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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2022

OR

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

For the transition period from__________ to __________

Commission File Number: 001-38828

SEACHANGE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-3197974**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
177 Huntington Ave, Ste 1703 PMB 73480, Boston, MA	**02115**
(Address of principal executive offices)	**(Zip Code)**

(978) 897-0100

(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	SEAC	The Nasdaq Global Select Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

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

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

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

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

The number of shares outstanding of the registrant’s Common Stock on June 6, 2022 was 49,283,309.

SEACHANGE INTERNATIONAL, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	April 30, 2022 (Unaudited)	January 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 16,465	$ 17,528
Accounts receivable, net of allowance for doubtful accounts of $590 and $500 at April 30, 2022 and January 31, 2022, respectively	7,274	8,819
Unbilled receivables	9,950	9,160
Prepaid expenses and other current assets	2,687	2,310
Total current assets	36,376	37,817
Property and equipment, net	804	902
Operating lease right-of-use assets	1,763	2,031
Goodwill	9,452	9,882
Unbilled receivables	2,972	3,952
Other assets	503	612
Total assets	$ 51,870	$ 55,196
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,266	$ 2,960
Accrued expenses	4,190	4,217
Deferred revenue	4,771	3,947
Total current liabilities	11,227	11,124
Deferred revenue	147	77
Operating lease liabilities	1,147	1,361
Taxes payable	110	110
Other liabilities	3	—
Total liabilities	12,634	12,672
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Common stock, $0.01 par value per share; 100,000,000 shares authorized; 49,418,721 shares issued and 49,246,801 shares outstanding at April 30, 2022; 49,347,604 shares issued and 49,175,684 shares outstanding at January 31, 2022	494	493
Additional paid-in capital	265,927	265,644
Treasury stock, at cost; 171,920 shares at April 30, 2022 and January 31, 2022	(227)	(227)
Accumulated other comprehensive loss	(1,549)	(973)
Accumulated deficit	(225,409)	(222,413)
Total stockholders' equity	39,236	42,524
Total liabilities and stockholders' equity	$ 51,870	$ 55,196

See accompanying notes to the unaudited condensed consolidated financial statements.

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
(In thousands, except per share data)

	For the Three Months Ended April 30,	
	2022	2021
Revenue:		
Product	$ 2,826	$ 1,620
Service	3,897	3,432
Total revenue	6,723	5,052
Cost of revenue:		
Product	1,645	406
Service	1,858	1,815
Total cost of revenue	3,503	2,221
Gross profit	3,220	2,831
Operating expenses:		
Research and development	1,707	2,668
Selling and marketing	982	1,380
General and administrative	2,286	2,105
Severance and restructuring costs	165	484
Transaction costs	816	—
Total operating expenses	5,956	6,637
Loss from operations	(2,736)	(3,806)
Other expense, net	(259)	(228)
Loss before income taxes	(2,995)	(4,034)
Income tax provision	(1)	(34)
Net loss	$ (2,996)	$ (4,068)
Net loss per share, basic	$ (0.06)	$ (0.10)
Net loss per share, diluted	$ (0.06)	$ (0.10)
Weighted average common shares outstanding, basic	49,223	41,307
Weighted average common shares outstanding, diluted	49,223	41,307
Comprehensive loss:		
Net loss	$ (2,996)	$ (4,068)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(576)	41
Unrealized gains on marketable securities	—	1
Total other comprehensive (loss) income	(576)	42
Comprehensive loss	$ (3,572)	$ (4,026)

See accompanying notes to the unaudited condensed consolidated financial statements.

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
(In thousands, except number of shares)

	Common Stock		Additional		Accumulated Other		Total
	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Loss	Accumulated Deficit	Stockholders' Equity
Balances at January 31, 2022	49,347,604	$ 493	$ 265,644	$ (227)	$ (973)	$ (222,413)	$ 42,524
Issuance of common stock pursuant to vesting of restricted stock units	71,117	1	(1)	—	—	—	—
Stock-based compensation expense	—	—	284	—	—	—	284
Foreign currency translation adjustment	—	—	—	—	(576)	—	(576)
Net loss	—	—	—	—	—	(2,996)	(2,996)
Balances at April 30, 2022	49,418,721	$ 494	$ 265,927	$ (227)	$ (1,549)	$ (225,409)	$ 39,236

	Common Stock		Additional		Accumulated Other		Total
	Number of Shares	Par Value	Paid-in Capital	Treasury Stock	Comprehensive Loss	Accumulated Deficit	Stockholders' Equity
Balances at January 31, 2021	37,811,224	$ 378	$ 246,446	$ (227)	$ (73)	$ (214,983)	$ 31,541
Issuance of common stock pursuant to vesting of restricted stock units	178,096	2	(2)	—	—	—	—
Issuance of common stock pursuant to exercise of stock options	95,538	1	136	—	—	—	137
Issuance of common stock, net of issuance costs	10,323,484	103	17,359	—	—	—	17,462
Stock-based compensation expense	—	—	208	—	—	—	208
Unrealized gains on marketable securities	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	41	—	41
Net loss	—	—	—	—	—	(4,068)	(4,068)
Balances at April 30, 2021	48,408,342	$ 484	$ 264,147	$ (227)	$ (31)	$ (219,051)	$ 45,322

See accompanying notes to the unaudited condensed consolidated financial statements.

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	For the Three Months Ended April 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (2,996)	$ (4,068)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	67	376
Loss on disposal of fixed assets	—	77
Gain on write-off of operating lease right-of-use assets and liabilities related to termination	—	(328)
Provision for bad debts	88	—
Stock-based compensation expense	284	208
Realized and unrealized foreign currency transaction loss	357	263
Other	—	1
Changes in operating assets and liabilities:		
Accounts receivable	1,351	(208)
Unbilled receivables	104	1,431
Prepaid expenses and other current assets and other assets	(359)	—
Accounts payable	(652)	34
Accrued expenses and other liabilities	79	173
Deferred revenue	934	221
Net cash used in operating activities	(743)	(1,820)
Cash flows from investing activities:		
Purchases of property and equipment	(15)	(7)
Proceeds from sales and maturities of marketable securities	—	252
Net cash (used in) provided by investing activities	(15)	245
Cash flows from financing activities:		
Proceeds from stock option exercises	—	137
Proceeds from issuance of common stock, net of issuance costs	—	17,462
Net cash provided by financing activities	—	17,599
Effect of exchange rate on cash, cash equivalents and restricted cash	(328)	(199)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,086)	15,825
Cash, cash equivalents and restricted cash at beginning of period	17,856	6,084
Cash, cash equivalents and restricted cash at end of period	$ 16,770	$ 21,909
Supplemental disclosure of cash flow information		
Income tax payments, net	$ 66	$ 101

See accompanying notes to the unaudited condensed consolidated financial statements.

SEACHANGE INTERNATIONAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Nature of Business and Basis of Presentation

SeaChange International, Inc. ("SeaChange," or the "Company"), was incorporated under the laws of the state of Delaware on July 9, 1993. SeaChange is an industry leader in the delivery of multiscreen, advertising and premium over-the-top ("OTT") video management solutions. The Company's software products and services are designed to empower video providers to create, manage and monetize the increasingly personalized, highly engaging experiences that viewers demand.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company consolidates the financial statements of its wholly owned subsidiaries and all intercompany transactions and account balances have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current year presentation.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared by the Company in accordance with the instructions to Quarterly Report on Form 10-Q and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to applicable rules and regulations, although the Company believes the disclosures made are adequate to make the information not misleading. In the opinion of the Company's management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for a fair presentation. The year-end condensed consolidated balance sheet data as of January 31, 2022 was derived from our audited consolidated financial statements and may not include all disclosures required by GAAP. The results of operations for the three months ended April 30, 2022 are not necessarily indicative of the results to be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2022, filed with the SEC on April 8, 2022.

Liquidity

The Company had $16.5 million of available cash as of April 30, 2022, excluding $0.3 million of restricted cash.

The Company believes that existing cash and cash expected to be provided by future operating resultswill be adequate to satisfy its working capital, capital expenditure requirements and other contractual obligations for at least 12 months from the date of this filing.

If the Company's expectations are incorrect, it may need to raise additional funds to fund its operations or take advantage of unanticipated strategic opportunities in order to strengthen its financial position. In the future, the Company may enter into other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require it to seek additional equity or debt financing. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of market opportunities, to develop new products or to otherwise respond to competitive pressures.

Impact of COVID-19 Pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. In the first quarter of fiscal 2021, concerns related to the spread of COVID-19 created global business disruptions as well as disruptions in the Company's operations and created potential negative impacts on its revenues and other financial results. The extent and the magnitude to which COVID-19 will continue to impact the Company's financial condition or results of operations is currently uncertain and depends on factors including the impact on SeaChange's customers, partners, and vendors and on the operation of the global markets in general. Due to the Company's business model, the effect of COVID-19 on its results of operations may also not be fully reflected for some time.

