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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended **October 31, 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**

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**SEACHANGE INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**04-3197974**

(I.R.S. Employer  
Identification No.)

**177 Huntington Ave, Ste 1703 PMB 73480, Boston, MA**

(Address of principal executive offices)

**02115**

(Zip Code)

**(978) 897-0100**

(Registrant's telephone number, including area code)

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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 | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                                     | Emerging growth company   | <input type="checkbox"/>            |

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 December 9, 2022 was 50,189,458.

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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)

|   | October 31,<br>2022<br>(Unaudited) | January 31,<br>2022 |
|---|------------------------------------|---------------------|
| <b>Assets</b>   |                                    |                     |
| Current assets:   |                                    |                     |
| Cash and cash equivalents   | \$ 14,498                          | \$ 17,528           |
| Accounts receivable, net of allowance for doubtful accounts of \$585 and \$500 at October 31, 2022 and January 31, 2022, respectively   | 7,011                              | 8,819               |
| Unbilled receivables, net   | 9,350                              | 9,160               |
| Prepaid expenses and other current assets   | 2,545                              | 2,310               |
| Total current assets  | 33,404                             | 37,817              |
| Property and equipment, net   | 686                                | 902                 |
| Operating lease right-of-use assets   | 1,392                              | 2,031               |
| Goodwill  | -                                  | 9,882               |
| Unbilled receivables, net   | 2,680                              | 3,952               |
| Other assets  | 404                                | 612                 |
| Total assets  | <u>\$ 38,566</u>                   | <u>\$ 55,196</u>    |
| <b>Liabilities and Stockholders' Equity</b>   |                                    |                     |
| Current liabilities:  |                                    |                     |
| Accounts payable  | \$ 3,529                           | \$ 2,960            |
| Accrued expenses  | 2,825                              | 4,217               |
| Deferred revenue  | 2,507                              | 3,947               |
| Total current liabilities   | 8,861                              | 11,124              |
| Deferred revenue  | 47                                 | 77                  |
| Operating lease liabilities   | 787                                | 1,361               |
| Taxes payable   | 98                                 | 110                 |
| Other liabilities   | 3                                  | —                   |
| Total liabilities   | 9,796                              | 12,672              |
| Commitments and contingencies (Note 5)  |                                    |                     |
| Stockholders' equity:   |                                    |                     |
| Common stock, \$0.01 par value per share; 100,000,000 shares authorized; 50,361,378 shares issued and 50,189,458 shares outstanding at October 31, 2022; 49,347,604 shares issued and 49,175,684 shares outstanding at January 31, 2022 | 503                                | 493                 |
| Additional paid-in capital  | 266,352                            | 265,644             |
| Treasury stock, at cost; 171,920 shares at October 31, 2022 and January 31, 2022  | (227 )                             | (227 )              |
| Accumulated other comprehensive loss  | (2,314 )                           | (973 )              |
| Accumulated deficit   | (235,544 )                         | (222,413 )          |
| Total stockholders' equity  | 28,770                             | 42,524              |
| Total liabilities and stockholders' equity  | <u>\$ 38,566</u>                   | <u>\$ 55,196</u>    |

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<br>Ended October 31, |                   | For the Nine Months<br>Ended October 31, |                   |
|---|---|-------------------|--|-------------------|
|   | 2022                                      | 2021              | 2022                                     | 2021              |
| <b>Revenue:</b>   |   |                   |  |                   |
| Product   | \$ 2,183                                  | \$ 3,511          | \$ 7,995                                 | \$ 7,840          |
| Service   | 6,105                                     | 3,640             | 14,340                                   | 10,903            |
| Total revenue   | 8,288                                     | 7,151             | 22,335                                   | 18,743            |
| <b>Cost of revenue:</b>                                       |   |                   |  |                   |
| Product   | 1,622                                     | 1,609             | 4,114                                    | 2,708             |
| Service   | 1,511                                     | 1,830             | 5,087                                    | 5,375             |
| Total cost of revenue   | 3,133                                     | 3,439             | 9,201                                    | 8,083             |
| Gross profit  | 5,155                                     | 3,712             | 13,134                                   | 10,660            |
| <b>Operating expenses:</b>                                    |   |                   |  |                   |
| Research and development                                      | 2,012                                     | 2,090             | 5,675                                    | 6,971             |
| Selling and marketing   | 1,086                                     | 1,449             | 3,002                                    | 4,472             |
| General and administrative                                    | 2,085                                     | 2,110             | 6,479                                    | 6,897             |
| Severance and restructuring costs                             | 379                                       | 75                | 572                                      | 646               |
| Transaction costs   | 5   | —                 | 1,203                                    | —                 |
| Loss on impairment of goodwill                                | 3,255                                     | —                 | 9,098                                    | —                 |
| Total operating expenses                                      | 8,822                                     | 5,724             | 26,029                                   | 18,986            |
| Loss from operations  | (3,667)                                   | (2,012)           | (12,895)                                 | (8,326)           |
| Other expense, net  | (20) <sup>1</sup>                         | (67) <sup>1</sup> | (243) <sup>1</sup>                       | (83) <sup>1</sup> |
| Gain on extinguishment of debt                                | —   | —                 | —  | 2,440             |
| Loss before income taxes                                      | (3,687)                                   | (2,079)           | (13,138)                                 | (5,969)           |
| Income tax (benefit) provision                                | (3)                                       | 26                | (7)                                      | (23)              |
| Net loss  | <u>\$ (3,684)</u>                         | <u>\$ (2,105)</u> | <u>\$ (13,131)</u>                       | <u>\$ (5,946)</u> |
| Net loss per share, basic and diluted                         | \$ (0.07)                                 | \$ (0.04)         | \$ (0.26)                                | \$ (0.13)         |
| Weighted average common shares outstanding, basic and diluted | 50,291                                    | 49,040            | 49,599                                   | 46,334            |
| <b>Comprehensive loss:</b>                                    |   |                   |  |                   |
| Net loss  | \$ (3,684)                                | \$ (2,105)        | \$ (13,131)                              | \$ (5,946)        |
| <b>Other comprehensive loss, net of tax:</b>                  |   |                   |  |                   |
| Foreign currency translation adjustments                      | (290)                                     | (291)             | (1,341)                                  | (649)             |
| Unrealized gains on marketable securities                     | —   | —                 | —  | 1                 |
| Total other comprehensive loss                                | (290)                                     | (291)             | (1,341)                                  | (648)             |
| Comprehensive loss  | <u>\$ (3,974)</u>                         | <u>\$ (2,396)</u> | <u>\$ (14,472)</u>                       | <u>\$ (6,594)</u> |

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<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|---------------------|---------------|----------------------------------|-------------------|---|------------------------|----------------------------------|
|  | Number of<br>Shares | Par Value     |                                  |                   |   |                        |                                  |
| <b>Balances at July 31, 2022</b>                                       | 50,176,824          | \$ 501        | \$ 266,177                       | \$ (227 )         | \$ (2,024 )                                   | \$ (231,860 )          | \$ 32,567                        |
| Issuance of common stock pursuant to vesting of restricted stock units | 184,554             | 2             | (2 )                             | —                 | —   | —                      | —                                |
| Stock-based compensation expense                                       | —                   | —             | 177                              | —                 | —   | —                      | 177                              |
| Foreign currency translation adjustments                               | —                   | —             | —                                | —                 | (290 )  | —                      | (290 )                           |
| Net loss   | —                   | —             | —                                | —                 | —   | (3,684 )               | (3,684 )                         |
| <b>Balances at October 31, 2022</b>                                    | <u>50,361,378</u>   | <u>\$ 503</u> | <u>\$ 266,352</u>                | <u>\$ (227 )</u>  | <u>\$ (2,314 )</u>                            | <u>\$ (235,544 )</u>   | <u>\$ 28,770</u>                 |

|  | Common Stock        |               | Additional<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|---------------------|---------------|----------------------------------|-------------------|---|------------------------|----------------------------------|
|  | Number of<br>Shares | Par Value     |                                  |                   |   |                        |                                  |
| <b>Balances at July 31, 2021</b>         | 49,212,173          | \$ 492        | \$ 264,972                       | \$ (227 )         | \$ (430 )                                     | \$ (218,824 )          | \$ 45,983                        |
| Stock-based compensation expense         | —                   | —             | 274                              | —                 | —   | —                      | 274                              |
| Foreign currency translation adjustments | —                   | —             | —                                | —                 | (291 )  | —                      | (291 )                           |
| Net loss                                 | —                   | —             | —                                | —                 | —   | (2,105 )               | (2,105 )                         |
| <b>Balances at October 31, 2021</b>      | <u>49,212,173</u>   | <u>\$ 492</u> | <u>\$ 265,246</u>                | <u>\$ (227 )</u>  | <u>\$ (721 )</u>                              | <u>\$ (220,929 )</u>   | <u>\$ 43,861</u>                 |

