S&P Global
Market Intelligence

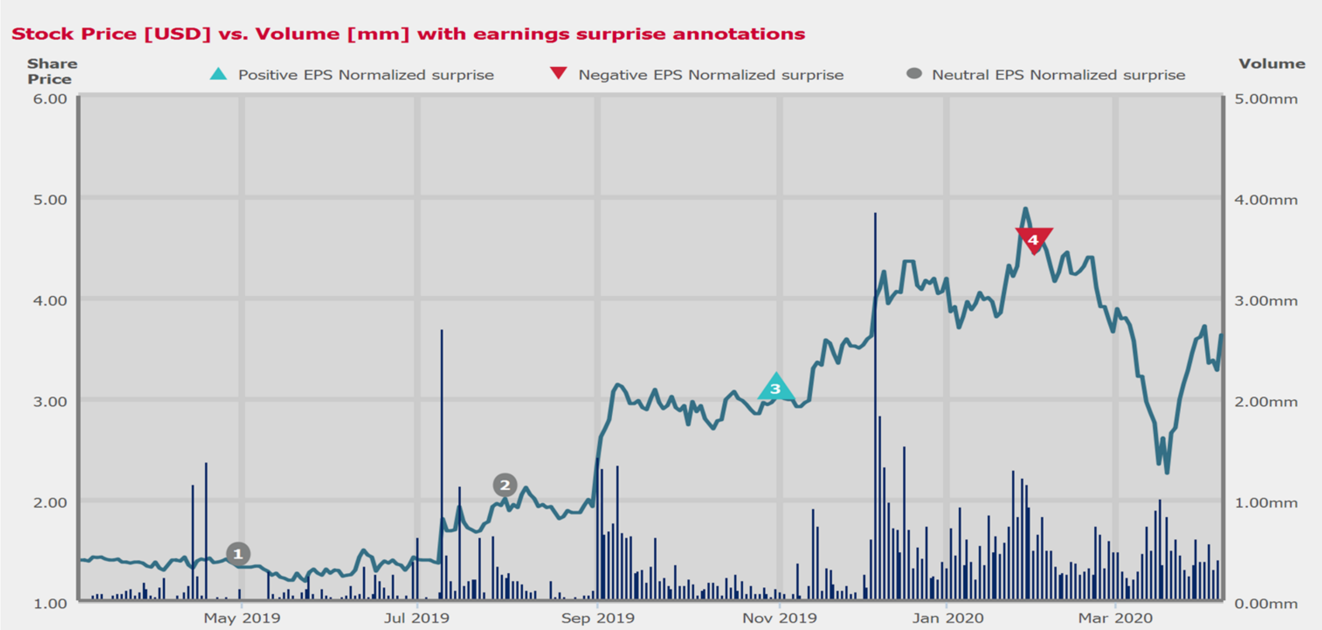
SeaChange International, Inc.
NasdaqGS:SEAC
FQ4 2020 Earnings Call Transcripts

Monday, April 06, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-			-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.18	0.13	▼(31.58 %)	0.04	0.15	0.10	▼(33.33 %)	0.40
Revenue (mm)	23.77	19.31	▼(18.76 %)	18.38	71.62	67.15	▼(6.24 %)	84.39

Currency: USD
Consensus as of Apr-03-2020 12:30 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2020	(0.05)	(0.20)	NM
FQ2 2020	(0.08)	0.03	NM
FQ3 2020	0.05	0.14	▲1 180.00 %

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FQ4 2020	0.18	0.13	(31.58 %)

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Call Participants

EXECUTIVES

Chad A. Hassler
Chief Commercial Officer

Michael D. Prinn
CFO, Senior VP & Treasurer

Yosef Aloni
CEO, President & Director

ANALYSTS

George Marema

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Presentation

Operator

Good afternoon, and welcome to SeaChange's Fiscal Fourth Quarter and Full Year 2020 Earnings Call for the period ended January 31, 2020. My name is Diego, and I will be your operator this afternoon.

Joining me for today's call is the company's Chief Executive Officer, Yossi Aloni; Chief Commercial Officer, Chad Hassler; and Chief Financial Officer, Michael Prinn. After the market closed today, SeaChange issued its financial results for the fiscal fourth quarter and full year 2020 in a press release, a copy of which is available in the Investors section of the company's website at investors.seachange.com.

To accompany today's call, the company has made available its prepared remarks along with a supplemental slide deck, both of which are posted in the Investors section of SeaChange's website. Management encourages you to download the slide deck if you have not already done so.

Before we begin today's call, I'd like everyone to please take a note of the safe harbor paragraph that is included at the end of today's press release. This paragraph emphasizes the major uncertainties and risks inherent in the forward-looking statements that management will be making today. As we have indicated, forward-looking statements are based on management's current expectations, and are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. These risks and uncertainties are also outlined in the company's SEC filings, including its annual report on Form 10-K and quarterly reports on Form 10-Q. Any forward-looking statements should be considered in light of these factors.

Additionally, this presentation contains certain non-GAAP financial measures as that term is defined by the SEC in Regulation G. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Accordingly, SeaChange has provided a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures in the company's earnings release issued today.

I would like to remind everyone that this call is being recorded and will be made available for replay via a link available in the Investor Relations section of SeaChange's website.