The Company continues to conduct business with substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. These decisions may delay or reduce sales and harm productivity and collaboration. The Company has observed other companies and governments making similar alterations to their normal business operations, and in general, the markets are experiencing a significant level of uncertainty at the current time. Virtualization of the SeaChange team's sales activities could foreclose future business opportunities, particularly as its customers limit spending, which could negatively impact the willingness of the Company's customers to enter into or renew contracts. The pandemic has impacted the Company's ability to complete certain implementations, negatively impacting its ability to recognize revenue, and could also negatively impact the payment of accounts receivable and collections. SeaChange continues to realize its on-going cost optimization efforts in response to the impact of the pandemic. The Company may take further actions that alter its business operations as the situation evolves. As a result, the ultimate impact of the ongoing COVID-19 pandemic and the effects of the operational alterations the Company has made in response on its business, financial condition, liquidity, and financial results cannot be predicted at this time.

Merger Agreement

In December 2021, the Company and Triller Hold Co LLC, a Delaware limited liability company ("Triller"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Triller will be merged with and into SeaChange, and the separate existence of Triller shall cease, with SeaChange continuing as the surviving corporation (the "Merger"). Upon the closing of the Merger, the name of the combined company (the "Post-Merger Company") will be changed to "TrillerVerz Corp."

Pursuant and subject to the terms and conditions of the Merger Agreement, in addition to other contemplated transactions, (i) the parties anticipate that Triller will conduct an offering of convertible notes prior to the closing in an amount in excess of $100 million (the "Triller Convertible Notes"), and (ii) the charter of the Post-Merger Company will provide for two classes of common stock, consisting of Class A common stock ("Buyer Class A Common Stock") and Class B common stock ("Buyer Class B Common Stock"), which Buyer Class B Common Stock is anticipated to provide for super-voting rights to provide its holders 76% or more of the total voting rights.

The stockholders of SeaChange will have the right to elect to receive either (i) their pro rata portion of $25 million cash consideration along with their pro rata portion of an aggregate $75 million in principal of notes (the "Notes Consideration") to be issued by the Post-Merger Company to the holders of common stock (such cash and notes consideration, the "Cash/Notes Consideration") or (ii) a number of shares of Buyer Class A Common Stock (the "Stock Consideration"), in an amount equal to that which such holder would have received if such SeaChange stockholder had purchased the Triller Convertible Notes in an aggregate amount equal to its pro rata portion of the Cash/Notes Consideration and then converted such Triller Convertible Notes at the conversion price at which such Triller Convertible Notes were issued and then participated pro-rata along with the Triller holders in the proposed Merger. Assuming that (i) all holders of SeaChange common stock elect the Stock Consideration and (ii) that Triller issues $250 million of Triller Convertible Notes which convert in connection with the proposed Merger at an agreed discount of 20% to an assumed $5 billion Triller valuation, the stockholders of SeaChange would own approximately 2.3% of the Post-Merger Company and the holders of Triller would hold approximately 97.7% of the Post-Merger Company. If all stockholders of SeaChange elected to receive the Cash/Notes Consideration, such stockholders would have no equity interest in the Post-Merger Company, and the Triller holders would collectively own 100% of the Post-Merger Company. For SeaChange stockholders that elect the Cash/Notes Consideration, each would receive their pro rata portion of such Cash/Notes Consideration which would then also reduce the resulting SeaChange stockholders' ownership percentages by taking into account the payment of the Cash/Notes Consideration and related reduction in the Stock Consideration. The notes (the "Merger Consideration Notes") to be issued to SeaChange stockholders who elect the Cash/Notes Consideration are payable on the one-year anniversary of issuance, bear interest at a rate of 5% per annum and will be automatically converted into Buyer Class A Common Stock at such time as the market capitalization of the Post-Merger Company equals or exceeds $6 billion for ten consecutive trading days. The holders of the Merger Consideration Notes will have the option to convert into Buyer Class A Common Stock if the Post-Merger Company exercises its optional redemption right, which it may do at any time, in whole or in part, on the same terms set forth above. The holders of the Merger Consideration Notes will have recourse against the Post-Merger Company and its assets only to the extent of the Post-Merger Company's interest in certain of its subsidiaries (who will also provide guarantees of the Merger Consideration Notes). The existing subsidiaries of SeaChange prior to the proposed Merger are also anticipated to provide a first lien security interest on their assets securing the Merger Consideration Notes. The Merger Consideration Notes will have limited covenants.

No fractional shares of Buyer Class A Common Stock and Buyer Class B Common Stock will be issued in the Merger, and holders of shares of common stock will receive cash in lieu of any such fractional shares. SeaChange stock options and other equity awards will generally, upon completion of the Merger, be converted into Buyer Class A Common Stock.

The Merger Agreement provides that, upon the closing of the Merger, the board of directors of the Post-Merger Company will be composed of seven members, with all members to be designated by Triller. Upon completion of the Merger, all executive officers of the Post-Merger Company will be appointed by Triller, in each case to serve in such positions until successors are duly elected or appointed.

The respective boards of directors of SeaChange and Triller have approved the Merger Agreement, and have agreed to recommend that SeaChange's stockholders and Triller's unitholders, respectively, adopt the Merger Agreement.

Consummation of the Merger is subject to customary closing conditions, including approvals by SeaChange's stockholders and Triller's unitholders, the absence of certain legal impediments, the expiration or termination of the required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the effectiveness of certain filings with the SEC, the Buyer Class A Common Stock to be issued in the Merger being approved for listing on Nasdaq and SeaChange and Triller having specified levels of working capital.

Neither SeaChange nor Triller is permitted to solicit, initiate or knowingly encourage or induce any alternative transaction proposals from third parties or to engage in discussions or negotiations with third parties regarding any alternative transaction proposals. Notwithstanding this limitation, prior to a party's stockholders or unitholders, as applicable, approving the transactions, including the Merger, such party may under certain circumstances provide information to and participate in discussions or negotiations with third parties with respect to an unsolicited alternative transaction proposal that its board of directors has determined in good faith, after consultation with its outside financial advisors and outside legal counsel, is or could reasonably be expected to lead to a superior proposal. SeaChange's board of directors may change its recommendation to its stockholders (subject to Triller's right to terminate the Merger Agreement following such change in recommendation by the SeaChange board of directors) in response to a superior proposal or an intervening event if the board of directors determines in good faith, after consultation with its outside financial advisors and outside legal counsel, that the failure to take such action would be inconsistent with the exercise of the directors' fiduciary duties under applicable law.

The Merger Agreement contains certain termination rights for both SeaChange and Triller. Upon termination of the Merger Agreement, under certain specified circumstances, (i) SeaChange may be required to pay a termination fee of $4 million to Triller, (ii) Triller may be required to pay a termination fee of $4 million to SeaChange, (iii) SeaChange may be required to reimburse Triller for expenses of up to $1.5 million and (iv) Triller may be required to reimburse SeaChange for expenses of up to $0.75 million.

Immediately prior to the execution of the Merger Agreement, SeaChange entered into an amendment (the "Amendment") to the Tax Benefits Preservation Plan, dated as of March 4, 2019 (the "Rights Agreement"), by and between the SeaChange and Computershare Inc., as rights agent. Pursuant to the Amendment, in connection with the Merger Agreement, Triller and its affiliates and associates will not be deemed an "Acquiring Person" under the Rights Agreement.

In April 2022, SeaChange and Triller entered into the Second Amendment to Agreement and Plan of Merger (the "Second Amendment"). Pursuant to the Second Amendment, the parties clarified the election process for SeaChange stockholders of record, as of the record date to be established by SeaChange for voting on the Merger, to elect the type of consideration that such stockholders shall receive in connection with the Merger—either Cash/Notes Consideration or Stock Consideration. If a SeaChange stockholder does not make a valid election to receive Cash/Notes Consideration before the election deadline to be established, such SeaChange stockholder will be deemed to have elected the Stock Consideration and will receive such Merger consideration as is determined in accordance with the Merger Agreement.

In addition, pursuant to the Second Amendment, the parties revised the calculation of Stock Consideration that will be received by a SeaChange stockholder deemed to have elected to receive such Stock Consideration. Such stockholder will now receive a number of shares of Buyer Class A Common Stock of the surviving corporation in an amount equal to that which such stockholder would have received if such stockholder had purchased, in an aggregate dollar amount equal to its pro rata portion of the Cash/Notes Consideration, Triller Class B common units at the median effective conversion or issuance price of all financings that Triller consummates prior to the Merger (subject to certain exclusions), based on total gross proceeds to Triller, and that such stockholder then participated pro-rata along with the Triller holders in the Merger.