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<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|---------------------|---------------|----------------------------------|-------------------|---|------------------------|----------------------------------|
|  | Number of<br>Shares | Par Value     |                                  |                   |   |                        |                                  |
| <b>Balances at January 31, 2022</b>                                    | 49,347,604          | \$ 493        | \$ 265,644                       | \$ (227)          | \$ (973)                                      | \$ (222,413)           | \$ 42,524                        |
| Issuance of common stock pursuant to vesting of restricted stock units | 1,013,774           | 10            | (10)                             | —                 | —   | —                      | —                                |
| Stock-based compensation expense                                       | —                   | —             | 711                              | —                 | —   | —                      | 711                              |
| Foreign currency translation adjustments                               | —                   | —             | —                                | —                 | (1,341)                                       | —                      | (1,341)                          |
| Short swing profit settlement  | —                   | —             | 7                                | —                 | —   | —                      | 7                                |
| Net loss   | —                   | —             | —                                | —                 | —   | (13,131)               | (13,131)                         |
| <b>Balances at October 31, 2022</b>                                    | <u>50,361,378</u>   | <u>\$ 503</u> | <u>\$ 266,352</u>                | <u>\$ (227)</u>   | <u>\$ (2,314)</u>                             | <u>\$ (235,544)</u>    | <u>\$ 28,770</u>                 |

|  | Common Stock        |               | Additional<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|--|---------------------|---------------|----------------------------------|-------------------|---|------------------------|----------------------------------|
|  | Number of<br>Shares | Par Value     |                                  |                   |   |                        |                                  |
| <b>Balances at January 31, 2021</b>                                    | 37,811,224          | \$ 378        | \$ 246,446                       | \$ (227)          | \$ (73)                                       | \$ (214,983)           | \$ 31,541                        |
| Issuance of common stock pursuant to vesting of restricted stock units | 981,927             | 10            | (10)                             | —                 | —   | —                      | —                                |
| 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                                       | —                   | —             | 1,315                            | —                 | —   | —                      | 1,315                            |
| Unrealized gains on marketable securities                              | —                   | —             | —                                | —                 | 1   | —                      | 1                                |
| Foreign currency translation adjustments                               | —                   | —             | —                                | —                 | (649)   | —                      | (649)                            |
| Net loss   | —                   | —             | —                                | —                 | —   | (5,946)                | (5,946)                          |
| <b>Balances at October 31, 2021</b>                                    | <u>49,212,173</u>   | <u>\$ 492</u> | <u>\$ 265,246</u>                | <u>\$ (227)</u>   | <u>\$ (721)</u>                               | <u>\$ (220,929)</u>    | <u>\$ 43,861</u>                 |

See accompanying notes to the unaudited condensed consolidated financial statements.

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

|   | For the Nine Months<br>Ended October 31, |                  |
|---|--|------------------|
|   | 2022                                     | 2021             |
| <b>Cash flows from operating activities:</b>  |  |                  |
| Net loss  | \$ (13,131 )                             | \$ (5,946 )      |
| Adjustments to reconcile net loss to net cash used in operating activities:                     |  |                  |
| Depreciation and amortization expense   | 187                                      | 1,098            |
| Loss on disposal of fixed assets  | —  | 75               |
| Gain on write-off of operating lease right-of-use assets and liabilities related to termination | —  | (328 )           |
| Gain on extinguishment of debt  | —  | (2,440 )         |
| Provision for bad debts   | 256                                      | (135 )           |
| Stock-based compensation expense  | 711                                      | 1,315            |
| Realized and unrealized foreign currency transaction loss                                       | 547                                      | 399              |
| Loss on impairment of goodwill  | 9,098                                    | —                |
| Other   | —  | 1                |
| Changes in operating assets and liabilities:  |  |                  |
| Accounts receivable   | 1,477                                    | 709              |
| Unbilled receivables, net   | 927                                      | 397              |
| Prepaid expenses and other current assets and other assets                                      | (240 )                                   | 2,007            |
| Accounts payable  | 683                                      | (93 )            |
| Accrued expenses and other liabilities  | (1,241 )                                 | (230 )           |
| Deferred revenue  | (1,394 )                                 | (2,329 )         |
| Net cash used in operating activities   | (2,120 )                                 | (5,500 )         |
| <b>Cash flows from investing activities:</b>  |  |                  |
| Purchases of property and equipment   | (124 )                                   | (78 )            |
| Proceeds from sales and maturities of marketable securities                                     | —  | 252              |
| Net cash (used in) provided by investing activities   | (124 )                                   | 174              |
| <b>Cash flows from financing activities:</b>  |  |                  |
| Proceeds from stock option exercises  | —  | 137              |
| Proceeds from issuance of common stock, net of issuance costs                                   | —  | 17,462           |
| Proceeds from short swing profit settlement   | 7  | —                |
| Net cash provided by financing activities   | 7  | 17,599           |
| Effect of exchange rate on cash, cash equivalents and restricted cash                           | (838 )                                   | (467 )           |
| <b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>                    | <b>(3,075 )</b>                          | <b>11,806</b>    |
| Cash, cash equivalents and restricted cash at beginning of period                               | 17,856                                   | 6,084            |
| Cash, cash equivalents and restricted cash at end of period                                     | <u>\$ 14,781</u>                         | <u>\$ 17,890</u> |
| <b>Supplemental disclosure of cash flow information</b>   |  |                  |
| Income tax payments   | <u>\$ 205</u>                            | <u>\$ 132</u>    |
| <b>Non-cash activities:</b>   |  |                  |
| Purchases of property and equipment included in accounts payable                                | <u>\$ —</u>                              | <u>\$ 72</u>     |

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,” the “Company,” “we” or similar terms), 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 facilitate the aggregation, licensing, management and distribution of video and advertising content for service providers, telecommunications companies, satellite operators, broadcasters and other content providers. The Company enables 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. Further, the Company’s products provide customers an opportunity to insert advertising into broadcast and VOD content.

***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 and nine months ended October 31, 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 and as amended on May 26, 2022.

***Liquidity***

The Company had \$14.5 million of available cash as of October 31, 2022, excluding \$0.3 million of restricted cash.

The Company believes that existing cash and cash expected to be provided by future operating results will 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. However, the duration and intensity of the COVID-19 pandemic and any resulting disruption to the Company’s operations remains uncertain, and the Company will continue to assess the impact of the COVID-19 pandemic on its business, financial condition, liquidity, and financial results.

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. 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.

#### ***Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard***

On June 17, 2022, the Company received a deficiency letter from the Nasdaq Listing Qualifications Department (the "Staff") of the Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that, for the last 30 consecutive business days, the closing bid price for the Company's common stock has been below the minimum \$1.00 per share required for continued listing on The Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). The Nasdaq deficiency letter has no immediate effect on the listing of the Company's common stock, and its common stock will continue to trade on The Nasdaq Global Select Market under the symbol "SEAC" at this time.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has been given 180 calendar days, or until December 14, 2022, to regain compliance with the Minimum Bid Price Requirement. If at any time before December 14, 2022, the bid price of the Company's common stock closes at \$1.00 per share or more for a minimum of 10 consecutive business days, the Staff will provide written confirmation that the Company has achieved compliance.

If the Company does not regain compliance with the Minimum Bid Price Requirement by December 14, 2022, the Company may be afforded a second 180 calendar day period to regain compliance. To qualify, the Company would be required to transfer to The Nasdaq Capital Market, to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, except for the Minimum Bid Price Requirement. In addition, the Company would be required to notify Nasdaq of its intent to cure the deficiency during the second compliance period. Following a transfer to The Nasdaq Capital Market, the Company will be afforded the second 180 calendar day period to regain compliance, unless it does not appear to Nasdaq that it is possible for the Company to cure the deficiency. If the Company does not regain compliance with the Minimum Bid Price Requirement by the end of the compliance period (or the second compliance period, if applicable), the Company's common stock will become subject to delisting. In the event that the Company receives notice that its common stock is being delisted, the Nasdaq Listing Rules permit the Company to appeal a delisting determination by the Staff to a hearings panel.

The Company intends to monitor the closing bid price of its common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, including initiating a reverse stock split. However, there can be no assurance that the Company will be able to regain compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq Listing Rules. The Company filed an application to be listed on The Nasdaq Capital Market on December 6, 2022.

#### ***Termination of 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 (as amended, the "Merger Agreement") pursuant to which Triller planned to merge with and into SeaChange, with the separate existence of Triller ceasing and SeaChange continuing as the surviving corporation (the "Merger").

