manner or at all;
- acquired assets becoming impaired as a result of technical advancements or worse-than-expected performance by the acquired company; and entering markets in which we have no, or limited, prior experience.

Additionally, in connection with any acquisitions or investments we could:

- issue stock that would dilute our existing stockholders ownership percentages, such as we agreed to do with our Timeline Labs acquisition;
- incur debt and assume liabilities;
- record contingent liabilities estimated for potential earnouts based on achieving financial targets;
- obtain financing on unfavorable terms;
- incur amortization expenses related to acquired intangible assets or incur large and immediate write-offs;
- incur large expenditures related to office closures of the acquired companies, including costs relating to the termination of employees and facility and leasehold improvement charges resulting from our having to vacate the acquired companies premises; and

reduce the cash that would otherwise be available to fund operations or for other purposes.

The performance of the companies in which we have made and may in the future make equity investments could have a material adverse effect on our financial condition and results of operations.

We have made non-controlling equity investments in complementary companies and we may in the future make additional investments. These investments may require additional capital and may not generate the expected rate of return that we believed possible at the time of making the investment. This may adversely affect our financial condition or results of operations. Also, investments in development-stage companies may generate other than temporary declines in fair value of our investment that would result in impairment charges.

If our indefinite-lived or other intangible assets become impaired, we may be required to record a significant charge to earnings.

Under accounting principles generally accepted in the United States (U.S. GAAP), we review our intangible assets, including goodwill, for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Indefinite-lived assets are required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our indefinite-lived assets or other intangible assets may not be recoverable include declines in our stock price and market capitalization, or decreased future cash flows projections. Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on projections of future operating performance. We

Table of Contents

operate in highly competitive environments and projections of future operating results and cash flows may vary significantly from actual results. We may be required to record a significant noncash charge to earnings in our financial statements during the period in which any impairment of our indefinite-lived assets or other intangible assets is determined.

We may experience risks in our investments due to changes in the market, which could adversely affect the value or liquidity of our investments.

We maintain a portfolio of marketable securities in a variety of instruments which may include commercial paper, certificates of deposit, money market funds and government debt securities. These investments are subject to general credit, liquidity, market, and interest rate risks. As a result, we may experience a reduction in value or loss of liquidity of our investments. These market risks associated with our investment portfolio may have a negative adverse effect on our results of operations, liquidity and financial condition.

The success of our business model could be influenced by changes in the regulatory environment, such as changes that either would limit capital expenditures by television, cable or telecommunications operators or reverse the trend towards deregulation in the industries in which we compete.

The telecommunications and television industries are subject to extensive regulation which may limit the growth of our business, both in the United States and other countries. The growth of our business internationally is dependent in part on deregulation of the telecommunications industry abroad, similar to that which has occurred in the United States, and the timing and magnitude of this growth, which is uncertain. Video service providers are subject to extensive government regulation by the Federal Communications Commission and other federal, state and international regulatory agencies. These regulations could have the effect of limiting capital expenditures by video service providers and thus could have a material adverse effect on our business, financial condition and results of operations. The enactment by federal, state or international governments of new laws or regulations, changes in the interpretation of existing regulations or a reversal of the trend toward deregulation in these industries could adversely affect our customers, and thereby materially adversely affect our business, financial condition and results of operations.

We may not be able to hire and retain highly skilled employees, which could affect our ability to compete effectively because our business is technology-based.

Our success depends to a significant degree upon the continued contributions of our key personnel, many of whom would be difficult to replace. We believe that our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, customer service, selling and marketing, finance, administrative and manufacturing personnel, as our business is technology-based. Because competition for these personnel is intense, we may not be able to attract and retain qualified personnel in the future. The loss of the services of any of the key personnel, the integration of new personnel, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly software engineers and sales personnel could have a material adverse effect on our business, financial condition and results of operations because our business is technology-based.

We face significant risks to our business when we engage in the outsourcing of engineering work, including outsourcing of software work overseas, which, if not properly managed, could result in the loss of valuable intellectual property and increased costs due to inefficient and poor work product, which could harm our business, including our financial results, reputation, and brand.

We may, from time-to-time, outsource engineering work related to the design and development of our products, typically to save money and gain access to additional engineering resources. We have worked, and expect to work in the future, with companies located in jurisdictions outside of the United States, including, but not limited to India, Poland and the Philippines. We have limited experience in the outsourcing of engineering and other work to third-parties located internationally that operate under different laws and regulations than those in the United States. If we are unable to properly manage and oversee the outsourcing of this engineering and other work related to our products, we could suffer the loss of valuable intellectual property, or the loss of the ability to claim such intellectual property, including patents and trade names. Additionally, instead of saving money, we could in fact incur significant additional costs as a result of inefficient engineering services and poor work product. As a result, our business would be harmed, including our financial results, reputation, and brand.

We may have additional tax liabilities.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by various tax jurisdictions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our income tax provision, net income, or cash flows in the period or periods for which that determination is made. In addition, we are subject to sales, use and similar taxes in many countries, jurisdictions and provinces, including those states in the United States where we maintain a physical presence or have a substantial nexus. These taxing regimes are complex. For example, in the United States, each state and local taxing authority has its own interpretation of what constitutes a sufficient physical presence or nexus to require the collection and remittance of these taxes. Similarly, each state and local taxing authority has its own rules regarding the applicability of sales tax by customer or product type.