The Company recorded $0.8 million of transaction costs in the first quarter of fiscal 2023, which is included in the condensed consolidated statements of operations and comprehensive loss for the three months ended April 30, 2022. The Company has preliminarily concluded that Triller will be treated as the accounting acquirer, however no affirmative determination can be made until the closing.

2. Significant Accounting Policies

Use of Estimates

The preparation of these unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, those related to revenue recognition, allowance for doubtful accounts, goodwill and intangible assets, impairment of long-lived assets, management's going concern assessment, accounting for income taxes, and the valuation of stock-based awards. The Company bases its estimates on historical experience, known trends and other market-specific or relevant factors that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand and on deposit and highly liquid investments in money market mutual funds. All cash equivalents are carried at cost, which approximates fair value. Restricted cash represents cash that is restricted as to withdrawal or usage and consists primarily of cash held as collateral in relation to obligations set forth by the landlord of the Company's Poland facility.

The following table provides a summary of (i) cash and cash equivalents and (ii) restricted cash in the condensed consolidated statements of cash flows as of the periods presented:

	As of April 30,	
	2022	2021
	(Amounts in thousands)	
Cash and cash equivalents	$ 16,465	$ 21,278
Restricted cash	305	631
Total cash, cash equivalents and restricted cash	$ 16,770	$ 21,909

	As of January 31,	
	2022	2021
	(Amounts in thousands)	
Cash and cash equivalents	$ 17,528	$ 5,856
Restricted cash	328	228
Total cash, cash equivalents and restricted cash	$ 17,856	$ 6,084

Restricted cash is included as a component of other assets in the condensed consolidated balance sheets.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents are carried at fair value determined according to the fair value hierarchy described above. The carrying values of accounts and other receivables, unbilled receivables, accounts payable, and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities.

Concentration of Credit Risk and of Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk include cash, cash equivalents and restricted cash, and accounts receivable. The Company has cash investment policies which, among other things, limit investments to investment-grade securities. The Company restricts its cash equivalents to repurchase agreements with major banks and U.S. government and corporate securities, which are subject to minimal credit and market risk. The Company performs ongoing credit evaluations of its customers.

The Company sells its software products and services worldwide primarily to service providers consisting of operators, telecommunications companies, satellite operators and broadcasters. One customer accounted for 26% of total revenue for the three months ended April 30, 2022 andtwo customers accounted for 18% and 16% of total revenue for the three months ended April 30, 2021. One customer accounted for 11% of the combined accounts receivable, net and unbilled receivables balance as of April 30, 2022. Two customers each accounted for 10% of the combined accounts receivable, net and unbilled receivables balance as of January 31, 2022.

Goodwill and Other Intangible Assets

The Company records goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. The Company estimates of fair value are based upon assumptions believed to be reasonable at that time but such estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results.

Goodwill is tested for impairment annually and more frequently if events and circumstances indicate that the asset might be impaired. The Company has determined it is a single reporting unit for the purpose of conducting the goodwill impairment assessment. A goodwill impairment charge is recorded if the amount by which the Company's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Factors that could lead to a future impairment include material uncertainties such as a significant reduction in projected revenues, a deterioration of projected financial performance, future acquisitions and/or mergers, and a decline in the Company's market value as a result of a significant decline in the Company's stock price. There were no impairment charges recorded during the three months ended April 30, 2022 or 2021.

Impairment of Long-Lived Assets

Long-lived assets primarily consist of property, plant and equipment and intangible assets with finite lives. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future undiscounted cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results

The Company assesses the useful lives and possible impairment of existing recognized long-lived assets whenever events or changes in circumstances occur that indicate that it is more likely than not that an impairment has occurred. Factors considered important which could trigger a review include:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for our overall business;
- identification of other impaired assets within a reporting unit;
- significant negative industry or economic trends;
- a significant decline in our stock price for a sustained period; and
- a decline in our market capitalization relative to net book value.

Determining whether a triggering event has occurred involves significant judgment. There were no triggering events or impairment charges recorded during the three months ended April 30, 2022 or 2021.

Revenue Recognition

Overview

The Company recognizes revenue following the guidance under Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. The Company's revenue is derived from sales of software licenses and associated third party hardware and support services, as well as professional services and support fees related to the Company's software licenses.

The Company recognizes revenue from contracts with customers using a five-step model, which is described below:

- identify the customer contract;
- identify performance obligations that are distinct;
- determine the transaction price;
- allocate the transaction price to the distinct performance obligations; and
- recognize revenue as the performance obligations are satisfied.

Identify the customer contract

A customer contract is generally identified when there is approval and commitment from both the Company and its customer, the rights have been identified, payment terms are identified, the contract has commercial substance and collectability and consideration is probable.

Identify performance obligations that are distinct

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and a company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding sales and VAT taxes that are collected on behalf of government agencies.

Allocate the transaction price to distinct performance obligations

The transaction price is allocated to each performance obligation based on the relative standalone selling prices ("SSP") of the goods or services being provided to the customer. The Company's contracts typically contain multiple performance obligations, for which it accounts for individual performance obligations separately, if they are distinct.

Recognize revenue as the performance obligations are satisfied

The Company enters into contracts that include combinations of license, support and professional services, and third-party products, which are accounted for as separate performance obligations with differing revenue recognition patterns. Revenue is recognized when or as control of the promised goods or services is transferred to customers. The Company's software licenses are primarily delivered on a perpetual basis, whereby the customer receives rights to use the software for an indefinite time period or a specified term and delivery and revenue recognition occurs at the point in time when the customer has the ability to download or access the software. The Company's customers may also contract with it for a Software as a Service ("SaaS") type license whereby the customer only has a right to access the software for a defined term. SaaS licenses are recognized ratably over the subscription period beginning on the date the license is made available to customers.

The Company's services revenue is comprised of support services and professional services. Support services consist of software upgrades on a when-and-if available basis, telephone support, bug fixes or patches and general hardware maintenance support. Revenue related to support services is recognized ratably over the term of the contract. Professional services are recognized as the services are performed.

Revenues attributable to third-party products typically consist of hardware and related support contracts. Hardware products aretypically recognized when control is transferred to the customer, which is defined as the point in time when the client can use and benefit from the hardware. In situations where the hardware is distinct and it is delivered before services are provided and is functional without services, control is transferred upon delivery or acceptance by the customer. Revenue attributable to third-party support contracts is recognized ratably over the term of the contract.

Significant Judgments

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Once the Company determines the performance obligations, it determines the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. The Company then allocates the transaction price to each performance obligation in the contract based on the SSP. The corresponding revenue is recognized as the related performance obligations are satisfied.

Judgment is required to determine the SSP for each distinct performance obligation. The Company determines SSP based on the price at which the performance obligation is sold separately and the methods of estimating SSP under the guidance of ASC 606-10-32-33. If the SSP is not observable through past transactions, the SSP is estimated, taking into account available information such as market conditions, expected margins, and internally approved pricing guidelines related to the performance obligations. The Company enters into contracts with its customers that may include promises to transfer multiple performance obligations in the arrangement, such as software licenses, support, and professional services. The total fee of the contract may consist of one fixed price for all of the performance obligations or each performance obligation may be separately stated in the contract. Regardless of how the performance obligations are priced in the contract, the Company must determine the transaction price for each identified performance obligation. The Company recognizes the portion of the transaction price allocated to the software license on a residual basis. The residual basis is used when the contract arrangement has at least one performance obligation for which the SSP is observable (i.e. hardware and/or support services). The residual method is also utilized to estimate the transaction price for software licenses, as the selling price for software licenses is highly variable and the SSP is not discernable from past transactions or other observable evidence. The Company periodically re-evaluates its use of the residual approach estimate compared to all available observable data before concluding the estimate is representative of SSP. In these contracts, the Company has observable SSP for the associated support services, and hardware, if applicable, that are sold with the software license based on historical observable data of selling support contracts on a standalone basis. The Company also provides SaaS offerings, combining access to hosted software with support services (inclusive of technical support and unspecified upgrades and bug fixes). The hosted software and support services are representative of stand ready obligations with the same pattern of transfer of control. SaaS offerings do not include the right for the customer to take possession of the software during the contract term, and therefore have one distinct performance obligation, which is satisfied over time with revenue recognized ratably over the contract term as the customer consumes the services.

Services revenue is comprised of software license implementation, engineering, training and reimbursable expenses. Services are sold on both a standalone basis and as part of our customer contracts. The Company has concluded these services are typically distinct performance obligations. For implementation, engineering and training services, revenue is recognized on an input method as hours are incurred and services are provided compared to total estimated hours. The Company estimates the SSP for fixed price services based on estimated hours adjusted for historical experience using the time and materials rates charged in standalone service arrangements. When sold on a time and materials basis, SSP for services is determined by observable prices in standalone service arrangements. Certain engineering services sold with support contracts are not distinct in the context of the contract and those services are bundled with other distinct services to form a single stand ready performance obligation which is recognized ratably over the relevant service period.