On June 13, 2022, SeaChange and Triller entered into a Termination Agreement and Release (the "Termination Agreement") pursuant to which SeaChange and Triller mutually agreed to terminate the Merger Agreement. Each party bore its own costs and expenses in connection with the terminated transaction, and neither party paid a termination fee to the other in connection with the terminated transactions. The Termination Agreement also contains mutual releases, whereby each party released the other from any claims of liability relating to the transactions contemplated by the Merger Agreement. The Termination Agreement and related documents are summarized in more detail in the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022. Transaction costs related to the Merger and charged to the condensed consolidated statements of operations and comprehensive loss amounted to less than \$1.2 million for the nine months ended October 31, 2022.

## **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 October 31,      |                  |
|--|------------------------|------------------|
|  | 2022                   | 2021             |
|  | (Amounts in thousands) |                  |
| Cash and cash equivalents                        | \$ 14,498              | \$ 17,551        |
| Restricted cash                                  | 283                    | 339              |
| Total cash, cash equivalents and restricted cash | <u>\$ 14,781</u>       | <u>\$ 17,890</u> |

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

|  | 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 | <u>\$ 17,856</u>       | <u>\$ 6,084</u> |

#### **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, net, accounts payable, and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities.

The Company's quantitative goodwill impairment tests performed as of July 31, 2022 and October 31, 2022 (see Note 4 for further details) utilized unobservable inputs (Level 3), including projections of future revenue and operating income.

#### **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 and corporate bonds. The Company restricts its cash equivalents to repurchase agreements with major banks and U.S. government and corporate securities, some of which are subject to certain credit and market risks. 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. Two customers each accounted for 13% of total revenue for the three months ended October 31, 2022 and one customer accounted for 19% of total revenue for the three months ended October 31, 2021. One customer accounted for 15% of total revenue for the nine months ended October 31, 2022 and one customer accounted for 12% of total revenue for the nine months ended October 31, 2021. One customer accounted for 10% of the combined accounts receivable, net and unbilled receivables, net balance as of October 31, 2022. Two customers each accounted for 10% of the combined accounts receivable, net and unbilled receivables, net 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 on August 1<sup>st</sup> each year, 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.

As a result of the significant decrease in the Company's publicly quoted share price and market capitalization during the second quarter of fiscal year 2023, the Company accelerated its annual impairment test and performed a quantitative test of its goodwill as of July 31, 2022. As a result of this analysis, the Company recognized a \$5.8 million non-cash impairment charge during the second quarter of fiscal year 2023.

In the current fiscal quarter ending October 31, 2022, the Company performed a quantitative test of its goodwill as of October 31, 2022 due to continued decline in the Company's publicly quoted share price and market capitalization, and recognized a non-cash impairment charge of \$3.3 million. As a result of this non-cash impairment charge, goodwill was fully written off the balance sheet as of October 31, 2022. See Note 4 for further details. There were no triggering events or impairment charges during the three and nine months ended October 31, 2021.

Intangible assets are recorded at their estimated fair values at the date of acquisition. The Company amortizes intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

### ***Revenue Recognition***

#### *Overview*

The Company recognizes revenue following the guidance under Accounting Standards Codification ("ASC") Topic 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 in the contract;
- determine the transaction price;
- allocate the transaction price to the 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 in the contract

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 value-added taxes ("VAT") that are collected on behalf of government agencies. Some contracts provide the customer a license to use the Company's functional intellectual property in exchange for royalty payments. These arrangements may include fixed, minimum guaranteed amounts of consideration as well as a variable amount that is contingent on the revenues earned by the customer related to the license.

#### Allocate the transaction price to contract performance obligations

The Company's contracts typically contain multiple 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 for which it accounts for individual performance obligations separately.

#### 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 may be perpetual, whereby the customer receives rights to use the software for an indefinite time period, or the license may be for a specified term. Transfer of the license and revenue recognition, including minimum guaranteed license royalties, occurs at the point in time the customer has the ability to download, use or access the software. Variable license royalties contingent on customer sales of products are recognized when the subsequent sales occur and the contingency is resolved. The Company's customers may also contract for a Software as a Service ("SaaS") offering whereby the customer only has a right to access the Company's 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 are typically 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 observable prices of goods and services when the Company sells those goods and services separately in similar circumstances to similar customers. The Company estimates the SSP of certain goods and services when there is no directly observable separate pricing 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 to be allocated to 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 to allocate revenue when the contract arrangement includes a software license and has at least one performance obligation for which the SSP is observable (i.e., hardware and/or support services). The residual method is used as the selling price for software licenses in circumstances when the transaction price 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 typically has observable SSP for the associated support services, and hardware, if applicable. The Company also provides SaaS offerings, combining access to the Company's software platform with support services (inclusive of technical support and unspecified upgrades and bug fixes). The SaaS offering and support services are 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. Typically, SaaS offerings include one distinct performance obligation, 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 software support services offerings and hardware sales when observable standalone pricing for support service offerings are not readily available. 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.

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*

When either party to a contract has performed, an entity shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable. Contract liabilities, which

consist primarily of deferred revenue as of October 31, 2022 and January 31, 2022, are classified as current liabilities if expected to be invoiced or recognized within the next year. There were no contract assets as of October 31, 2022 and January 31, 2022.

#### *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. Significant judgments made in determining the amount of costs capitalized 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 October 31, 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 \$208 thousand as of October 31, 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 and nine months ended October 31, 2022 were \$19 thousand and \$90 thousand, respectively, and during the three and nine months ended October 31, 2021 were \$59 thousand and \$182 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 Topic 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 stock units, performance stock units and deferred stock units using the “treasury stock” method when the effect is not anti-dilutive. In periods in which we report 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 antidilutive:

|                         | For the Three Months Ended October 31, |              | For the Nine Months Ended October 31, |              |
|-------------------------|--|--------------|---------------------------------------|--------------|
|                         | 2022                                   | 2021         | 2022                                  | 2021         |
|                         | (Amounts in thousands)                 |              | (Amounts in thousands)                |              |
| Stock options           | 1,061                                  | 1,287        | 1,157                                 | 1,542        |
| Performance stock units | 15                                     | —            | —                                     | —            |
| Restricted stock units  | 1,224                                  | 273          | 287                                   | 120          |
| Deferred stock units    | —                                      | 62           | —                                     | 41           |
|                         | <u>2,300</u>                           | <u>1,622</u> | <u>1,444</u>                          | <u>1,703</u> |

#### ***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                  |                  |
|--|------------------------|------------------|
|  | October 31, 2022       | January 31, 2022 |
|  | (Amounts in thousands) |                  |
| Computer equipment, software and demonstration equipment | \$ 3,642               | \$ 3,689         |
| Office furniture and equipment                           | 231                    | 263              |
| Leasehold improvements                                   | 126                    | 143              |
|  | 3,999                  | 4,095            |
| Less: Accumulated depreciation and amortization          | (3,313 )               | (3,193 )         |
| Total property and equipment, net                        | <u>\$ 686</u>          | <u>\$ 902</u>    |

Depreciation expense was \$54 thousand and \$48 thousand for the three months ended October 31, 2022 and 2021, respectively, and \$187 thousand and \$151 thousand for the nine months ended October 31, 2022 and 2021, respectively.

#### ***Accrued Expenses***

Accrued expenses consisted of the following:

|  | As of                  |                  |
|--|------------------------|------------------|
|  | October 31, 2022       | January 31, 2022 |
|  | (Amounts in thousands) |                  |
| Accrued employee compensation and benefits         | \$ 1,162               | \$ 1,138         |
| Accrued professional fees                          | 71                     | 433              |
| Sales tax and VAT payable                          | 36                     | 133              |
| Current obligation - right of use operating leases | 652                    | 762              |
| Third-party hardware                               | —                      | 12               |
| Accrued other                                      | 904                    | 1,739            |
| Total accrued expenses                             | <u>\$ 2,825</u>        | <u>\$ 4,217</u>  |

#### 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.

Due to the significant decrease in the Company's publicly quoted share price and market capitalization during the second quarter of fiscal year 2023, the Company accelerated its annual impairment test and performed a quantitative test of its goodwill as of July 31, 2022 that resulted in a \$5.8 million non-cash impairment charge during the second quarter of fiscal year 2023.

As a result of continued significant decrease in the Company's publicly quoted share price and market capitalization during the third quarter of fiscal year 2023, the Company performed a quantitative impairment test of its goodwill as of October 31, 2022. Based on this quantitative test, the Company incurred a non-cash impairment charge during the third quarter of fiscal year 2023 of \$3.3 million, which represents a write-off of the entire balance of the Company's goodwill.