In September 2013, we received an audit notification from the Internal Revenue Service (IRS) requesting materials relating to our 2009 through 2011 federal tax return. As of January 31, 2015, we continue to provide information relating to the audit and have not received or agreed upon any final adjustments from the IRS.

If our security measures are breached and unauthorized access is obtained to a customer s data or our data on our systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.

Our service involves the transmission of customers proprietary information and security breaches could expose us to a risk of loss of this information or a network disruption, which may result in litigation and possible liability. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise and result in unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers data or our data or IT systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our customers may authorize third-party technology providers to access their customer data. Because we do not control our customers and third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third-parties may also conduct attacks designed to temporarily deny customers access to our services. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability. While we believe that we have taken appropriate security measures to minimize these risks to our data and information systems, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

Table of Contents

Recently reported hacking attacks on government and commercial computer systems raise the risks that such an attack may compromise, in a material respect, one or more of our computer systems and permit hackers access to our proprietary information and data. If such an attack does, in fact, allow access to or theft of our proprietary information or data, our business, operating results and reputation could be materially and adversely affected.

Interruptions or delays in service from our third-party data center hosting facilities could impair the delivery of our service and harm our business.

For our customers buying our SaaS product offering, we use third-party data center hosting facilities located in the United States and the United Kingdom. Any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our attrition rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. We do not control the operation of any of these facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted.

We recently implemented a restructuring program, which could have a material negative impact on our business.

To increase strategic focus and operational efficiency, at the end of January 2015, we implemented a restructuring program that will affect approximately 100 full-time positions. We anticipate completing the majority of the activities related to our restructuring program over the next several quarters. We may incur additional restructuring costs or not realize the expected benefits of these new initiatives. Further, we could experience delays, business disruptions, decreased productivity, unanticipated employee turnover and increased litigation related costs in connection with the restructuring and other efficiency improvement activities, and there can be no assurance that our estimates of the savings achievable by the restructuring will be realized. As a result, our restructuring and our related cost reduction activities could have an adverse impact on our financial condition or results of operations.

Our stock price may be volatile and an investment in our stock may decline.

Historically, the market for technology stocks has been extremely volatile. Our common stock has experienced, and may continue to experience, substantial price volatility. The occurrence of any one or more of the factors noted above could cause the market price of our common stock to fluctuate. The stock market in general, and The NASDAQ Global Select Market (NASDAQ) and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors may materially adversely affect the market price of our common stock, regardless of our actual operating performance. In these circumstances, investors may be unable to sell their shares of our common stock at or above their purchase price over the short-term, or at all. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against such companies.

Securities analysts may not publish favorable research or reports about our business or may publish no information which could cause our stock price or trading volume to decline.

The trading market for our common stock is influenced by the research and reports industry or financial analysts publish about us and our business. We do not control these analysts. If any of the analysts who cover us issue an adverse opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports covering us, we could lose visibility in the market, which in turn could cause our stock price or trade volume to decline.

We utilize non-GAAP reporting in our quarterly earnings press releases.

We publish non-GAAP financial measures in our quarterly earnings press releases along with a reconciliation of non-GAAP financial measures to those measures compiled in accordance with accounting principles generally accepted in the U.S. GAAP. The reconciling items have adjusted U.S. GAAP net (loss) income and U.S. GAAP (loss) earnings per share for certain non-cash, non-operating or non-recurring items and are described in detail in each such quarterly earnings press release. We believe that this presentation may be more meaningful to investors in analyzing the results of operations and income generation as this is how our business is managed. The market price of our stock may fluctuate based on future non-GAAP results if investors base their investment decisions upon such non-GAAP financial measures. If we decide to curtail use of non-GAAP financial measures in our quarterly earnings press releases, the market price of our stock could be affected if investors analyze our performance in a different manner.

Any weaknesses identified in our system of internal controls by us and our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. In future periods, we may identify deficiencies, including as a result of the loss of the services of one or more of our key personnel, in our system of internal controls over financial reporting that may require remediation. There can be no assurances that any such future deficiencies identified may not be significant deficiencies or material weaknesses that would be required to be reported in future periods.

Because we purchase certain material components used in manufacturing our products from sole suppliers and we use a limited number of third-party manufacturers to manufacture our products, our business, financial condition and results of operations could be materially adversely affected by a failure of these suppliers or manufacturers.

We rely on a limited number of third parties who manufacture certain components used in our products. We may experience quality control problems, where products did not meet specifications or were damaged in shipping, and delays in the receipt of these components. These risks could be heightened during a substantial economic slowdown or if a sole supplier were adversely affected by a natural disaster because our suppliers are more likely to experience adverse changes in their financial condition and operations during such a period. While we believe that there are alternative suppliers available for these components, we believe that the procurement of these components from alternative suppliers could take a significant amount of time. In addition, these alternative components may not be functionally equivalent or may be unavailable on a timely basis or on similar terms. The inability to obtain sufficient key components as required, or to develop alternative sources if and as required in the future, could result in delays or reductions in product shipments which, in turn, could have a material adverse effect on our business, financial condition and results of operations. While to date there has been suitable third-party manufacturing capacity readily available at acceptable quality levels, in the future there may not be manufacturers that are able to meet our future volume or quality requirements at a price that is favorable to us. Any financial, operational, production or quality assurance difficulties experienced by these third-party manufacturers that result in a reduction or interruption in supply to us could have a material adverse effect on our business, financial condition and results of operations.

Regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals. As a result, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals mined from the DRC and adjoining countries in their products. These regulations may require due diligence efforts by the Company each year with disclosure requirements due annually on May 31st. There are costs associated with

24

complying with these disclosure requirements, including due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. Even though we are not aware of any conflict minerals in our products, the implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products in the future. As there may be only a limited number of suppliers offering conflict free conflict minerals, we cannot be sure that we will be able to obtain necessary materials from such suppliers in sufficient quantities or at competitive prices. Also, we may face adverse effects to our reputation if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

As a Delaware corporation, we are subject to certain Delaware anti-takeover provisions.

As a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, in particular those owning 15% or more of the voting rights of our common stock, from merging or combining with us for a practical period of time. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control of SeaChange could limit the opportunity of our stockholders to receive a premium for their shares of SeaChange common stock and also could affect the price that some investors are willing to pay for our common stock.

Changes in financial accounting standards may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

A change in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of existing pronouncements have occurred with frequency and may occur in the future. Changes to existing rules, or changes to the interpretations of existing rules, could lead to changes in our accounting practices, and such changes could adversely affect our reported financial results or the way we conduct our business.

The Financial Accounting Standards Board (FASB) issued a new accounting standard for revenue recognition in May 2014 Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* that supersedes nearly all existing U.S. GAAP revenue recognition guidance. Although we are currently in the process of evaluating the impact of ASU 2014-09 on our consolidated financial statements, it is likely to change the way we account for certain of our sales transactions in fiscal 2018, the first year that such new rules will be effective for us. Adoption of the standard could have a significant impact on our financial statements and may retroactively affect the accounting treatment of transactions completed before adoption.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

Item 2. PROPERTIES

Location	Principal Use	Square Feet
Owned Facilities		
Acton, Massachusetts	Corporate Headquarters, Engineering, Customer Services, Manufacturing, Marketing and Human Resources	120,000
Greenville, New Hampshire	Subleased	24,000
Leased Facilities		
Eindhoven, The Netherlands	Engineering, Sales and Customer Services	20,553
Milpitas, California	Engineering	20,155
Manila, Philippines	Engineering and Customer Services	14,175
Portland, Oregon	Engineering	9,557

In addition, we lease offices in Ft. Washington, Pennsylvania, Ireland, India and Turkey. We believe that existing facilities are adequate to meet our foreseeable requirements.

Item 3. LEGAL PROCEEDINGS

We enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. From time to time, we also indemnify customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, and environmental claims relating to the use of our products and services or resulting from the acts or omissions of us, our employees, authorized agents or subcontractors. From time to time, we have received requests from customers for indemnification of patent litigation claims. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for Registrant s Common Equity

Our common stock is traded on NASDAQ under the symbol SEAC .

The following table sets forth the quarterly high and low closing sales prices per share reported on NASDAQ for our last two fiscal years ended January 31, 2015 and 2014.

	Fiscal Year 2015		Fiscal Year 2014	
	High	**Low**	**High**	**Low**
Three Month Period Ended:				
First Quarter	$ 12.27	$ 9.26	$ 12.08	$ 10.50
Second Quarter	9.71	7.49	12.58	10.51
Third Quarter	7.97	6.48	15.12	9.97
Fourth Quarter	7.45	5.43	14.86	11.11

On April 2, 2015, there were 149 holders of record.

We have never declared or paid any cash dividends on our common stock, since inception, and do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain all of our future earnings for use in operations and to finance the expansion of our business.

Issuer Purchases of Equity Securities

Stock Repurchase Plans

On September 4, 2013, our Board of Directors authorized the repurchase of up to $25.0 million of our common stock through a share repurchase program which would have terminated on January 31, 2015. On May 31, 2014, this program was amended to increase the authorized repurchase amount to $40.0 million and extend the termination date to April 30, 2015. Under the program, we are authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. This share repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from our current cash and investment balances. The timing and amount of shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements, and alternative investment opportunities. Any shares repurchased by us under the share repurchase program will reduce the number of shares outstanding. Pursuant to the share repurchase program, we executed a Rule 10b5-1 plan in June 2014 to repurchase shares. We used $5.5 million of cash in connection with the repurchase of 591,520 shares of our common stock (an average price of $9.31 per share) in fiscal 2015. As of January 31, 2015, $34.5 million remained available for repurchase under the existing share repurchase authorization.