The Company has utilized the cost-plus margin method to determine the SSP for Framework software support services offerings and hardware sales.When support services are sold on an “a la carte” basis with the Company’s software offerings, the Company typically determines the SSP of these support services based on this pricing relationship and observable data from standalone sales of support contracts. The expected cost-plus margin for hardware is based on the cost of the hardware from third parties, plus a reasonable markup that the Company believes is reflective of a market-based reseller margin. When observable standalone pricing for support service offerings are not readily available, the Company then reverts to the cost-plus margin method to determine the SSP for the support services.

Some contracts have payment terms that differ from the timing of revenue recognition, which requires the Company to assess whether the transaction price for those contracts include a significant financing component. The Company has elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if the Company expects that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service, will be one year or less. For those contracts in which the period exceeds the one-year threshold, this assessment, as well as the quantitative estimate of the financing component and its relative significance, requires judgment. The Company estimates the significant financing component provided to its customers with extended payment terms by determining the present value of the future payments by applying an average standard industry discount rate that reflects the customer’s creditworthiness.

Payment terms with customers typically require payment 30 days from invoice date. Agreements with customers do not provide for any refunds for services or products and therefore no specific reserve for such is maintained. In the infrequent instances where customers raise a concern over delivered products or services, the Company has endeavored to remedy the concern and all costs related to such matters have been insignificant in all periods presented.

The Company occasionally enters into amendments to previously executed contracts that may constitute contract modifications. The amendments are assessed to determine if (1) the additional products and services are distinct from the product and services in the original arrangement; and (2) the amount of consideration expected for the added products and services reflects the SSP of those products and services. An amendment or contract modification meeting both criteria is accounted for as a separate contract. A contract modification not meeting both criteria is considered a change to the original contract and is accounted for on either a prospective basis as a termination of the existing contract and the creation of a new contract or a cumulative catch-up basis.

Contract Balances

Contract assets consist of unbilled revenue, which is recognized as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Unbilled receivables expected to be billed and collected within one year are classified as current assets or long-term assets if expected to be billed and collected after one year (see Note 8).

Costs to Obtain and Fulfill a Contract

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects the benefit of those costs to be longer than one year. The Company has determined that commissions and special incentive payments (“Spiffs”) for hardware and software maintenance and support and professional services paid under its sales incentive programs meet the requirements to be capitalized under ASC 340-40. Costs to obtain a contract are amortized as selling and marketing expense over the expected period of benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract and the estimate of the amortization period. The commissions and Spiffs related to professional services are amortized over time as work is completed. The commissions and Spiffs for hardware and software maintenance are amortized over the life of the contract. These costs are periodically reviewed for impairment. The Company determined that no impairment of these assets existed as of April 30, 2022 or January 31, 2022. The Company has elected to apply the practical expedient and recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less. Total deferred capitalized commission costs were $260 thousand as of April 30, 2022 and $297 thousand as of January 31, 2022. Current deferred capitalized commission costs are included in prepaid expense and other current assets in the condensed consolidated balance sheets and non-current deferred capitalized commission costs are included in other assets in the condensed consolidated balance sheets. Capitalized commissions expensed during the three months ended April 30, 2022 and 2021 were $37 thousand and $49 thousand, respectively, and are included in the condensed consolidated statement of operations and comprehensive loss.

Leases

The Company accounts for leases in accordance with ASC 842, *Leases*. A contract is accounted for as a lease when the Company has the right to control the asset for a period of time while obtaining substantially all of the asset’s economic benefits. The Company determines if an arrangement is a lease or contains an embedded lease at inception. For arrangements that meet the definition of a lease, the Company determines the initial classification and measurement of its right-of-use operating lease asset and corresponding liability at the lease commencement date. The Company determines the classification and measurement of a modified lease at the date it is modified. The lease term includes only renewal options that are reasonably assured to exercise. The present value of lease payments is typically determined by using the Company’s estimated secured incremental borrowing rate for the associated lease term as interest rates implicit in the leases are not normally readily determinable. Management’s policy is to utilize the practical expedient to not record leases with an original term of twelve months or less on the Company’s condensed consolidated balance sheets, and lease payments are recognized in the condensed consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term.

The Company’s existing leases are for facilities only. None of our leases are with related parties. In addition to rent, office leases may require the Company to pay additional amounts for taxes, insurance, maintenance and other expenses, which are generally referred to as non-lease components. As a practical expedient, the Company accounts for the non-lease components together with the lease components as a single lease component for all leases. Only the fixed costs for leases are accounted for as a single lease component and recognized as part of a right-of-use asset and liability.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of unrestricted common shares outstanding during the period. Diluted net loss per share is computed by dividing net loss by the sum of the weighted average number of unrestricted common shares outstanding during the period and the weighted average number of potential common shares from the assumed exercise of stock options and the vesting of shares of restricted and deferred common stock units using the “treasury stock” method when the effect is not anti-dilutive. In periods in which the Company reports a net loss, diluted net loss per share is the same as basic net loss per share.

The number of common shares used in the computation of diluted net loss per share for the periods presented does not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive:

	For the Three Months Ended April 30,	
	2022	**2021**
	(Amounts in thousands)	
Stock options	1,241	1,897
Restricted stock units	—	135
Deferred stock units	—	41
	1,241	2,073

Pending Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which introduces a new methodology for accounting for credit losses on financial instruments, including available-for-sale debt securities and accounts receivable. The guidance establishes a new "expected loss model" that requires entities to estimate current expected credit losses on financial instruments by using all practical and relevant information. Any expected credit losses are to be reflected as allowances rather than reductions in the amortized cost of available-for-sale debt securities. ASU 2016-13 is effective in the first quarter of fiscal 2024. The Company is currently evaluating if this guidance will have a material effect to its consolidated financial statements.

All other ASUs issued but not yet effective are not expected to have a material effect on the Company's future financial statements.

3. Condensed Consolidated Balance Sheet Detail

Property and Equipment, Net

Property and equipment, net consisted of the following:

	As of	
	April 30, 2022	January 31, 2022
	(Amounts in thousands)	
Computer equipment, software and demonstration equipment	$ 3,640	$ 3,689
Office furniture and equipment	247	263
Leasehold improvements	135	143
	4,022	4,095
Less: Accumulated depreciation and amortization	(3,218)	(3,193)
Total property and equipment, net	$ 804	$ 902

Depreciation expense was $67 thousand and $60 thousand for the three months ended April 30, 2022 and 2021, respectively.

Accrued Expenses

Accrued expenses consisted of the following:

	As of	
	April 30, 2022	January 31, 2022
	(Amounts in thousands)	
Accrued employee compensation and benefits	$ 705	$ 1,138
Accrued professional fees	235	433
Sales tax and VAT payable	233	133
Current obligation - right of use operating leases	685	762
Third-party hardware	1,024	12
Accrued other	1,308	1,739
Total accrued expenses	$ 4,190	$ 4,217

4. Goodwill and Intangible Assets

Goodwill represents the difference between the purchase price and the estimated fair value of identifiable assets acquired and liabilities assumed. The Company performs impairment tests related to its goodwill on an annual basis or when certain triggering events or circumstances are identified that would more likely than not reduce the estimated fair value of the goodwill below its carrying amount.

The Company performed a goodwill impairment test as of August 1, 2021 using a quantitative approach. The Company considered macroeconomics, industry-specific and Company-specific factors, and estimates and assumptions in its analysis. The Company estimated the fair value of its reporting unit using the income and market approaches and determined there was no impairment as the fair value exceeded the carrying value.

The following table represents the changes in goodwill since January 31, 2022:

	Goodwill (Amounts in thousands)
Balance as of January 31, 2022	$ 9,882
Translation adjustment	(430)
Balance as of April 30, 2022	$ 9,452

The Company recognized amortization expense of finite-lived intangible assets in the following operating expense categories:

	For the Three Months Ended April 30,	
	2022	2021
	(Amounts in thousands)	
Selling and marketing	$ —	$ 195
Research and development	—	121
	$ —	$ 316

The Company's finite-lived intangible assets were fully amortized as of January 31, 2022.

5. Commitments and Contingencies

Litigation

Certain conditions may exist as of the date the condensed consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to pending legal proceedings, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our condensed consolidated financial statements. If our assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed.

Indemnification and Warranties

The Company provides indemnification, to the extent permitted by law, to its officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee or agent is, or was, serving at the Company's request in such capacity. With respect to acquisitions, the Company provides indemnification to, or assumes indemnification obligations for, the current and former directors, officers and employees of the acquired companies in accordance with the acquired companies' governing documents. As a matter of practice, the Company has maintained directors' and officers' liability insurance including coverage for directors and officers of acquired companies.