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

|                                | <b>Goodwill<br/>(Amounts in<br/>thousands)</b> |
|--------------------------------|--|
| Balance as of January 31, 2022 | \$ 9,882                                       |
| Translation adjustment         | (784 )   |
| Impairment                     | (9,098 )                                       |
| Balance as of October 31, 2022 | <u>\$ -</u>                                    |

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

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

|                          | <b>For the Three Months Ended October<br/>31,</b> |               | <b>For the Nine Months Ended October<br/>31,</b> |               |
|--------------------------|---|---------------|--|---------------|
|                          | <b>2022</b>                                       | <b>2021</b>   | <b>2022</b>                                      | <b>2021</b>   |
|                          | <b>(Amounts in thousands)</b>                     |               | <b>(Amounts in thousands)</b>                    |               |
| Selling and marketing    | \$ —  | \$ 184        | \$ —   | \$ 574        |
| Research and development | —   | 114           | —  | 356           |
|                          | <u>\$ —</u>                                       | <u>\$ 298</u> | <u>\$ —</u>                                      | <u>\$ 930</u> |

#### 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 incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's 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. In December 2022, the Company received a demand letter from a customer in connection with an infringement claim related to the indemnification clauses noted below. Management cannot reasonably estimate any potential loss for this claim, however management does not believe any potential loss would be material to the financial statements.



### 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 October 31,<br>2022 | For the Nine Months Ended October 31,<br>2022 |
|----------------------------|--|---|
|                            | (Amounts in thousands)                         |   |
| Operating lease cost       | \$ 111   | \$ 381  |
| Short term lease cost, net | 3  | 11  |
| Total lease cost           | <u>\$ 114</u>                                  | <u>\$ 392</u>                                 |

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

|   | As of October 31, 2022 | As of January 31, 2022 |
|---|------------------------|------------------------|
|   | (Amounts in thousands) |                        |
| Operating lease right-of-use assets           | \$ 1,392               | \$ 2,031               |
| Current portion, operating lease liabilities  | 652                    | 762                    |
| Operating lease liabilities, long term        | 787                    | 1,361                  |
| Total operating lease liabilities             | <u>\$ 1,439</u>        | <u>\$ 2,123</u>        |
| Weighted average remaining lease term (years) | 2.3                    | 3.0                    |
| Weighted average incremental borrowing rate   | 5.0 %                  | 5.0 %                  |

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

|  | For the Three Months<br>Ended October 31, |        | For the Nine Months<br>Ended October 31, |        |
|--|---|--------|--|--------|
|  | 2022                                      | 2021   | 2022                                     | 2021   |
|  | (Amounts in thousands)                    |        | (Amounts in thousands)                   |        |
| Cash paid for amounts included in the measurement of lease liabilities |   |        |  |        |
| Operating cash flows from operating leases                             | \$ 123                                    | \$ 218 | \$ 430                                   | \$ 951 |

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 October 31, 2022 are as follows:

| For the Fiscal Years Ended January 31, | Payments for<br>Operating Leases<br>(Amounts in thousands) |
|--|--|
| 2023                                   | \$ 165   |
| 2024                                   | 670  |
| 2025                                   | 691  |
| Total lease payments                   | 1,526  |
| Less interest                          | 87   |
| Total operating lease liabilities      | <u>\$ 1,439</u>  |

In the first nine months of fiscal 2022, the Company entered into a sublease termination agreement (the "Lease Termination Agreement") with respect to its former headquarters in Waltham, Massachusetts. In connection to the Lease Termination Agreement, the Company agreed to pay the sublandlord a total of \$0.4 million in termination payments for the nine months ended October 31, 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 nine months ended October 31, 2021. Prior to the execution of the Lease Termination Agreement, the sublease had been scheduled to expire in February 2025.

The Company has entered into four operating sublease agreements (collectively, the "Subleases") with respect to part of its existing Poland facility lease (the "Head Lease"), two in fiscal 2022 and two in fiscal 2023. 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. One of the Subleases entered into fiscal 2022 ended during the three months ended October 31, 2022. The remaining Subleases entered into fiscal 2022 and 2023 have effective dates ranging from less than one year to more than two years from October 31, 2022, respectively. The Head Lease rent expense is presented net of income related to the Subleases and reported as a component of operating expenses on the condensed consolidated statements of operations and comprehensive loss. The Company recorded \$66 thousand and \$170 thousand of income related to the Subleases for the three and nine months ended October 31, 2022, respectively, and \$32 thousand of sublease income for the three and nine months ended October 31, 2021.

## 7. Severance and Restructuring Costs

On August 3, 2022, Michael Prinn resigned (the "Resignation") as the Executive Vice President, Chief Financial Officer and Treasurer of the Company. Mr. Prinn remained with the Company until September 30, 2022, to assist with the transition pursuant to the Employee Transition Separation Agreement and General Release signed on August 24, 2022 (the "Release Agreement"). Total severance costs incurred during the three and nine months ended October 31, 2022 related to the Resignation was \$0.4 million, primarily consisting of a salary continuation and bonus for remaining with the Company during August and September. Remaining cash payments under this Release Agreement total \$0.3 million as of October 31, 2022. In addition, the Company is providing COBRA benefits for Mr. Prinn until the sooner of (a) December 31, 2022 or (b) when he becomes eligible for benefits at a new employer, and the Release Agreement includes accelerated vesting of the remaining final tranche of 4,762 restricted stock units ("RSUs") from his RSU grant dated May 26, 2020.

Following the Resignation, on August 3, 2022, the Board appointed Kathleen Mosher as Senior Vice President, Chief Financial Officer and Treasurer of the Company.

During the three and nine months ended October 31, 2022, the Company incurred severance costs of \$0.4 million and \$0.6 million, respectively, primarily for employee-related termination benefits.

## **8. 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.

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.

Following Board approval and recommendation, on August 5, 2022 the Company's stockholders voted in favor of changes to the 2021 Compensation and Incentive Plan (the "Amended and Restated 2021 Plan"). The purpose of the Amended and Restated 2021 Plan is to provide equity and cash incentives to the employees of the Company in order to attract, motivate and retain qualified employees. Changes made to the Amended and Restated 2021 Plan include the addition of 3,000,000 new shares authorized for issuance under the Amended and Restated 2021 Plan and the inclusion of additional methods to satisfy the tax obligations that arise for granted equity awards. The number of shares authorized for issuance under the Amended and Restated 2021 Plan at October 31, 2022 is 7,896,878, 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 October 31, 2022, there were 2,406,953 shares available for future grants.

The Company has a Long-Term Incentive 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 the Company's 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 October 31, 2022. There were no shares purchased under the ESPP during the nine months ended October 31, 2022 and 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**

In the nine months ended October 31, 2022, the Company granted 1,819,405 RSUs at a grant date weighted average fair value of \$0.51 per share and 740,000 PSUs at a grant date weighted average fair value of \$0.21 per share. There were 327,083 option awards and 55,357 RSU awards canceled in the nine months ended October 31, 2022.

The PSUs granted in fiscal year 2023 represent market-based awards to certain officers in connection with their appointment. The PSUs will vest on the attainment of a closing share price of \$2.50 that is held for twenty consecutive trading days within three years from the grant date. In the event of a change in control of the Company, the vesting of the PSUs is based on the employee's time of service from the grant date.

### **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<br>Ended October 31, |               | For the Nine Months<br>Ended October 31, |                 |
|----------------------------|---|---------------|--|-----------------|
|                            | 2022                                      | 2021          | 2022                                     | 2021            |
|                            | (Amounts in thousands)                    |               | (Amounts in thousands)                   |                 |
| Cost of revenue            | \$ 11                                     | \$ 4          | \$ 26                                    | \$ 28           |
| Research and development   | 8   | 7             | 20                                       | (72)            |
| Sales and marketing        | 54  | 21            | 80                                       | 89              |
| General and administrative | 104                                       | 242           | 585                                      | 1,270           |
|                            | <u>\$ 177</u>                             | <u>\$ 274</u> | <u>\$ 711</u>                            | <u>\$ 1,315</u> |

As of October 31, 2022, unrecognized stock-based compensation expense related to unvested stock options was approximately \$0.1 million, which is expected to be recognized over a weighted average period of 1.5 years. As of October 31, 2022, unrecognized stock-based compensation expense related to unvested RSUs was approximately \$1.2 million, which is expected to be recognized over weighted average amortization periods of 2.1 years. Additionally, as of October 31, 2022, unrecognized stock-based compensation expense related to unvested PSUs was \$0.1 million, which is expected to be recognized over a weighted average amortization period of 1.6 years.

## **9. Accounts Receivables, Unbilled Receivables, and Contract Liabilities**

### **Receivables**

A receivable is the Company's right to consideration that is unconditional and subject solely to the passage of time.