Stock Performance Graph

The following graph compares the change in the cumulative total stockholder return on SeaChange s common stock during the period from the close of trading on January 31, 2010 through January 31, 2015, with the cumulative total return on the Center for Research in Securities Prices (CRSP) Index for NASDAQ (U.S. Companies) and a SIC Code Index based on SeaChange s SIC Code. The comparison assumes $100 was invested on January 29, 2010 in SeaChange s common stock at the $6.47 closing price on January 29, 2010 and in each of the foregoing indices and assumes reinvestment of dividends, if any.

27

Table of Contents

The following graph is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of SeaChange under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. The stock price performance shown on the following graph is not necessarily indicative of future price performance. Information used on the graph was obtained from a third-party provider, a source believed to be reliable, but SeaChange is not responsible for any errors or omissions in such information.

Notes:

(1) The lines represent monthly index levels derived from compounded daily returns that include all dividends.
(2) If the monthly interval, based on the fiscal year end, is not a trading day, the preceding trading day is used.
(3) The index level for all series was set to 100 on January 31, 2010.

28

Table of Contents

Item 6. SELECTED FINANCIAL DATA

Our selected financial data below should be read in conjunction with our audited, consolidated financial statements and related notes contained in Part II, Item 8., *Financial Statements and Supplementary Data,* of this Form 10-K. For all periods presented, this selected financial data have been adjusted to reflect the businesses divested as discontinued operations.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	For the Fiscal Years Ended January 31,				
	2015	**2014**	**2013**	**2012**	**2011**
	(Amounts in thousands, except per share data)				
Product revenue	$ 31,507	$ 54,749	$ 64,274	$ 73,157	$ 82,155
Service revenue	83,928	91,570	92,914	91,635	91,500
Total revenues	115,435	146,319	157,188	164,792	173,655
Total operating costs and expenses	(141,888)	(147,948)	(162,534)	(166,462)	(171,669)
Other (expense) income, net	(2,161)	(224)	(86)	6	(880)
(Loss) gain on sale of investment in affiliates		(363)	885		27,071
(Loss) income before income taxes and equity income in earnings of affiliates	(28,614)	(2,216)	(4,547)	(1,664)	28,177
Income tax (benefit) provision	(1,106)	55	(1,555)	1,881	(2,227)
Equity income in earnings of affiliates, net of tax	19	44	193	142	167
Net (loss) income from continuing operations	(27,489)	(2,227)	(2,799)	(3,403)	30,571
Loss on sale of discontinued operations			(14,073)		
Income (loss) from discontinued operations, net	5	(803)	(2,293)	(611)	(1,103)
Net (loss) income	$ (27,484)	$ (3,030)	$ (19,165)	$ (4,014)	$ 29,468
(Loss) earnings per share:					
Basic	$ (0.84)	$ (0.09)	$ (0.59)	$ (0.13)	$ 0.94
Diluted	$ (0.84)	$ (0.09)	$ (0.59)	$ (0.13)	$ 0.92
(Loss) earnings per share from continuing operations:					
Basic	$ (0.84)	$ (0.07)	$ (0.09)	$ (0.11)	$ 0.98
Diluted	$ (0.84)	$ (0.07)	$ (0.09)	$ (0.11)	$ 0.96
Income (loss) per share from discontinued operations:					
Basic	$ 0.00	$ (0.02)	$ (0.50)	$ (0.02)	$ (0.04)
Diluted	$ 0.00	$ (0.02)	$ (0.50)	$ (0.02)	$ (0.04)

CONSOLIDATED BALANCE SHEET DATA

	As of January 31,				
	2015	2014	2013	2012	2011
	(Amounts in thousands)				
Working capital	$ 101,014	$ 125,875	$ 116,922	$ 103,290	$ 92,846
Total assets	212,351	254,113	264,676	298,852	305,191
Deferred revenue	19,088	25,628	30,603	35,735	39,783
Long-term liabilities	6,266	6,670	7,815	21,685	27,275
Total liabilities	41,300	49,672	62,475	87,914	96,049
Total stockholders equity	171,051	204,441	202,201	210,938	209,142

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included in this Form 10-K. When reviewing the discussion, you should keep in mind the substantial risks and uncertainties that characterize our business. In particular, we encourage you to review the risk and uncertainties described under Item 1A., *Risk Factors,* of this Form 10-K. These risks and uncertainties could cause actual results to differ materially from those forecasted in forward-looking statements or implied by past results and trends. Forward-looking statements are statements that attempt to project or anticipate future developments in our business; we encourage you to review the discussion of forward-looking statements under *Cautionary Statement for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995,* at the beginning of this report. These statements, like all statements in this report, speak only as of the date of this report (unless another date is indicated), and we undertake no obligation to update or revise the statements in light of future developments. Unless otherwise specified, any reference to a year is to a fiscal year ended January 31st.

Business Overview

We are an industry leader in the delivery of multiscreen video headquartered in Acton, Massachusetts. Our products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for cable television system operators, telecommunications and media companies (television networks, movie studios and broadcasters). We currently operate under one reporting segment.

In fiscal 2016, we expect to continue addressing what we see as the continuing rise of over-the-top (OTT) services by such companies as Netflix, Hulu and Amazon and by media companies such as HBO, CBS and BBC. This rise of OTT video services in the United States has increased the demand for multiscreen capabilities on a range of consumer devices operating on cloud-based platforms. We have been increasing our strategic investments in research and development related to our cloud-based offerings, as well as in sales and marketing as we work to increase our go-to-market efforts in this area.