The Company enters into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require the Company to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to its products. From time to time, the Company also indemnifies 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 its products and services or resulting from the acts or omissions of the Company, employees, authorized agents or subcontractors. From time to time, the Company has 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. There are no current pending legal proceedings, in the opinion of management, that would have a material adverse effect on the Company's financial position, results from operations and cash flows. There is no assurance that future legal proceedings arising from ordinary course of business or otherwise, will not have a material adverse effect on the Company's financial position, results from operations or cash flows.

The Company warrants its products, including software products, will substantially perform in accordance with standard published specifications in effect at the time of delivery. In addition, the Company provides maintenance support to its customers and therefore allocates a portion of the product purchase price to the initial warranty period and recognizes revenue on a straight-line basis over that warranty period related to both the warranty obligation and the maintenance support agreement. When the Company receives revenue for extended warranties beyond the standard duration, it is deferred and recognized on a straight-line basis over the contract period. Related costs are expensed as incurred.

6. Operating Leases

The Company has operating leases for facilities expiring at various dates through 2025.

The components of lease expense included in the condensed consolidated statements of operations and comprehensive loss are as follows:

	For the Three Months Ended April 30, 2022	For the Three Months Ended April 30, 2021
	(Amounts in thousands)	
Operating lease cost	$ 143	$ 283
Short term lease cost, net	4	5
Total lease cost	$ 147	$ 288

Supplemental cash flow information related to the Company's operating leases was as follows:

	For the Three Months Ended April 30, 2022	For the Three Months Ended April 30, 2021
	(Amounts in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 143	$ 473

Supplemental balance sheet information related to the Company's operating leases was as follows:

	As of April 30, 2022	As of January 31, 2022
	(Amounts in thousands)	
Operating lease right-of-use assets	$ 1,763	$ 2,031
Current portion, operating lease liabilities	685	762
Operating lease liabilities, long term	1,147	1,361
Total operating lease liabilities	$ 1,832	$ 2,123
Weighted average remaining lease term (years)	2.8	3.0
Weighted average incremental borrowing rate	5.0 %	5.0 %

The current portion, operating lease liabilities is included as a component of accrued expenses in the condensed consolidated balance sheets.

Future minimum lease payments for operating leases, with initial or remaining terms in excess of one year as of April 30, 2022 are as follows:

For the Fiscal Years Ended January 31,	Payments for Operating Leases (Amounts in thousands)
2023	$ 581
2024	710
2025	731
Total lease payments	2,022
Less interest	190
Total operating lease liabilities	$ 1,832

In the first quarter of fiscal 2022, the Company entered into a sublease termination agreement (the "Termination Agreement") with respect to its former headquarters in Waltham, Massachusetts. In connection to the Termination Agreement, the Company agreed to pay the sublandlord a total of $0.4 million in termination payments, of which approximately $0.3 million was paid during the three months ended April 30, 2021. The Company also wrote off all related operating lease right-of-use assets and liabilities as of the termination date, resulting in a $0.3 million non-cash gain, which partially offset the loss on termination payments. The net $0.1 million loss on lease termination is reported as a component of severance and restructuring expense on the condensed consolidated statements of operations and comprehensive loss for the three months ended April 30, 2021. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025.

Additionally, in fiscal 2022, the Company entered into two operating sublease agreements (collectively, the "Subleases") with respect to part of its existing Poland facility lease (the "Head Lease"). The Company accounted for the Head Lease and the Subleases as separate contracts and there was no effect on the right-of-use asset or lease liability associated with the Head Lease. The Subleases are short-term and have effective end dates of less than one year from April 30, 2022. The Head Lease rent expense is presented net of sublease income and reported as a component of operating expenses on the condensed consolidated statements of operations and comprehensive loss. The Company recorded $44 thousand of sublease income for the three months ended April 30, 2022.

7. Stockholders' Equity

Equity Plans

Compensation and Incentive Plans

The Company's Second Amended and Restated 2011 Compensation and Incentive Plan (the "2011 Plan") provided for the grant of incentive stock options ("ISOs"), nonqualified stock options ("NQs"), restricted stock, restricted stock units ("RSUs"), deferred stock units ("DSUs"), performance stock units ("PSUs") and other equity based non-stock option awards as determined by the plan administrator to its officers, employees, consultants and directors. The 2011 Plan expired on July 20, 2021.

The Company's 2021 Compensation and Incentive Plan (the "2021 Plan") was proposed by the Board and adopted by the Company's stockholders in July 2021 to permit the continued issuance of equity-based compensation, including the granting of ISOs, NQs, restricted stock, RSUs, DSUs, PSUs, and other equity based non-stock option awards as determined by the plan administrator to officers, employees, consultants and directors. Under the 2021 Plan, the Company may satisfy awards upon the exercise of stock options or the vesting of stock units with newly issued shares or treasury shares. The Board, or a committee of independent members of the Board (the "Committee"), is responsible for the administration of the 2021 Plan and determining the terms of each award, award exercise price, the number of shares for which each award is granted and the rate at which each award vests. In certain instances, the Board or Committee may elect to modify the terms of an award. The number of shares authorized for issuance under the 2021 Plan is 4,896,878, including 2,396,878 shares awarded under the 2011 Plan that may become available for issuance under the 2021 Plan due to the expiration, termination, surrender, or forfeiture of such outstanding awards. As of April 30, 2022, there were 1,620,584 shares available for future grants.

Nonemployee members of the Board may elect to receive DSUs or stock options in lieu of RSUs. The number of units subject to the DSUs is determined as of the grant date and shall fully vest one year from the grant date. The shares underlying the DSUs are not vested and issued until the earlier of the director ceasing to be a member of the Board (provided such time is subsequent to the first day of the succeeding fiscal year) or immediately prior to a change in control.

Option awards may be granted at an exercise price per share of not less than 100% of the fair market value per common share on the date of the grant and not less than 110% of the fair market value per common share on the date of the grant with respect to ISOs granted to employees owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company. Option awards granted under the 2021 Plan generally vest over a period of one to three years and expire ten years from the date of the grant.

The Company has a Long-Term Incentive Program (the "LTI Program"), adopted in fiscal 2016, under which the named executive officers and other key employees may receive long-term equity-based incentive awards, which are intended to align the interests of named executive officers and other key employees with the long-term interests of stockholders and to emphasize and reinforce the Company's focus on team success. Long-term equity-based incentive compensation awards are made in the form of stock options, RSUs and PSUs subject to vesting based in part on the extent to which employment continues.

2015 Employee Stock Purchase Plan

Under the Company's 2015 Employee Stock Purchase Plan (the "ESPP"), six-month offering periods begin on October 1 and April 1 of each year during which eligible employees may elect to purchase shares of common stock according to the terms of the offering. On each purchase date, eligible employees can purchase stock at a price per share equal to 85% of the closing price of the Company's common stock on the exercise date, but no less than par value. The maximum number of shares of our common stock authorized for sale under the ESPP is 1,150,000 shares, of which 1,075,024 remain available under the ESPP as of April 30, 2022. There were no shares purchased under the ESPP during the three months ended April 30, 2022 or 2021 as the Company suspended the ESPP as of April 1, 2020 and is still evaluating when the suspension will be lifted, if at all.

Award Activity

No option awards or RSUs, including DSUs and PSUs, were granted for the three months ended April 30, 2022. There were 36,666 option awards and no RSU awards canceled for the three months ended April 30, 2022.

Stock-Based Compensation

The Company recognized stock-based compensation expense within the condensed consolidated statements of operations and comprehensive loss as follows:

	For the Three Months Ended April 30,	
	2022	2021
	(Amounts in thousands)	
Cost of revenue	$ 8	$ 1
Research and development	6	(77)
Sales and marketing	11	18
General and administrative	259	266
	$ 284	$ 208

As of April 30, 2022, unrecognized stock-based compensation expense related to unvested stock options was approximately $0.3 million, which is expected to be recognized over a weighted average period of 1.5 years. As of April 30, 2022, unrecognized stock-based compensation expense related to unvested RSUs and DSUs was approximately $0.6 million, which is expected to be recognized over weighted average amortization periods of 1.3 years. Additionally, as of April 30, 2022, unrecognized stock-based compensation expense related to unvested PSUs was less than $0.1 million, which is expected to be recognized over a weighted average amortization period of 1.2 years.

8. Accounts Receivables, Contract Assets, and Contract Liabilities

Receivables

The following table summarizes the Company's accounts receivable, net and unbilled receivables:

	As of April 30, 2022	As of January 31, 2022
	(Amounts in thousands)	
Accounts receivable, net	$ 7,274	$ 8,819
Unbilled receivables, current	9,950	9,160
Unbilled receivables, long-term	2,972	3,952
	$ 20,196	$ 21,931

Contract Assets

Contract assets consist of unbilled receivables and are customer committed amounts for which revenue recognition precedes billing, and billing is solely subject to the passage of time.