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

|                                 | As of October 31,      | As of January 31, |
|---------------------------------|------------------------|-------------------|
|                                 | 2022                   | 2022              |
|                                 | (Amounts in thousands) |                   |
| Accounts receivable, net        | \$ 7,011               | \$ 8,819          |
| Unbilled receivables, current   | 9,350                  | 9,160             |
| Unbilled receivables, long-term | 2,680                  | 3,952             |
|                                 | <u>\$ 19,041</u>       | <u>\$ 21,931</u>  |

As of October 31, 2022, the allowance for unbilled receivables was \$0.2 million. As of January 31, 2022, there was no allowance for unbilled receivables, net.

### **Unbilled Receivables, Net**

Unbilled receivables, net consist of amounts recognized as revenue as performance obligations were transferred to customers for which the Company does not currently have the right to invoice. Unbilled receivables, net are primarily derived from the allocation of contract consideration to products and services, such as software licenses, recognized at the point of time transferred when the payment of such consideration is contingent on transferring support and maintenance services over the subsequent period which is frequently one to three years. There were no impairment losses recognized during the three and nine months ended October 31, 2022.

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

|                                 | As of October 31, |              |
|---------------------------------|-------------------|--------------|
|                                 | 2022              | Percentage   |
| 1 year or less                  | \$ 9,350          | 78 %         |
| 1-2 years                       | 1,711             | 14 %         |
| 2-5 years                       | 969               | 8 %          |
| Total unbilled receivables, net | <u>\$ 12,030</u>  | <u>100 %</u> |

#### 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 October 31, 2022 is due to new billings in advance of revenue recognition offset by revenue recognized during the period.

|                                | Current | Deferred Revenue       |              |
|--------------------------------|---------|------------------------|--------------|
|                                |         | (Amounts in thousands) | Long-Term    |
| Balance as of January 31, 2022 | \$      | 3,947                  | \$ 77        |
| Decrease                       |         | (1,440)                | (30)         |
| Balance as of October 31, 2022 | \$      | <u>2,507</u>           | <u>\$ 47</u> |

The Company recognized \$0.7 million of revenue for the three months ended October 31, 2022 that was included in deferred revenue at the beginning of the period and \$3.1 million of revenue for the nine months ended October 31, 2022 that was included in deferred revenue at the beginning of the period.

#### 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 October 31, 2022 is \$27.5 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 \$18.7 million as revenue within one year, an additional \$5.6 million in the following year, and the remaining revenue thereafter. The Company expects to recognize substantially all of the remaining performance obligations by the second quarter of fiscal 2028. Revenue recognized for the three and nine months ended October 31, 2022 related to remaining performance obligations as of the previous fiscal year ended January 31, 2022 was \$4.2 million and \$14.2 million, respectively.

## 10. Disaggregated Revenue and Geographic Information

#### Disaggregated Revenue

The following table disaggregates revenue by revenue stream:

|                                 | For the Three Months Ended October 31, |                 | For the Nine Months Ended October 31, |                  |
|---------------------------------|--|-----------------|---------------------------------------|------------------|
|                                 | 2022                                   | 2021            | 2022                                  | 2021             |
|                                 | (Amounts in thousands)                 |                 | (Amounts in thousands)                |                  |
| <b>Product revenue:</b>         |  |                 |                                       |                  |
| License and subscription        | \$ 1,430                               | \$ 2,172        | \$ 5,428                              | \$ 6,306         |
| Hardware                        | 753                                    | 1,339           | 2,567                                 | 1,534            |
| Total product revenue           | 2,183                                  | 3,511           | 7,995                                 | 7,840            |
| <b>Service revenue:</b>         |  |                 |                                       |                  |
| Maintenance and support         | 3,144                                  | 3,003           | 9,371                                 | 9,207            |
| Professional services and other | 2,961                                  | 637             | 4,969                                 | 1,696            |
| Total service revenue           | 6,105                                  | 3,640           | 14,340                                | 10,903           |
| Total revenue                   | <u>\$ 8,288</u>                        | <u>\$ 7,151</u> | <u>\$ 22,335</u>                      | <u>\$ 18,743</u> |

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

|  | For the Three Months Ended October 31, |                 | For the Nine Months Ended October 31, |                  |
|--|--|-----------------|---------------------------------------|------------------|
|  | 2022                                   | 2021            | 2022                                  | 2021             |
|  | (Amounts in thousands)                 |                 | (Amounts in thousands)                |                  |
| <b>Transferred at a point in time</b>      |  |                 |                                       |                  |
| Product revenue                            | \$ 1,533                               | \$ 2,893        | \$ 6,288                              | \$ 6,058         |
| Service revenue                            |  |                 |                                       |                  |
| <b>Transferred over time<sup>(1)</sup></b> |  |                 |                                       |                  |
| Product revenue                            | 650                                    | 618             | 1,707                                 | 1,782            |
| Service revenue                            | 6,105                                  | 3,640           | 14,340                                | 10,903           |
| Total revenue                              | <u>\$ 8,288</u>                        | <u>\$ 7,151</u> | <u>\$ 22,335</u>                      | <u>\$ 18,743</u> |

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

### Geographic Information

The following summarizes revenue by customers' geographic locations:

|  | For the Three Months Ended October 31,     |     |                 |     | For the Nine Months Ended October 31,      |     |                  |     |
|--|--|-----|-----------------|-----|--|-----|------------------|-----|
|  | 2022                                       | %   | 2021            | %   | 2022                                       | %   | 2021             | %   |
|  | (Amounts in thousands, except percentages) |     |                 |     | (Amounts in thousands, except percentages) |     |                  |     |
| <b>Revenue by customers' geographic locations:</b> |  |     |                 |     |  |     |                  |     |
| North America <sup>(1)</sup>                       | \$ 5,220                                   | 63% | \$ 4,683        | 65% | \$ 12,694                                  | 58% | \$ 11,713        | 63% |
| Europe and Middle East                             | 2,091                                      | 25% | 1,770           | 25% | 4,993                                      | 22% | 5,310            | 28% |
| Latin America                                      | 794  | 10% | 502             | 7%  | 4,100                                      | 18% | 1,193            | 6%  |
| Asia Pacific                                       | 183  | 2%  | 196             | 3%  | 548  | 2%  | 527              | 3%  |
| Total revenue                                      | <u>\$ 8,288</u>                            |     | <u>\$ 7,151</u> |     | <u>\$ 22,335</u>                           |     | <u>\$ 18,743</u> |     |

(1) Includes total revenue for the U.S. for the periods shown as follows:

|                    | For the Three Months Ended October 31,     |          | For the Nine Months Ended October 31,      |           |
|--------------------|--|----------|--|-----------|
|                    | 2022                                       | 2021     | 2022                                       | 2021      |
|                    | (Amounts in thousands, except percentages) |          | (Amounts in thousands, except percentages) |           |
| U.S. Revenue       | \$ 4,648                                   | \$ 4,142 | \$ 11,228                                  | \$ 10,037 |
| % of total revenue | 56 %                                       | 58 %     | 50 %                                       | 54 %      |

The following summarizes long-lived assets by geographic locations:

|   | As of October 31, 2022                     |     | As of January 31, 2022                     |     |
|---|--|-----|--|-----|
|   | (Amounts in thousands, except percentages) | %   | (Amounts in thousands, except percentages) | %   |
| <b>Long-lived assets by geographic locations<sup>(1)</sup>:</b> |  |     |  |     |
| North America   | \$ 4,178                                   | 81% | \$ 6,208                                   | 83% |
| Europe and Middle East  | 953  | 18% | 1,258                                      | 17% |
| Asia Pacific  | 31   | 1%  | 31   | 0%  |
| Total long-lived assets by geographic location                  | <u>\$ 5,162</u>                            |     | <u>\$ 7,497</u>                            |     |

(1) Excludes goodwill.

## 11. 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 benefit of less than \$0.1 million for the three and nine months ended October 31, 2022. The Company recorded an income tax provision of less than \$0.1 million for the three months ended October 31, 2021 and recorded an income tax benefit of less than \$0.1 million for the nine months ended October 31, 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 October 31, 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.

## **12.Subsequent Event**

On November 22, 2022, the Board of Directors voted to amend the Company's investment policy to expand the categories of investments. Subsequent to the quarter end the Company purchased \$4.9 million of short-term government securities and \$0.5 million of corporate bonds.