We plan to invest in Rave, our cloud-based SaaS offering, which permits service providers and media companies to offer features and functions through a service hosted and managed by SeaChange, reducing cost and increasing speed and ease of use for end-users. We believe that delivering innovative solutions to both our existing customer base and to content owners that are looking to provide OTT services, we can meet their growing needs and help them get to market faster that will help them drive new revenue growth. Recognizing the importance of OTT, we have architected our cloud solutions and products to make integrating with existing networks simple and a core competency of our platform. We have optimized our software solutions to serve a wide range of consumer devices.

We expect that revenue from our next generation products will continue to grow during fiscal 2016. This is driven by increasing market acceptance of both Adrenalin and Nucleus. We believe that we have the opportunity for continued revenue growth by expanding our selling efforts in new geographic areas such as Asia Pacific and Latin America. We also believe that our existing service operator customers will need to upgrade to the next generation product to enable the capacity to increase average revenue per subscriber, reduce operating and capital expenses, and lower customer churn. During fiscal 2015, we continued to generate new design wins driven by growth of Adrenalin and market introduction of our Nucleus product. We also achieved our first win with a media company for an OTT solution that will be deployed in fiscal 2016 and several service providers have entered into trials of our Rave product.

On February 2, 2015, we acquired Timeline Labs, a California-based software-as-a-service (SaaS) company that enables local broadcasters, national news organizations and other media companies and brands to analyze

30

social media messages in real-time, find and broadcast social trends, and measure viewing audience engagements across television, mobile and personal computers.

We continue to experience fluctuations in our revenues from period to period due to the following factors:

- Budgetary approvals by our customers for capital purchases;
- The ability of our customers to process the purchase order within their organization in a timely manner;
- The time required to deliver and install the product and for the customer to accept the product and services;
- Declines in sales of legacy products; and
- Uncertainty caused by potential consolidation in the industry.

In addition, many customers may delay or reduce capital expenditures. This, together with other factors, could result in the reductions in sales of our products, longer sales cycles, difficulties in collection of accounts receivable, a longer period of time before we may recognize revenue attributable to a sale, excess and obsolete inventory, gross margin deterioration, slower adoption of new technologies, the transition to SaaS, and increased price competition.

In January 2015, we initiated a global restructuring plan to streamline our activities, primarily from an employee headcount reduction of 10%, now that our next generation software products have been brought to market and are being deployed around the globe. The reduction in workforce was implemented immediately in the United States and, to comply with non-U.S. legal requirements, will be implemented on an international basis over the next several quarters. Once fully implemented, we expect this initiative to yield approximately $11 million in annualized cost savings.

Results of Operations

The following discussion summarizes the key factors our management believes are necessary for an understanding of our consolidated financial statements.

Revenues

The components of our total revenues are described in the following table:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Software Revenues:							

Products	$ 31,507	$ 54,749	$ 64,274	$ (23,242)	(42.5%)	$ (9,525)	(14.8%)
Services	83,928	91,570	92,914	(7,642)	(8.3%)	(1,344)	(1.4%)
Total revenues	115,435	146,319	157,188	(30,884)	(21.1%)	(10,869)	(6.9%)
Cost of product revenues	9,915	11,795	19,826	(1,880)	(15.9%)	(8,031)	(40.5%)
Cost of service revenues	48,413	55,325	52,319	(6,912)	(12.5%)	3,006	5.7%
Inventory write-down			1,752		N/A	(1,752)	(100.0%)
Total cost of revenues	58,328	67,120	73,897	(8,792)	(13.1%)	(6,777)	(9.2%)
Gross profit	$ 57,107	$ 79,199	$ 83,291	$ (22,092)	(27.9%)	$ (4,092)	(4.9%)
Gross product profit margin	68.5%	78.5%	69.2%		(10.0%)		9.3%
Gross service profit margin	42.3%	39.6%	43.7%		2.7%		(4.1%)
Gross profit margin	49.5%	54.1%	53.0%		(4.6%)		1.1%

Fiscal 2015 As Compared to Fiscal 2014

Product Revenue. Product revenue in fiscal 2015 decreased $23.2 million, or 43%, as compared to fiscal 2014 due primarily to:

- a $14.0 million decrease in our legacy middleware product line;
- a $6.6 million decrease in revenue from our multiscreen video platform primarily in Europe and South America; and
- a $2.6 million decrease primarily related to lower revenue from our legacy VOD backoffice products.

The $16.6 million decline in revenue from legacy products is consistent with our expectations for fiscal 2015. We expect revenues from our legacy products to continue to decrease in fiscal 2016. The decline in revenue from legacy products will be offset by an increase in our next generation product revenue.

Service Revenue. Service revenue decreased $7.6 million, or 8%, for fiscal 2015, when compared to fiscal 2014, primarily due to lower video gateway service revenue and lower installation revenues due to lower product revenues.