Unbilled receivables are expected to be billed in the future as follows (amounts in thousands, except percentage amounts):

	As of April 30, 2022	Percentage
1 year or less	$ 9,950	77 %
1-2 years	1,975	15 %
2-5 years	997	8 %
Total unbilled receivables	$ 12,922	100 %

Contract Liabilities

Contract liabilities consist of deferred revenue and customer deposits that arise when amounts are billed to or collected from customers in advance of revenue recognition. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as deferred revenue, long-term. The change in deferred revenue as of April 30, 2022 is due to new billings in advance of revenue recognition offset by revenue recognized during the period.

	Deferred Revenue	
	Current	Long-Term
	(Amounts in thousands)	
Balance as of January 31, 2022	$ 3,947	$ 77
Increase	824	70
Balance as of April 30, 2022	$ 4,771	$ 147

The Company recognized $0.8 million of revenue related to deferred billings for the three months ended April 30, 2022.

Remaining Performance Obligations

The aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied or are partially satisfied as of April 30, 2022 is $24.9 million and consists primarily of undelivered software, service, and support obligations. This amount in part includes amounts billed for undelivered services that are included in deferred revenue reported on the condensed consolidated balance sheets. The Company expects to recognize $16.1 million as revenue within one year, an additional $6.1 million in the following year, and the remaining revenue thereafter. The Company expects to recognize substantially all of the remaining performance obligations by the first quarter of fiscal 2028. Revenue recognized for the three months ended April 30, 2022 related to remaining performance obligations as of the previous fiscal year ended January 31, 2022 was $6.1 million.

9. Disaggregated Revenue and Geographic Information

Disaggregated Revenue

The following table disaggregates revenue by revenue stream:

	For the Three Months Ended April 30, 2022	2021
	(Amounts in thousands)	
Product revenue:		
License and subscription	$ 1,222	$ 1,620
Hardware	1,604	—
Total product revenue	2,826	1,620
Service revenue:		
Maintenance and support	2,939	2,977
Professional services and other	958	455
Total service revenue	3,897	3,432
Total revenue	$ 6,723	$ 5,052

The following table disaggregates revenue by timing of transfer of goods or services:

	For the Three Months Ended April 30, 2022	2021
	(Amounts in thousands)	
Transferred at a point in time		
Product revenue	$ 2,250	$ 1,016
Transferred over time[1]		
Product revenue	576	604
Service revenue	3,897	3,432
Total revenue	$ 6,723	$ 5,052

(1) Comprised of SaaS, hosting, term licenses, support contracts, and professional services.

Geographic Information

The following summarizes revenue by customers' geographic locations:

	For the Three Months Ended April 30, 2022	%	2021	%
	(Amounts in thousands, except percentages)			
Revenue by customers' geographic locations:				
North America[1]	$ 4,328	64%	$ 2,701	53%
Europe and Middle East	1,393	21%	1,961	39%
Latin America	761	11%	213	4%
Asia Pacific	241	4%	177	4%
Total revenue	$ 6,723		$ 5,052	

(1) Includes total revenue for the United States for the periods shown as follows:

	For the Three Months Ended April 30, 2022	2021
	(Amounts in thousands, except percentages)	
U.S. Revenue	$ 3,874	$ 2,198
% of total revenue	58 %	44 %

The following summarizes long-lived assets by geographic locations:

	As of April 30, 2022	%	As of January 31, 2022	%
	(Amounts in thousands, except percentages)			
Long-lived assets by geographic locations(1):				
North America	$ 4,868	81%	$ 6,208	83%
Europe and Middle East	1,143	19%	1,258	17%
Asia Pacific	31	0%	31	0%
Total long-lived assets by geographic location	$ 6,042		$ 7,497	

(1) Excludes goodwill.

10. Income Taxes

Each interim period is considered an integral part of the annual period and, accordingly, the Company measures income tax expense using an estimated annual effective tax rate. The Company is required, at the end of each interim reporting period, to make its best estimate of the annual effective tax rate for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, as adjusted for discrete taxable events that occur during the interim period.

The Company recorded an income tax provision of less than $0.1 million for the three months ended April 30, 2022 and 2021. The Company's effective tax rate in fiscal 2023, and in future periods, may fluctuate on a quarterly basis as a result of changes in jurisdictional forecasts where losses cannot be benefitted due to the existence of valuation allowances on deferred tax assets, changes in actual results versus estimates, or changes in tax laws, regulations, accounting principles or interpretations thereof.

The Company reviews all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as its ability to generate income in future periods. As of April 30, 2022, due to the uncertainty related to the ultimate use of certain deferred income tax assets, we have recorded a valuation allowance on certain deferred assets.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and various foreign jurisdictions. The Company has closed out an audit with the Internal Revenue Service for its U.S. income tax returns through fiscal 2013; however, the taxing authorities will still have the ability to review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as federal research and development credit carryovers.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Form 10-Q contains or incorporates forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and such statements involve risks and uncertainties. The following information should be read in conjunction with the condensed consolidated financial information and the notes thereto included in this Form 10-Q. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part II, Item 1A. "Risk Factors" in our Annual Report on Form 10-K filed on April 8, 2022 and as amended on May 26, 2022 (the "Form 10-K"), for our fiscal year ended January 31, 2022 and elsewhere in this Form 10-Q. These factors may cause our actual results to differ materially from any forward-looking statement. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate, and management's beliefs and assumptions. We undertake no obligation to publicly update or revise the statements in light of future developments. In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf. Words such as "expect," "seek," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict.

Business Overview

SeaChange International, Inc., ("SeaChange," the "Company," "we" or similar terms) was incorporated under the laws of the state of Delaware on July 9, 1993. We are an industry leader in the delivery of multiscreen, advertising and premium over-the-top ("OTT") video management solutions. Our software products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for service providers, telecommunications companies, satellite operators, broadcasters and other content providers. We sell our software products and services worldwide, primarily to service providers including: operators, such as Liberty Global, plc., Altice NV, Cox Communications, Inc. and Rogers Communications, Inc.; telecommunications companies, such as Verizon Communications, Inc., and Frontier Communications Corporation; satellite operators such as Dish Network Corporation; and broadcasters.

Our software products and services are designed to empower video providers to create, manage and monetize the increasingly personalized, highly engaging experiences that viewers demand. Using our products and services, we believe customers can increase revenue by offering services such as video on demand ("VOD") programming on a variety of consumer devices, including televisions, smart phones, PCs, tablets and OTT streaming players. Our solutions enable 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 increasingly required, consumer device options are evolving rapidly, and viewing habits are ever-shifting. The primary driver of our business is enabling the delivery of video content in the changing multiscreen television environment. 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 also position us to further support and maintain our existing service provider customer base. Providing our customers with more scalable software platforms enables them to further reduce their infrastructure costs, improve reliability and expand service offerings to their customers. Additionally, we believe we are well positioned to capitalize on new customers entering the multiscreen marketplace and increasingly serve adjacent markets. Our core technologies provide a foundation for software products and services that can be deployed in next generation video delivery systems capable of increased levels of subscriber activity across multiple devices.

In January 2021, our Chief Executive Officer resigned, and Robert Pons, a member of the Company's Board of Directors (the "Board") was subsequently appointed Executive Chairman and Principal Executive Officer in the interim. In September 2021, Peter Aquino was appointed as the Company's President and Chief Executive Officer. Upon the appointment of Mr. Aquino, Mr. Pons resigned as the Company's Executive Chairman and Principal Executive Officer, but remains Chairman of the Board.

In March 2019, our Board approved and adopted a tax benefits preservation plan (the "Tax Benefits Preservation Plan") to deter acquisitions of our common stock that would potentially limit our ability to use net operating loss carryforwards to reduce our potential future federal income tax obligations. In connection with the Tax Benefits Preservation Plan, we declared a dividend of one preferred share purchase right for each share of our common stock issued and outstanding as of March 15, 2019 to our stockholders of record on that date. The Tax Benefits Preservation Plan was approved by our stockholders at our 2019 annual meeting of stockholders. The Tax Benefits Preservation Plan expired at the close of business on March 4, 2022.

In February 2021, the Company filed a Registration Statement on Form S-3 with the Securities and Exchange Commission (the "SEC"), which registered an indeterminate number of securities using a "shelf" registration or continuous offering process.

Under this shelf registration, we may, from time to time, sell any combination of the securities in one or more offerings up to a total aggregate offering price of $200 million. The shelf registration was declared effective by the SEC on March 16, 2021.

In connection with the shelf registration statement, the Company entered into an underwriting agreement with Aegis Capital Corp. on March 30, 2021, to issue and sell 10,323,484 shares of common stock, $0.01 par value per share ("common stock"), at a public offering price of $1.85 per share (the "Offering"). The Offering closed on April 1, 2021 and resulted in approximately $17.5 million in proceeds, net of underwriting discounts and commissions of 6.5%, or $0.12025 per share of common stock, and offering expenses of approximately $0.2 million. In addition to the Offering, the Company also granted the underwriters a 45-day option (the "Underwriter Option") to purchase up to an additional 1,548,522 shares of common stock at a purchase price of $1.85 per share, less underwriting discounts and commissions. The Underwriter Option was not exercised and has expired.