## 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 with the SEC 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, but the absence of these words does not mean that a statement is not forward-looking. 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. SeaChange is a leading provider of video delivery, video advertising insertion, streaming enablement and emerging Free Ad-Supported Television ("FAST") products and services for operators, broadcasters and content owners globally. SeaChange's technology portfolio enables clients to launch and grow premium linear TV, direct-to-consumer streaming and FAST channel services on all device types such as Set-Top-Boxes, mobile devices or connected TVs. SeaChange's mission is to maximize the value of video content by providing sophisticated monetization tools that help protect existing and generate new and incremental revenue streams for the SeaChange clients, especially by providing state-of-the-art video ad insertion technology to drive advertising revenues across linear TV, streaming and connected TV inventory. SeaChange markets its 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; connected TV players such as Hisense VIDAA, or broadcasters.

SeaChange serves an exciting global marketplace where content access becomes ubiquitous, and where consumption and monetization continue to transition from linear TV and subscription services to advertising-driven models on connected TVs. With its rich product portfolio and the strategic focus to maximize SeaChange partners' advertising inventory value with services such as targeting, personalization and multi-screen engagement, the Company is well positioned to expand its market share in the booming global video advertising and streaming markets. Providing SeaChange customers with more scalable and cloud-native software platforms enables them to further reduce their infrastructure costs, improve reliability and expand service offerings to their subscribers or viewers. Additionally, SeaChange is well positioned to capitalize on new customers entering the streaming and video advertising 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 and monetization systems capable of increased levels of subscriber activity and inventory transactions across multiple devices.

In January 2021, our Chief Executive Officer resigned, and Robert Pons, a member of 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 remained Chairman of the Board until his resignation effective July 12, 2022. In connection with Mr. Pons' resignation, on July 15, 2022, the Board appointed (i) Peter Aquino as Chairman of the Board, in addition to remaining as the Company's President and Chief Executive Officer, and (ii) Matthew Stecker, a current member of the Board, as Lead Independent Director of the Board.

Other changes in management include the resignation of Michael Prinn, the Executive Vice President, Chief Financial Officer, and Treasurer of SeaChange on August 3, 2022, effective immediately. Following the resignation, on August 3, 2022, the Board appointed Kathleen Mosher as Senior Vice President, Chief Financial Officer and Treasurer of the Company, effective immediately.

On August 4, 2022, Julian Singer resigned as a member of the Board, effective immediately. On August 5, 2022, Igor Volshteyn was elected to the Board as a Class II Director. On August 17, 2022, Mr. Aquino delegated his role as President of SeaChange,



to Mr. Christoph Klimmer, the Company's then-current Senior Vice President and Chief Revenue Officer effective immediately, to rebalance executive roles and responsibilities.

In February 2021, the Company filed a Registration Statement on Form S-3 with 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 Lease Termination Agreement with respect to our former headquarters in Waltham, Massachusetts. Prior to the execution of the Lease Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Lease Termination Agreement, we expect annualized savings of approximately \$0.6 million in facilities costs through the former lease term.

### Termination of Merger Agreement

In December 2021, the Company and Triller entered into a Merger Agreement pursuant to which Triller planned to merge with and into SeaChange, with the separate existence of Triller ceasing and with SeaChange continuing as the surviving corporation.

On June 13, 2022, SeaChange and Triller entered into a Termination Agreement pursuant to which SeaChange and Triller mutually agreed to terminate the Merger Agreement. Each party bore its own costs and expenses in connection with the terminated transaction, and neither party paid a termination fee to the other in connection with the terminated transactions. The Termination Agreement also contains mutual releases, whereby each party released the other from any claims of liability relating to the transactions contemplated by the Merger Agreement. The Termination Agreement and related documents are summarized in more detail in the Company's Current Report on Form 8-K filed with the SEC on June 14, 2022.

### 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<br>October 31,          |          |              |          | For the Nine Months Ended October<br>31,           |           |              |          |
|---------------------------------|--|----------|--------------|----------|--|-----------|--------------|----------|
|                                 | 2022   | 2021     | Change<br>\$ | %        | 2022   | 2021      | Change<br>\$ | %        |
|                                 | (Amounts in thousands, except for percentage data) |          |              |          | (Amounts in thousands, except for percentage data) |           |              |          |
| <b>Revenue:</b>                 |  |          |              |          |  |           |              |          |
| Product revenue:                |  |          |              |          |  |           |              |          |
| License and Subscription        | \$ 1,430   | \$ 2,172 | \$ (742)     | (34.2 %) | \$ 5,428   | \$ 6,306  | \$ (878)     | (13.9 %) |
| Hardware                        | 753  | 1,339    | (586)        | (43.8 %) | 2,567  | 1,534     | 1,033        | 67.3 %   |
| Total product revenue           | 2,183  | 3,511    | (1,328)      | (37.8 %) | 7,995  | 7,840     | 155          | 2.0 %    |
| Service revenue:                |  |          |              |          |  |           |              |          |
| Maintenance and support         | 3,144  | 3,003    | 141          | 4.7 %    | 9,371  | 9,207     | 164          | 1.8 %    |
| Professional services and other | 2,961  | 637      | 2,324        | 364.8 %  | 4,969  | 1,696     | 3,273        | 193.0 %  |
| Total service revenue           | 6,105  | 3,640    | 2,465        | 67.7 %   | 14,340   | 10,903    | 3,437        | 31.5 %   |
| Total revenue                   | 8,288  | 7,151    | 1,137        | 15.9 %   | 22,335   | 18,743    | 3,592        | 19.2 %   |
| Cost of product revenue         | 1,622  | 1,609    | 13           | 0.8 %    | 4,114  | 2,708     | 1,406        | 51.9 %   |
| Cost of service revenue         | 1,511  | 1,830    | (319)        | (17.4 %) | 5,087  | 5,375     | (288)        | (5.4 %)  |
| Total cost of revenue           | 3,133  | 3,439    | (306)        | (8.9 %)  | 9,201  | 8,083     | 1,118        | 13.8 %   |
| Gross profit                    | \$ 5,155   | \$ 3,712 | \$ 1,443     | 38.9 %   | \$ 13,134  | \$ 10,660 | \$ 2,474     | 23.2 %   |
| Product gross profit margin     | 25.7 %   | 54.2 %   |              | (28.5 %) | 48.5 %   | 65.5 %    |              | (16.9 %) |
| Service gross profit margin     | 75.2 %   | 49.7 %   |              | 25.5 %   | 64.5 %   | 50.7 %    |              | 13.8 %   |
| Gross profit margin             | 62.2 %   | 51.9 %   |              | 10.3 %   | 58.8 %   | 56.9 %    |              | 1.9 %    |

Two customers each individually accounted for 13% of total revenue for the three months ended October 31, 2022 and one customer accounted for 19% of total revenue for the three months ended October 31, 2021. One customer accounted for 15% of

total revenue for the nine months ended October 31, 2022 and one customer accounted for 12% of total revenue for the nine months ended October 31, 2021. See Part I, Item I, Note 2, "Significant Accounting Policies," to this Form 10-Q for more information.

International revenue accounted for 44% and 42% of total revenue for the three months ended October 31, 2022 and 2021, respectively, and 50% and 46% of total revenue for the nine months ended October 31, 2022 and 2021, respectively. The increase in international sales as a percentage of total revenue for the three months ended October 31, 2022 as compared to the three months ended October 31, 2021 is primarily attributable to an increase in international revenue of \$0.6 million, driven by increased product sales. U.S. revenue increased by \$0.5 million, driven by increased services offset by a reduction in product sales, but the increase was at a lower rate than international revenue. The increase in international sales as a percentage of total revenue for the nine months ended October 31, 2022 as compared to the nine months ended October 31, 2021 is primarily attributable to an increase in international revenue at a higher rate of increase than U.S. revenue. The increase to international revenue is driven by higher license sales, while the increase in U.S. revenue is driven by increased services, offset by a reduction in product sales.

#### *Product Revenue*

Product revenue consists of software, both licenses and subscriptions, and third-party hardware and software revenue. In transactions that include hardware and software not provided by SeaChange, the goods are purchased from a third-party provider and we record revenue and cost of goods sold on a gross basis. Product revenue decreased by \$1.3 million for the three months ended October 31, 2022 compared to the three months ended October 31, 2021 primarily due to a decrease in perpetual license sales as well as a decrease in third-party product sales. Product revenue increased by \$0.2 million for the nine months ended October 31, 2022 compared to the nine months ended October 31, 2021, primarily due to the delivery of third-party products, partially offset by a decrease in perpetual license sales.