For fiscal 2015, two customers each accounted for more than 10%, and collectively accounted for 32% of our total revenues. For fiscal 2014, three customers each accounted for more than 10%, and collectively accounted for 49% of our total revenues. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International revenues accounted for approximately 48%, or $55.6 million, and 54%, or $79.4 million, of total revenues in fiscal 2015 and 2014, respectively. The strengthening of the U.S. dollar against the Euro adversely impacted revenue by approximately $1.9 million in fiscal 2015. Since January 31, 2015, the U.S. dollar has continued to strengthen against the Euro, therefore, we expect that revenue will continue to be impacted next fiscal year as international revenues remain a significant portion of our business.

Gross Profit and Margin. Cost of product revenues consists primarily of the cost of resold third-party products and services, purchased components and subassemblies, labor and overhead relating to the assembly and testing of complete systems and costs related to customized software development contracts.

Our gross profit margin decreased approximately five percentage points for fiscal 2015, as compared to fiscal 2014. This decrease in gross profit margin was primarily due to a 10 percentage point decrease in gross product profit margin to 69% for fiscal 2015, primarily due to lower legacy middleware revenue, which carried high margins, offset by a three percentage point increase in gross service profit margin to 42% for fiscal 2015, compared to fiscal 2014, primarily due to a mix of lower video gateway service revenue, as mentioned above, which carry lower margins due to the customer-specific requirements.

Fiscal 2014 As Compared to Fiscal 2013

Product Revenue. Product revenue decreased $9.5 million, or 15%, for fiscal 2014 as compared to fiscal 2013 due primarily to:

- a $13.3 million decrease in our revenues from legacy products, primarily in our advertising sales to our North American customers and VOD server product lines primarily to South American customers; and

- $3.1 million in lower video gateway license revenues due to a significant licensing transaction with a customer in Europe during fiscal 2013; offset by

- a $3.0 million increase in revenues from our legacy middleware product line; and

- a $3.9 million increase in revenues from our multiscreen video platform sales to large North American customers.

Service Revenue. Service revenue for fiscal 2014 decreased $1.3 million as compared to fiscal 2013. This is primarily related to a $2.5 million decrease in our legacy middleware service revenues as a result of a fiscal 2013 amendment with a European customer which resulted in a higher portion of revenue to be recognized as product revenue in fiscal 2014. This decrease was partially offset by higher customization service revenues primarily for our next generation multiscreen platform products.

Table of Contents

Gross Profit and Margin. Our gross profit margin increased one percentage point for fiscal year ended January 31, 2014, as compared to fiscal 2013, net of the inventory write-down recorded during the second quarter of fiscal 2013.

This is primarily due to the following:

- A four percentage point decrease in gross service profit margin to 40% for fiscal 2014, compared to fiscal 2013, primarily due to the mix of higher customized development revenues which typically carry lower margins due to higher costs of research and development personnel; offset by

- A nine percentage point increase in gross product profit margin to 79% for fiscal 2014, primarily due to a mix of higher software licensing revenues and lower VOD server revenues, which typically carry lower margins.

Operating Expenses

Research and Development

The following table provides information regarding the change in research and development expenses during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Research and development expenses	$ 42,169	$ 39,657	$ 38,667	$ 2,512	6.3%	$ 990	2.6%
% of total revenue	36.5%	27.1%	24.6%				

Fiscal 2015 As Compared to Fiscal 2014

Research and development expenses consist primarily of employee costs, which include salaries, benefits and related payroll taxes, depreciation of development and test equipment and an allocation of related facility expenses. Research and development costs increased $2.5 million in fiscal 2015 as compared to fiscal 2014. The increase is related to our investment in our video gateway software product, Nucleus, and our cloud-based platform, Rave.

Fiscal 2014 As Compared to Fiscal 2013

During fiscal 2014, our total research and development expenses increased $1.0 million, or 3%, as compared to fiscal 2013, due primarily to an increase in outside contract labor costs as we continue to focus our investment in research and development related to our next generation product offerings.

Selling and Marketing

The following table provides information regarding the change in selling and marketing expenses during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Selling and marketing expenses	$ 13,920	$ 15,018	$ 15,398	$ (1,098)	(7.3%)	$ (380)	(2.5%)
% of total revenue	12.1%	10.3%	9.8%				

33

Table of Contents

Fiscal 2015 As Compared to Fiscal 2014

Selling and marketing expenses consist primarily of payroll costs, which include salaries and related payroll taxes, benefits and commissions, travel expenses and certain promotional expenses. Selling and marketing expenses decreased $1.1 million, or 7%, in fiscal 2015 when compared to fiscal 2014. This reduction was primarily related to lower employee related costs due to a reduction in headcount, and to lower commissions resulting from lower revenues.

Fiscal 2014 As Compared to Fiscal 2013

Selling and marketing expenses decreased $0.4 million, or 3%, in fiscal 2014, when compared to fiscal 2013 due to lower commission expense resulting from lower revenues and a reduction in headcount compared to the prior fiscal year.