In March 2021, we entered into a sublease termination agreement (the "Termination Agreement") with respect to our former headquarters in Waltham, Massachusetts. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Termination Agreement, we expect annualized savings of approximately $0.6 million in facilities costs for each of the next three years.

Merger Agreement

In December 2021, the Company and Triller Hold Co LLC, a Delaware limited liability company ("Triller"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which Triller will be merged with and into SeaChange, and the separate existence of Triller shall cease, with SeaChange continuing as the surviving corporation (the "Merger"). Upon the closing of the Merger, the name of the combined company (the "Post-Merger Company") will be changed to "TrillerVerz Corp."

For additional details about the Merger Agreement and related transactions, including the Merger, please see Part I, Item I, Note 1,*"Nature of Business and Basis of Presentation, Merger Agreement"* to this Form 10-Q.

Results of Operations

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

Revenue and Gross Profit

The components of our total revenue and gross profit are described in the following table:

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
Revenue:				
Product revenue:				
License and subscription	$ 1,222	$ 1,620	$ (398)	(24.6%)
Hardware	1,604	—	1,604	100.0%
Total product revenue	2,826	1,620	1,206	74.4%
Service revenue:				
Maintenance and support	2,939	2,977	(38)	(1.3%)
Professional services and other	958	455	503	110.5%
Total service revenue	3,897	3,432	465	13.5%
Total revenue	6,723	5,052	1,671	33.1%
Cost of product revenue	1,645	406	1,239	305.2%
Cost of service revenue	1,858	1,815	43	2.4%
Total cost of revenue	3,503	2,221	1,282	57.7%
Gross profit	$ 3,220	$ 2,831	$ 389	13.7%
Gross product profit margin	41.8%	74.9%		(33.1%)
Gross service profit margin	52.3%	47.1%		5.2%
Gross profit margin	47.9%	56.0%		(8.1%)

One customer accounted for 26% of total revenue for the three months ended April 30, 2022 and two customers accounted for 18% and 16% of total revenue for the three months ended April 30, 2021. See Part I, Item I, Note 2, “Significant Accounting Policies,” to this Form 10-Q for more information.

International revenue accounted for 42% and 56% of total revenue for the three months ended April 30, 2022 and 2021, respectively. The decrease in international sales as a percentage of total revenue for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 is primarily attributable to a $1.6 million increase in hardware sales to U.S. customers as compared to international customers, to which we sold no hardware.

Product Revenue

Product revenue consists of software, both licenses and subscriptions, and hardware revenue. In transactions that include hardware, the goods are purchased from a third-party provider and we record revenue and cost of goods sold on a gross basis. Product revenue increased by $1.2 million for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to the delivery of third-party products and hardware partially offset by a decrease in license and subscription revenue.

Service Revenue

Service revenue consists of maintenance and support and professional services and other. Service revenue increased by $0.5 million for the three months ended April 30, 2022 as compared to the three April 30, 2021 primarily due to an increase in professional services engagements while maintenance and support revenue remained relatively consistent.

Gross Profit and Margin

Cost of revenue consisted primarily of the cost of resold third-party products and services, purchased components and subassemblies, labor and overhead, testing and implementation, and ongoing maintenance of complete systems.

Our gross profit margin decreased 8% for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to an increase in lower margin third-party products and hardware. Gross service profit margin increased 5% for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to an increase in professional services revenue while associated costs remained relatively consistent. Gross product profit margin decreased by 33% for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to the sale and cost of lower margin third-party products.

Operating Expenses

Research and Development

Research and development expenses consist of salaries and related costs, including stock-based compensation for personnel in software development and engineering functions, contract labor costs, depreciation of development and test equipment and an allocation of related facility expenses. The following table provides information regarding the change in research and development expenses during the periods presented:

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
Research and development expenses	$ 1,707	$ 2,668	$ (961)	(36.0 %)
% of total revenue	25.4 %	52.8 %		

Research and development expenses decreased by $1.0 million for the three months ended April 30, 2022 as compared to the three months ended April 30, 202 primarily due to a $0.9 million decrease in salaries and compensation costs associated with the reduction in headcount and outside services in relation to cost-saving efforts implemented in fiscal 2022 and a $0.1 million decrease in intangible amortization expense.

Selling and Marketing

Selling and marketing expenses consist of salaries and related costs, including stock-based compensation for personnel engaged in selling and marketing functions, commissions, travel expenses, certain promotional expenses and an allocation of related facility expenses. The following table provides information regarding the change in selling and marketing expenses during the periods presented:

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
Selling and marketing expenses	$ 982	$ 1,380	$ (398)	(28.8%)
% of total revenue	14.6%	27.3%		

Selling and marketing expenses decreased $0.4 million for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to a $0.2 million decrease in salaries and compensation costs associated with the reduction in headcount and outside services in relation to cost-saving efforts implemented in fiscal 2022 and a $0.2 million decrease in intangible amortization expense.

General and Administrative

General and administrative expenses consist of salaries and related costs, including stock-based compensation for personnel in executive, finance, legal, human resources, information technology and administrative functions, as well as legal and accounting services, insurance premiums and an allocation of related facilities expenses. The following table provides information regarding the change in general and administrative expenses during the periods presented:

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
General and administrative expenses	$ 2,286	$ 2,105	$ 181	8.6%
% of total revenue	34.0%	41.7%		

General and administrative expenses increased by $0.2 million for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021 primarily due to a $0.3 million increase in outside professional fees and a $0.1 million increase in the provision for bad debt partially offset by a decrease in $0.2 million decrease in salaries and compensation associated with the reduction in headcount in relation to cost-saving efforts implemented in fiscal 2022.

Severance and Restructuring Costs

Severance consists of employee-related termination benefits and other severance costs not related to a restructuring plan. Restructuring consists of employee-related termination benefits and facility closure costs. The following table provides information regarding the change in severance and restructuring costs during the periods presented:

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
Severance and restructuring costs	$ 165	$ 484	$ (319)	(65.9%)
% of total revenue	2.5%	9.6%		

Severance and restructuring costs decreased by $0.3 million for the three months ended April 30, 2022 as compared to the three months ended April 30, 2021. Severance and restructuring costs for the three months ended April 30, 2022 consisted of Board and employee-related termination benefits. Severance and restructuring costs for the three months ended April 30, 2021 consisted primarily of Board and employee-related termination benefits as well as a $0.1 million loss on lease termination and a $0.1 million loss on disposal of fixed assets in relation to the Termination Agreement, for which we expect annualized cost savings of $0.6 million over the next three years.

Transaction Costs

Transaction costs to effect the Merger totaled $0.8 million for the three months ended April 30, 2022 and included third-party direct costs such as legal, accounting, and other professional fees. Transaction costs were expensed as incurred and accounted for separately from the Merger consideration.

Other Expense, Net

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

	For the Three Months Ended April 30,		Change	
	2022	2021	$	%
	(Amounts in thousands, except for percentage data)			
Interest income, net	$ 75	$ 26	$ 49	188.5%
Foreign exchange loss, net	(357)	(263)	(94)	35.7%
Miscellaneous income, net	23	9	14	155.6%
	$ (259)	$ (228)	$ (31)	

Our foreign exchange loss, net is primarily due to the revaluation of intercompany notes.

Income Tax Provision

We recorded an income taxprovision of less than $0.1 million for the three months ended April 30, 2022 and 2021. Our effective tax rate in fiscal 2023 and in future periods may fluctuate on a quarterly basis as a result of changes in our jurisdictional forecasts where losses cannot be benefitted due to the existence of valuation allowances on our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles or interpretations thereof.

We review all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as our ability to generate income in future periods. As of April 30, 2022, due to the uncertainty related to the ultimate use of certain deferred income tax assets, we have recorded a valuation allowance on certain deferred assets.

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions and various foreign jurisdictions. We have closed out an audit with the Internal Revenue Service for our U.S. income tax returns through fiscal 2013; however, the taxing authorities will still have the ability to review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as our federal research and development credit carryovers.

Liquidity and Capital Resources

The following table includes key line items of our condensed consolidated statements of cash flows:

	For the Three Months Ended April 30,	
	2022	2021
	(Amounts in thousands)	
Net cash used in operating activities	$ (743)	$ (1,820)
Net cash (used in) provided by investing activities	(15)	245
Net cash provided by financing activities	—	17,599
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(328)	(199)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (1,086)	$ 15,825

Historically, we have financed our operations and capital expenditures primarily with our cash and investments. Our cash, cash equivalents, and restricted cash totaled $16.8 million as of April 30, 2022.