#### *Service Revenue*

Service revenue consists of maintenance and support and professional services and other. Service revenue increased by \$2.5 million and \$3.4 million for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively. The increase in both the three and nine months ended October 31, 2022 is primarily due to an increase in professional services revenue, driven by increased sales and higher utilization of the professional services team, 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 increased 39% for the three months ended October 31, 2022 as compared to the three months ended October 31, 2021, reflecting an increased professional services margin, driven primarily by a dedicated, fully-utilized team for one significant customer. Gross profit margin increased 23% for the nine months ended October 31, 2022 as compared to the nine months ended October 31, 2021, reflecting an increase in services margin, driven by the high-margin professional services revenue previously mentioned, partially offset by a decrease in product margin due to lower-margin third-party products delivered in the period. Service gross profit margin increased 154% and 67% for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively, primarily due to an increase in professional services revenue, due to higher utilization of the professional services team, while associated costs remained relatively consistent. Product gross profit margin decreased by 71% and 24% for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively, 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 October 31,             |          |         |         | For the Nine Months Ended October 31,              |          |            |          |
|-----------------------------------|--|----------|---------|---------|--|----------|------------|----------|
|                                   | 2022   | 2021     | Change  |         | 2022   | 2021     | Change     |          |
|                                   |  |          | \$      | %       |  |          | \$         | %        |
|                                   | (Amounts in thousands, except for percentage data) |          |         |         | (Amounts in thousands, except for percentage data) |          |            |          |
| Research and development expenses | \$ 2,012   | \$ 2,090 | \$ (78) | (3.7 %) | \$ 5,675   | \$ 6,971 | \$ (1,296) | (18.6 %) |
| % of total revenue                | 24.3 %   | 29.2 %   |         |         | 25.4 %   | 37.2 %   |            |          |

Research and development expenses decreased by \$0.1 million and \$1.3 million for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively. The decrease in research and development expenses for the three months ended October 31, 2022 was 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 \$0.1 million decrease in asset intangible amortization expense. These decreases were partially offset by an increase in contract labor of \$0.2 million. The decrease in research and development expenses for the nine months ended October 31, 2022 were primarily due to a \$0.7 million decrease in salaries and compensation costs and a \$0.4 million decrease in contract labor associated with the reduction in headcount and outside services in relation to cost-saving efforts implemented in fiscal 2022, and a \$0.4 million decrease in intangible asset 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 October 31,             |          |          |          | For the Nine Months Ended October 31,              |          |            |          |
|--------------------------------|--|----------|----------|----------|--|----------|------------|----------|
|                                | 2022   | 2021     | Change   |          | 2022   | 2021     | Change     |          |
|                                |  |          | \$       | %        |  |          | \$         | %        |
|                                | (Amounts in thousands, except for percentage data) |          |          |          | (Amounts in thousands, except for percentage data) |          |            |          |
| Selling and marketing expenses | \$ 1,086   | \$ 1,449 | \$ (363) | (25.1 %) | \$ 3,002   | \$ 4,472 | \$ (1,470) | (32.9 %) |
| % of total revenue             | 13.1 %   | 20.3 %   |          |          | 13.4 %   | 23.9 %   |            |          |

Selling and marketing expenses decreased by \$0.4 million and \$1.5 million for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively. The decreases in selling and marketing expenses for the three months ended October 31, 2022 were primarily due to a reduction in contract labor of \$0.1 million, a \$0.2 million decrease in intangible asset amortization and a \$0.1 million decrease in professional fees and outside services. The decrease for the nine months ended October 31, 2022 are primarily attributable to a \$0.6 million decrease in compensation associated with the reduction in headcount in relation to cost-saving efforts implemented in fiscal 2022, a \$0.2 million reduction in professional fees and outside services, a \$0.1 million reduction in contract labor, and a \$0.6 million decrease in intangible asset amortization due to the intangible assets being fully amortized.

#### *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 October 31,             |          |         |         | For the Nine Months Ended October 31,              |          |          |         |
|-------------------------------------|--|----------|---------|---------|--|----------|----------|---------|
|                                     | 2022   | 2021     | Change  |         | 2022   | 2021     | Change   |         |
|                                     |  |          | \$      | %       |  |          | \$       | %       |
|                                     | (Amounts in thousands, except for percentage data) |          |         |         | (Amounts in thousands, except for percentage data) |          |          |         |
| General and administrative expenses | \$ 2,085   | \$ 2,110 | \$ (25) | (1.2 %) | \$ 6,479   | \$ 6,897 | \$ (418) | (6.1 %) |
| % of total revenue                  | 25.2 %   | 29.5 %   |         |         | 29.0 %   | 36.8 %   |          |         |

General and administrative expenses decreased by less than \$0.1 million and \$0.4 million for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively. The decrease in general and administrative expenses for the three months ended October 31, 2022 were primarily due to a \$0.1 million decrease in share-based compensation expense, offset by a \$0.1 million increase in legal and outside professional fees. The decrease in general and administrative expenses for the nine months ended October 31, 2022 were primarily due to a \$0.7 million decrease in share-based compensation expense and a \$0.2 million decrease in salaries and compensation associated with the reduction in headcount in relation to cost-saving efforts implemented in fiscal 2022, partially offset by a \$0.4 million increase in the provision for bad debts.

#### 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 October 31,             |       |        |         | For the Nine Months Ended October 31,              |        |         |          |
|-----------------------------------|--|-------|--------|---------|--|--------|---------|----------|
|                                   | 2022   | 2021  | Change |         | 2022   | 2021   | Change  |          |
|                                   | (Amounts in thousands, except for percentage data) |       |        |         | (Amounts in thousands, except for percentage data) |        |         |          |
| Severance and restructuring costs | \$ 379   | \$ 75 | \$ 304 | 405.3 % | \$ 572   | \$ 646 | \$ (74) | (11.5 %) |
| % of total revenue                | 4.6 %  | 1.0 % |        |         | 2.6 %  | 3.4 %  |         |          |

Severance and restructuring costs increased by \$0.3 million and decreased by \$0.1 million for the three and nine months ended October 31, 2022, respectively, as compared to the three and nine months ended October 31, 2021, respectively. Severance and restructuring costs for the three months ended October 31, 2022 were less than \$0.4 million. Severance and restructuring costs for the nine months ended October 31, 2022 consisted primarily of employee-related termination benefits in the amount of \$0.4 million.

#### Transaction Costs

Transaction costs related to the terminated Merger totaled less than \$0.1 million and \$1.2 million for the three and nine months ended October 31, 2022, respectively, and included third-party direct costs such as legal, accounting, and other professional fees. Transaction costs were expensed as incurred.

#### Loss on Impairment of Goodwill

As a result of the significant decrease in our publicly quoted share price and market capitalization during the second and third quarters of fiscal 2023, we performed a quantitative test of our goodwill as of July 31, 2022 and October 31, 2022. As a result of these quantitative tests, we identified an impairment to goodwill resulting in recognition of a \$5.8 million non-cash goodwill impairment charge in the second quarter of fiscal 2023 and a \$3.3 million non-cash goodwill impairment charge in the third quarter of fiscal 2023, for a total of \$9.1 million for the nine months ended October 31, 2022. There were no impairment charges recorded during the three and nine months ended October 31, 2021.

#### Other Income (Expense), Net

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

|                            | For the Three Months Ended October 31,             |                |              |          | For the Nine Months Ended October 31,              |                |                 |          |
|----------------------------|--|----------------|--------------|----------|--|----------------|-----------------|----------|
|                            | 2022   | 2021           | Change       |          | 2022   | 2021           | Change          |          |
|                            | (Amounts in thousands, except for percentage data) |                |              |          | (Amounts in thousands, except for percentage data) |                |                 |          |
| Interest income, net       | \$ 105   | \$ 80          | \$ 25        | 31.3 %   | \$ 270   | \$ 188         | \$ 82           | 43.6 %   |
| Foreign exchange loss, net | (129)  | (198)          | 69           | (34.8 %) | (547)  | (399)          | (148)           | 37.1 %   |
| Miscellaneous income, net  | 4  | 51             | (47)         | (92.2 %) | 34   | 128            | (94.00)         | (73.4 %) |
|                            | <u>\$ (20)</u>                                     | <u>\$ (67)</u> | <u>\$ 47</u> |          | <u>\$ (243)</u>                                    | <u>\$ (83)</u> | <u>\$ (160)</u> |          |

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

### Income Tax Provision

We recorded income tax benefits and provisions of less than \$0.1 million for the three and nine months ended October 31, 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 benefited 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 October 31, 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 Nine Months Ended October 31, |                  |
|---|---------------------------------------|------------------|
|   | 2022                                  | 2021             |
|   | (Amounts in thousands)                |                  |
| Net cash used in operating activities   | \$ (2,120 )                           | \$ (5,500 )      |
| Net cash (used in) provided by investing activities                           | (124 )                                | 174              |
| Net cash provided by financing activities                                     | 7                                     | 17,599           |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (838 )                                | (467 )           |
| Net (decrease) increase in cash, cash equivalents and restricted cash         | <u>(3,075 )</u>                       | <u>\$ 11,806</u> |

Historically, we have financed our operations and capital expenditures primarily with our cash and investments. Our cash, cash equivalents, and restricted cash totaled \$14.8 million as of October 31, 2022. In December 2022, we purchased \$4.9 million of short-term government securities and \$0.5 million of corporate bonds.