General and Administrative

The following table provides information regarding the change in general and administrative expenses during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
General and administrative expenses	$ 16,014	$ 17,618	$ 17,674	$ (1,604)	(9.1%)	$ (56)	(0.3%)
% of total revenue	13.9%	12.0%	11.2%				

Fiscal 2015 As Compared to Fiscal 2014

General and administrative expenses consist primarily of employee costs, which include salaries and related payroll taxes and benefit-related costs, legal and accounting services and an allocation of related facilities expenses. General and administrative expenses decreased $1.6 million, or 9%, in fiscal 2015, as compared to fiscal 2014, primarily due to a decrease in employee costs from a lower headcount year over year.

Fiscal 2014 As Compared to Fiscal 2013

General and administrative expenses remained relatively stable during fiscal 2014, as compared to fiscal 2013.

Amortization of Intangible Assets

The following table provides information regarding the change in amortization of intangible assets during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013		% Change	$ Change	% Change

				$ Change		
	(Amounts in thousands, except for percentage data)					
Amortization of intangible assets.	$ 5,154	$ 4,630	$ 6,395	$ 524	11.3%	$ (1,765)	(27.6%)
% of total revenue	4.5%	3.2%	4.1%				

Amortization expense is primarily related to the costs of acquired intangible assets. Amortization is also based on the future economic value of the related intangible assets which is generally higher in the earlier years of the assets lives.

34

Table of Contents

Stock-based Compensation Expense

The following table provides information regarding the change in stock-based compensation expense during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Stock-based compensation expense	$ 3,220	$ 2,959	$ 5,929	$ 261	8.8%	$ (2,970)	(50.1%)
% of total revenue	2.8%	2.0%	3.8%				

Fiscal 2015 As Compared to Fiscal 2014

Stock-based compensation expense is primarily due to the issuance of stock grants to our employees, executives and members of our Board of Directors. Stock-based compensation expense increased $0.3 million during fiscal 2015 as compared to fiscal 2014 related to additional stock compensation expense recorded as a result of our separation agreement with the former Chief Executive Officer (CEO) and the hiring of our new CEO.

Fiscal 2014 As Compared to Fiscal 2013

Stock-based compensation expense decreased $3.0 million during fiscal 2014, as compared to fiscal 2013 primarily due to higher stock-based compensation related to the performance-based stock compensation granted to our now former CEO, who was appointed to his permanent position on May 1, 2012.

Earn-outs and Change in Fair Value of Earn-outs

The following table provides information regarding the change in earn-outs and change in fair value of earn-out expenses during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Earn-outs and change in fair value of earn-outs	$	$ (60)	$ 2,435	$ 60	(100.0%)	$ (2,495)	>(100%)
% of total revenue	0.0%	0.0%	1.5%				

During fiscal 2013 we incurred $2.4 million of earn-out expenses for payments made in connection with certain of our acquisitions in accordance with the respective earn-out criteria being met.

Professional Fees Other

The following table provides information regarding the change in professional fees expenses associated with acquisitions, divestitures, litigation and strategic alternatives during the periods presented:

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Professional fees other	$ 671	$ 1,614	$ 1,619	$ (943)	(58.4%)	$ (5)	(0.3%)
% of total revenue	0.6%	1.1%	1.0%				

Professional fees in fiscal 2015 decreased $0.9 million when compared to fiscal 2014 primarily due to a decrease in costs related to patent litigation and remained relatively stable in fiscal 2014 when compared to fiscal 2013.

Table of Contents

Severance and Other Restructuring Expenses

The following table provides information regarding the change in severance and other restructuring expenses during the periods presented:

	For the Fiscal Years Ended January 31,						FY15 vs. FY14			FY14 vs. FY13		
	2015		2014		2013		$ Change		% Change	$ Change		% Change
	(Amounts in thousands, except for percentage data)											
Severance and other restructuring expenses	$	3,623	$	911	$	3,106	$	2,712	>100%	$	(2,195)	(70.7%)
% of total revenue		3.1%		0.6%		2.0%						

Fiscal 2015 As Compared to Fiscal 2014

Severance and other restructuring costs increased $2.7 million in fiscal 2015, as compared to fiscal 2014, primarily due to the separation agreement with our former CEO and a reduction in workforce during fiscal 2015.

Fiscal 2014 As Compared to Fiscal 2013

For fiscal 2014, we incurred severance charges of $0.9 million related to a reduction in force during the fiscal year, compared to $1.9 million in severance charges during fiscal 2013. In addition, fiscal 2013 included a $0.8 million leasehold improvement charge for the reduction of space and certain fixed assets in our leased facility in the Philippines, and $0.4 million of other restructuring charges.

Other (Expense) Income, Net

The table below provides detail regarding our other (expense) income, net:

	For the Fiscal Years Ended January 31,						FY15 vs. FY14			FY14 vs. FY13		
	2015		2014		2013		$ Change		% Change	$ Change		% Change
	(Amounts in thousands, except for percentage data)											
(Loss) gain on sale of investment in affiliates	$		$	(363)	$	885	$	363	(100.0%)	$	(1,248)	>(100%)
Interest income, net		211		251		26		(40)	(15.9%)		225	>100%
Foreign exchange loss		(2,348)		(367)		(23)		(1,981)	>100%		(344)	>(100%)
Miscellaneous expense		(24)		(108)		(89)		84	(77.8%)		(19)	21.3%
	$	(2,161)	$	(587)	$	799	$	(1,574)		$	(1,386)	

Foreign exchange loss

During fiscal 2015, loss on foreign exchange increased $2.0 million due to the increased strength of the U.S. Dollar compared to other foreign currencies, primarily the Euro.