In the first quarter of fiscal 2022, weentered into the Termination Agreement with respect to our former headquarters in Waltham, Massachusett. In connection with the early termination of the sublease the Company paid the sublandlord a termination payment of approximately $0.4 million against an obligation of approximately $2.8 million. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Termination

Agreement, we expect annualized savings of approximately $0.6 million in facilities costs for each of the next three years. Additionally, in the first quarter of fiscal 2022, we issued and sold 10,323,484 shares of common stock at a public offering price of $1.85 per share. The Offering resulted in approximately $17.5 million in proceeds, net of underwriting discounts and commissions of 6.5%, or $0.12025 per share of common stock, and offering expenses of approximately $0.2 million.

We believe that existing cash and cash equivalents and cash expected to be provided by future operating activities will be adequate to satisfy our working capital, capital expenditure requirements and other contractual obligations for at least 12 months from the date of this filing.

If our expectations are incorrect, we may need to raise additional funds to fund our operations or take advantage of unanticipated strategic opportunities in order to strengthen our financial position. In the future, we may enter into other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require us to seek additional equity or debt financing. If adequate funds are not available or are not available on acceptable terms, we may not be able to take advantage of market opportunities, to develop new products or to otherwise respond to competitive pressures.

Net cash used in operating activities

Net cash used in operating activities was $0.7 million for the three months ended April 30, 2022 due to our (i) 3.0 million net loss, (ii) operating activity non-cash adjustments of $0.8 million, including $0.1 million of depreciation expense, a $0.1 million provision for bad debt, $0.3 million of stock-based compensation expense, and $0.4 million of realized and unrealized foreign currency transaction losses, and (iii) net cash inflows of $1.5 million provided by changes in our operating assets and liabilities, including (but not limited to) a $1.4 million decrease in accounts receivable attributable to the collection of perpetual license invoices, a $0.1 million decrease in unbilled receivables attributable to the passage of time on installment invoicing of perpetual licenses previously sold for which we recognized revenue at the time of delivery, a $0.4 million increase in prepaid expenses and other current assets and other assets primarily attributable to the prepayment of annual insurance premiums, a $0.7 million decrease in accounts payable attributable to the timing of vendor payments, a $0.1 million increase in accrued expenses and other liabilities for goods and services received but not yet billed for, and a $0.9 million increase in deferred revenue attributable to up-front invoicing for which we recognize revenue over a period of time.

Net cash used in operating activities was $1.8 million for the three months ended April 30, 2021 due to our (i) $4.1 million net loss, (ii) operating activity non-cash adjustments of $0.6 million, including (but not limited to) $0.4 million of depreciation and amortization expense, a $0.1 million loss on disposal of fixed assets in relation to the closure of our leased facility, $0.2 million of stock-based compensation expense, and $0.3 million of realized and unrealized foreign currency transaction losses, and (iii) net cash inflows of $1.7 million provided by changes in our operating assets and liabilities, including a $0.2 million increase in accounts receivable attributable to a decline in new sales, a $1.4 million decrease in unbilled receivables attributable to the installment invoicing of perpetual licenses previously sold for which we recognized revenue at the time of delivery, a $0.2 million increase in accrued expenses and other liabilities attributable to an increase in outside services received but not yet billed for, and a $0.2 million increase in deferred revenue attributable to relatively consistent up-front invoicing for which we recognize revenue over a period of time.

Net cash used in (provided by) investing activities

Net cash used in investing activities was less than $0.1 million for the three months ended April 30, 2022 due to purchases of property and equipment. Net cash provided by investing activities was $0.2 million for the three months ended April 30, 2021 due to proceeds from the sales and maturities of our marketable securities partially offset by purchases of property and equipment.

Net cash provided by financing activities

The Company engaged in no cash related financing activities for the three months ended April 30, 2022. Net cash provided by financing activities was $17.6 for three months ended April 30, 2021 due to $17.5 million in proceeds from the issuance of common stock, net of issuance costs and $0.1 million in proceeds from stock option exercises.

Impact of COVID-19 Pandemic

COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. In the first quarter of fiscal 2021, concerns related to the spread of COVID-19 created global business disruptions as well as disruptions in our operations and created potential negative impacts on our revenues and other financial results. The extent to which COVID-19 will continue to impact our financial condition or results of operations is currently uncertain and depends on factors including the impact on our customers, partners, and vendors and on the operation of the global markets in general. Due to our business model, the effect of COVID-19 on our results of operations may also not be fully reflected for some time.

We continue to conduct business with substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. These decisions may delay or reduce sales and harm productivity and collaboration. We have observed other companies and governments making similar alterations to their normal business operations, and in general, the markets are experiencing a significant level of uncertainty at the current time. Virtualization of our team's sales activities could foreclose future business opportunities, particularly as our customers limit spending, which could negatively impact the willingness of our customers to enter into or renew contracts with us. The pandemic has impacted our ability to complete certain implementations, negatively impacting our ability to recognize revenue, and could also negatively impact the payment of accounts receivable and collections. We continue to realize our on-going cost optimization efforts in response to the impact of the pandemic. We may take further actions that alter our business operations as the situation evolves. As a result, the ultimate impact of the on-going COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity, and financial results cannot be predicted at this time.

Critical Accounting Policies and Significant Judgments and Estimates

We prepare our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management.

There have been no material changes to our critical accounting policies and estimates during the three months ended April 30, 2022 from those disclosed in our financial statements and the related notes and other financial information included in our Form 10-K on file with the SEC, except for additional updated disclosures as described in Part I, Item I, Note 2, *"Significant Accounting Policies, Revenue Recognition"* to this Form 10-Q.

Off-Balance Sheet Arrangements

During the periods presented herein, we did not have, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Part I, Item I, Note 2, *"Significant Accounting Policies"* to this Form 10-Q for more information.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures. We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures as of April 30, 2022, in accordance with the requirements under Rule 13a-15(b) of the Exchange Act, our principal executive officer and principal financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting. There were no changes in our internal controls over financial reporting during the quarter ended April 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, litigation can have a material adverse effect on us because of defense and settlement costs, diversion of management resources, and other factors.

Further, we enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of our historical 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. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us (see Part I, Item I, Note 2, *"Commitments and Contingencies"* to this Form 10-Q for more information).

ITEM 1A. Risk Factors

Weakened global economic conditions may harm our industry, business and results of operations.

Our overall performance depends in part on worldwide economic conditions. Global financial developments and downturns seemingly unrelated to us or our industry may harm us. The U.S. and other key international economies have been affected from time to time by falling demand for a variety of goods and services, restricted credit, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies, inflation and overall uncertainty with respect to the economy, including with respect to tariff and trade issues.

More recently, inflation rates in the U.S. have increased to levels not seen in several years, which may result in decreased demand for our products and services, increases in our operating costs including our labor costs, constrained credit and liquidity, reduced government spending and volatility in financial markets. The Federal Reserve has raised, and may again raise, interest rates in response to concerns over inflation risk. There continues to be uncertainty in the changing market and economic conditions, including the possibility of additional measures that could be taken by the Federal Reserve and other government agencies, related to the COVID-19 pandemic and concerns over inflation risk.

In addition to other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Form 10-K for the fiscal year ended January 31, 2022, which could materially affect our business, financial conditions, and results of operations. The risks described in our Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The following list of exhibits includes exhibits submitted with this Form 10-Q as filed with the SEC and those incorporated by reference to other filings.

Index to Exhibits

No.	Description
2.1	Second Amendment to Agreement and Plan of Merger, dated April 14, 2022, by and between SeaChange International, Inc. and Triller Hold Co LLC (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K previously filed on April 15, 2022 with the SEC and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q previously filed on June 11, 2021 with the SEC and incorporated herein by reference).
3.2	Amended and Restated By-laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K previously filed on May 18, 2021 with the SEC and incorporated herein by reference).
31.1*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 filed herewith).

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, SeaChange International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 8, 2022

SEACHANGE INTERNATIONAL, INC.

by: /s/ PETER AQUINO

Peter Aquino
President and Chief Executive Officer
(Principal Executive Officer)

by: /s/ MICHAEL PRINN

Michael Prinn
Chief Financial Officer,
Executive Vice President and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Peter Aquino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2022

By: /s/ PETER AQUINO
Peter Aquino
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Prinn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 8, 2022

By: /s/ MICHAEL PRINN
Michael Prinn
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SeaChange International, Inc. (the "*Company*") on Form 10-Q for the period ending April 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Peter Aquino, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2022

/s/ PETER AQUINO
Peter Aquino
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of SeaChange International, Inc. (the "*Company*") on Form 10-Q for the period ending April 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Michael Prinn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2022

/s/ MICHAEL PRINN
Michael Prinn
Chief Financial Officer, Executive Vice President and Treasurer
(Principal Financial Officer)