In the first nine months of fiscal 2022, we entered into the Lease Termination Agreement with respect to our former headquarters in Waltham, Massachusetts. 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 Lease Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Lease Termination Agreement, we expect annualized savings of approximately \$0.6 million in facilities costs through the former lease term. Additionally, in the first nine months 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.

### Continued Nasdaq Listing

On June 17, 2022, we received a deficiency letter from the Staff notifying us that, for the last 30 consecutive business days, the closing bid price for our common stock has been below the Minimum Bid Price Requirement. The Nasdaq deficiency letter has no immediate effect on the listing of our common stock, and our common stock will continue to trade on The Nasdaq Global Select Market under the symbol "SEAC" at this time.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been given 180 calendar days, or until December 14, 2022, to regain compliance with the Minimum Bid Price Requirement. If at any time before December 14, 2022, the bid price of our common stock closes at \$1.00 per share or more for a minimum of 10 consecutive business days, the Staff will provide written confirmation that the Company has achieved compliance.

If we do not regain compliance with the Minimum Bid Price Requirement by December 14, 2022, we may be afforded a second 180 calendar day period to regain compliance. To qualify, we would be required to transfer to The Nasdaq Capital Market, to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, except for the Minimum Bid Price Requirement. In addition, we would be required to notify Nasdaq of our intent to cure the deficiency during the second compliance period. Following a transfer to The Nasdaq Capital Market, we will be afforded the second 180 calendar day period to regain compliance, unless it does not appear to Nasdaq that it is possible for us to cure the deficiency. If we do not regain compliance with the Minimum Bid Price Requirement by the end of the compliance period (or the second compliance period, if applicable), our common stock will become subject to delisting. In the event that we receive notice that our common stock is being delisted, the Nasdaq listing rules permit us to appeal a delisting determination by the Staff to a hearings panel.

We intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, including initiating a reverse stock split. However, there can be no assurance that we will be able to regain compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq Listing Rules. compliance with the Minimum Bid Price Requirement or will otherwise be in compliance with other Nasdaq Listing Rules. The Company filed an application to be listed on The Nasdaq Capital Market on December 6, 2022.

#### ***Net cash used in operating activities***

Net cash used in operating activities was \$2.1 million for the nine months ended October 31, 2022. Net cash used in operating activities was primarily the result of our net loss of \$13.1 million, offset by a \$9.1 million non-cash goodwill impairment charge, \$0.2 million non-cash expense for depreciation and amortization, a \$0.7 million non-cash expense for stock-based compensation and a \$0.5 million non-cash foreign currency transaction loss, and changes in working capital, which include a \$1.5 million decrease in accounts receivable, a \$0.9 million increase in unbilled receivables, a \$0.2 million increase in prepaid expenses and other current assets and other assets, a \$0.7 million increase in accounts payable, a \$1.2 million decrease in accrued expenses and other liabilities and a \$1.4 million decrease in deferred revenue.

Net cash used in operating activities was \$5.5 million for the nine months ended October 31, 2021. Net cash used in operating activities was primarily the result of our net loss of \$5.9 million, a \$1.1 million non-cash expense for depreciation and amortization, a \$1.3 million non-cash expense for stock-based compensation, a \$0.3 million non-cash gain on the write-off of our operating lease right-of-use assets and liabilities in relation to the Waltham lease termination, a \$2.4 million non-cash gain on extinguishment of debt related to the fully forgiven Paycheck Protection Program note, a \$0.4 million non-cash foreign currency transaction loss, and changes in working capital, which include a \$0.7 million decrease in accounts receivable, a \$0.4 million decrease in unbilled receivables, a \$2.0 million decrease in prepaid expenses and other current assets and other assets, a \$0.1 million decrease in accounts payable, a \$0.2 million decrease in accrued expenses and other liabilities, and a \$2.3 million decrease in deferred revenue.

#### ***Net cash (used in) provided by investing activities***

Net cash used in investing activities was \$0.1 million for the nine months ended October 31, 2022 due to purchases of property and equipment. Net cash provided by investing activities was \$0.2 million for the nine months ended October 31, 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 had less than \$0.1 million in financing activities for the nine months ended October 31, 2022. Net cash provided by financing activities was \$17.6 million for nine months ended October 31, 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 the Company's operations and created potential negative impacts on its revenues and other financial results. However, the duration and intensity of the COVID-19 pandemic and any resulting disruption to the Company's operations remains uncertain, and the Company will continue to assess the impact of the COVID-19 pandemic on its business, financial condition, liquidity, and financial results.

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. 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.

#### **Critical Accounting Policies and Significant Judgments and Estimates**

We prepare our condensed consolidated financial statements in accordance with GAAP. 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 nine months ended October 31, 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*" of 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 Exchange Act of 1934 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 October 31, 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 October 31, 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).

In December 2022, we received a demand letter from a customer in connection with an infringement claim. Management cannot reasonably estimate any potential loss related to this claim, however management does not believe any potential loss would be material to the financial statements.

### **ITEM 1A. Risk Factors**

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risks discussed in our Quarterly Report on Form 10-Q filed with the SEC on June 8, 2022 (the "June 2022 10-Q"), our Form 10-K and those set forth from time to time in our other filings with the SEC. There have been no material changes in our risk factors from those described in our Form 10-K and our June 2022 10-Q. The risks described in such reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and 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  |
|----------|--|
| 3.1      | <a href="#"><u>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).</u></a>   |
| 3.2      | <a href="#"><u>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).</u></a>  |
| 10.1     | <a href="#"><u>Offer Letter, dated August 3, 2022, by and between SeaChange International, Inc. and Kathleen Mosher. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on August 9, 2022 with the SEC and incorporated herein by reference).</u></a>   |
| 10.2     | <a href="#"><u>Managing Director Service Contract dated August 16, 2022 between SEAC Germany GmbH and Christoph Klimmer (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on August 17, 2022 with the SEC and incorporated herein by reference).</u></a>   |
| 10.3     | <a href="#"><u>Supplement to Managing Director Service Contract dated August 16, 2022 between SEAC Germany GmbH and Christoph Klimmer (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K previously filed on August 17, 2022 with the SEC and incorporated herein by reference).</u></a>   |
| 10.4     | <a href="#"><u>Employee Transition Separation Agreement and General Release between SeaChange International, Inc. and Michael Prinn dated August 24, 2022 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on August 30, 2022 with the SEC and incorporated herein by reference).</u></a>   |
| 10.5     | <a href="#"><u>SeaChange International, Inc. Amended and Restated 2021 Compensation and Incentive Plan and forms of Non-Employee Director Deferred Stock Unit Agreement, Non-Employee Director Restricted Stock Unit Agreement, Employee Restricted Stock Unit Agreement, Employee Performance Stock Unit Agreement, Section 16 Officer Restricted Stock Unit Agreement, Section 16 Officer Performance Stock Unit Agreement, Incentive Stock Option Agreement and Non-Qualified Stock Option Agreement thereunder (filed as Exhibit 99.1 to SeaChange's Registration Statement on Form S-8 previously filed on September 16, 2022 with the SEC and incorporated herein by reference).</u></a> |
| 31.1*    | <a href="#"><u>Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>   |
| 31.2*    | <a href="#"><u>Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>   |
| 32.1**   | <a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>   |
| 32.2**   | <a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>   |
| 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: December 14, 2022

**SEACHANGE INTERNATIONAL, INC.**

by: /s/ PETER AQUINO  
Peter Aquino  
*Chief Executive Officer*  
(Principal Executive Officer)

by: /s/ KATHLEEN MOSHER  
Kathleen Mosher  
*Chief Financial Officer,*  
*Senior Vice President and Treasurer*  
(Principal Financial Officer and Principal Accounting Officer)



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: December 14, 2022

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

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CERTIFICATION

I, Kathleen Mosher, 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: December 14, 2022

By: /s/ KATHLEEN MOSHER  
Kathleen Mosher  
*Chief Financial Officer, Senior Vice President and Treasurer*  
*(Principal Financial Officer)*

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**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 October 31, 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: December 14, 2022

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

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**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 October 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Kathleen Mosher, 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: December 14, 2022

/s/ KATHLEEN MOSHER  
Kathleen Mosher  
*Chief Financial Officer, Senior Vice President and Treasurer  
(Principal Financial Officer)*

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