(Loss) gain on sale of investment in affiliates

During fiscal 2014, we recorded a loss of $0.4 million on the sale of an investment in affiliates during the second quarter. This is compared to a $0.9 million gain on sale of an equity investment recorded in fiscal 2013.

Income Tax (Benefit) Provision

	For the Fiscal Years Ended January 31,			FY15 vs. FY14		FY14 vs. FY13	
	2015	2014	2013	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Income tax (benefit) provision	$ (1,106)	$ 55	$ (1,555)	$ (1,161)	>(100%)	$ 1,610	>100%
% of total revenue	(1.0%)	0.0%	(1.0%)				

36

Table of Contents

Fiscal 2015 As Compared to Fiscal 2014

We recorded an income tax benefit from continuing operations of $1.1 million in fiscal 2015. Our effective tax rate is lower than the U.S. federal statutory rate as we did not record tax benefits on our year-to-date losses in certain jurisdictions, including the United States, where we continue to maintain a full valuation allowance against deferred tax assets. Additionally, the rate is impacted by the geographic jurisdiction in which the worldwide income or loss will be incurred, resulting in the difference between the federal statutory rate of 35% and the forecasted effective tax rate. The tax benefit includes the reversal of tax reserves for uncertain tax positions due to the expiration of the statute of limitations. The statute of limitations varies in each jurisdiction we operate in. In any given year, a jurisdiction s statute of limitations may lapse without examination and any tax reserves for uncertain tax positions recorded in a corresponding year will result in the reduction of the liability for unrecognized tax benefits for that year.

Our effective tax rate may fluctuate on a quarterly basis as a result of changes in the valuation of our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: i) facts and circumstance regarding a tax position change, causing a change in management s judgment regarding that tax position; ii) a tax position is effectively settled with a tax authority; and/or iii) the statute of limitations expires regarding a tax position.

We continue to maintain a valuation allowance against deferred tax assets where realization is not certain. We periodically evaluate the likelihood of the realization of deferred tax assets and reduce the carrying amount of these deferred tax assets by a valuation allowance to the extent we believe a portion will not be realized.

Fiscal 2014 As Compared to Fiscal 2013

For fiscal 2014, we recorded an income tax provision of $0.1 million primarily due to state income taxes.

Non-GAAP Measures

We define non-GAAP (loss) income from operations as U.S. GAAP operating (loss) income plus stock-based compensation expenses, amortization of intangible assets, earn-outs and change in fair value of earn-outs, professional fees associated with acquisitions, divestitures, litigation and strategic alternatives and severance and other restructuring costs. We define adjusted EBITDA as U.S. GAAP operating (loss) income before depreciation expense, amortization of intangible assets, stock-based compensation expense, earn-outs and change in fair value of earn-outs, professional fees associated with acquisitions, divestitures, litigation and strategic alternatives, and severance and other restructuring costs. We discuss non-GAAP (loss) income from operations in our quarterly earnings releases and certain other communications as we believe non-GAAP operating (loss) income from operations and adjusted EBITDA are both important measures that are not calculated according to U.S. GAAP. We use non-GAAP (loss) income from operations and adjusted EBITDA 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 non-GAAP (loss) income from operations and adjusted EBITDA financial measures assist 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 these 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) income from operations and adjusted EBITDA are non-GAAP financial measures and should not be considered in isolation or as a substitute for financial information provided in accordance with U.S. GAAP. These non-GAAP financial measures 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) income from operations and adjusted EBITDA, and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

Table of Contents

The following table includes the reconciliations of our U.S. GAAP (loss) income from operations, the most directly comparable U.S. GAAP financial measure, to our non-GAAP (loss) income from operations and the reconciliation of our U.S. GAAP (loss) income from operations to our adjusted EBITDA for fiscal 2015, 2014 and 2013 (amounts in thousands, except per share and percentage data):

	For the Fiscal Year Ended January 31, 2015			For the Fiscal Year Ended January 31, 2014			For the Fiscal Year Ended January 31, 2013		
	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP
Revenues:									
Products	$ 31,507	$	**$ 31,507**	$ 54,749	$	**$ 54,749**	$ 64,274	$	**$ 64,274**
Services	83,928		**83,928**	91,570		**91,570**	92,914		**92,914**
Total revenues	115,435		**115,435**	146,319		**146,319**	157,188		**157,188**
Cost of revenues:									
Products	8,845		**8,845**	10,526		**10,526**	17,397		**17,397**
Services	48,272		**48,272**	55,075		**55,075**	52,162		**52,162**
Amortization of intangible assets	1,070	(1,070)		1,269	(1,269)		2,429	(2,429)	
Stock-based compensation	141	(141)		250	(250)		157	(157)	
Inventory write-down							1,752	(1,752)	
Total cost of revenues	58,328	(1,211)	**57,117**	67,120	(1,519)	**65,601**	73,897	(4,338)	**69,559**
Gross profit	57,107	1,211	**58,318**	79,199	1,519	**80,718**			