Now I would like to turn the call over to SeaChange's CEO, Mr. Yossi Aloni.

Yosef Aloni
CEO, President & Director

Thanks, operator, and good afternoon, everyone. We are pleased to announce that the transformation of our company, which began in late Q1, is completed. Today, SeaChange is a new company. Over the past 9 months, we upgraded our Board of Directors, have a new executive team, new sales and marketing organization and a stronger and more efficient R&D organization. In 2020, we launched the final go-to-market strategy, integrating on the excellent SeaChange stand-alone products into a single-winning software solution with value-based engagement. The initial results are just great. During the last 9 months of fiscal 2020, we won more projects than SeaChange won over the past 7 years. These wins enabled us to deliver profit and growth albeit a cliff in our legacy revenues.

Overall, fiscal 2020 was a positive year for SeaChange. We achieved a total revenue of $67.2 million, of this amount, Framework engagements of 55% of our total revenue. We improved our total gross margins to 65%. In the second half of fiscal 2020, where most of our revenues came from Framework engagements, our gross margin was over 70%. We generated $4.8 million in non-GAAP operating income. We realized more than $12 million in annualized cost savings, and this is just the beginning.

We consolidated our R&D operation to a single location, increasing our efficiency and enabling additional meaningful savings for fiscal 2021. We cleaned up all our legacy customer commitments, many of which generated negative ROI. This enables additional savings for fiscal 2021.

As we exited Q4, SeaChange is a profitable, growing, lean and efficient company and well positioned to benefit from the COVID-19 impact on the media segment. As for the current operating environment with COVID-19, road map and customer support, no impact. Our CTO took all the needed actions in a timely manner. We maintained both our high-quality customer support and road map development pace.

Customer engagements, we and our customers are working from home, therefore, this is slowing some of our engagements. We continue to push forward, and we expect to continue and close business.

As for the opportunity, with the Framework being the only solution that can reduce our customers' video quality operating expenses by up to 50%, we expect to see a significant boost to our business within very few months.

TV providers are facing 2 challenges these days, an increasing in operating expenses and declining revenues. Growing demand for video increases the provider expenses. For example, many TV providers are paying more for CDN, others are increasing network support and making immediate network investments to enable servicing the growing demand. In addition, while the TV providers' operating expenses is increasing, advertising revenues and video ARPU are going down. The increasing operating expenses with declining revenues, as we enter a recession, is a perfect storm for the TV providers. Our Framework is the best tool in the industry to address these challenges.

On the cost side, using our value-based engagement, we'll reduce our customers' operating expenses to a point where the total cost of ownership to use the Framework is almost 0. We try to make it impossible for the customer to say no, while protecting our target margins. In many cases, our customers reduced the video delivery operating expenses by 50%.

On the revenue side, the Framework enables the TV providers to offer web-like advertising for both live and on-demand TV, which enable them to protect and increase some of their advertising revenues. No other vendor in the industry offers a 0 cost to own solution or make this claim. This amazing combination will enable us to scale up our business. We believe that within very few months, fiscal 2021 will be a great year for SeaChange.

Before I discuss our outlook and strategic initiatives for fiscal 2021, I'll turn the call over to our CCO, Chad, to provide details on the Framework wins. Afterwards, Michael, our CFO, will walk you through our financial performance. Chad?

Chad A. Hassler
Chief Commercial Officer

Thanks, Yossi, and good afternoon, everyone. It's great to speak with you again today. We finished the fiscal year with an exceptionally strong win rate by securing 11 significant Framework deals in Q4, which was up approximately 30% over the prior quarter. The 11 Framework wins in the quarter brought the total number of wins for the year to 26, which exceeded our annual target of 20% to 25%. And as Yossi mentioned, we achieved this all in less than a year, a truly impressive feat on its own.

The 26 wins we secured reflects the increasing demand we are seeing across the industry for our versatile, cloud-based or localized video delivery solution. Framework enables content owners, service providers and broadcasters to offer a Netflix-like service for both live channels and video-on-demand, using existing cable networks and/or over-the-top. This helps these organizations stay competitive and generate new revenue streams by offering unique services and content to meet all their customers' viewing needs.

It's not just a sheer number of wins that's noteworthy, it's also the healthy mix of new and existing logos we secured during the year, including significant wins in which we successfully replaced a competing legacy solution.

From the top telecommunication companies in the U.S. to leading regional service providers globally, the common denominator is that these organizations are selecting the Framework to enhance the user experience, significantly reduce operating costs and more effectively monetize their installed base.
An integral part of our success is thanks to the go-to-market strategy we implemented last April. If you had the opportunity to hear Yossi or I talk about the strategy in any detail, you'll know that it was

inspired by simplicity. We started by introducing the Framework where we had truly the best components. This includes the best user interface and the best back office, and instead of being sold as stand-alone components, which is how the company previously sold, we began selling it as a fully integrated solution.

Customers were looking for a plug-and-play solution that just worked, not multiple components that they had to assemble to build a solution. While we've had great success selling Framework following this proven strategy, we're not resting on our laurels and are actively pursuing additional approaches and channels to drive greater adoption and revenue streams for SeaChange. Later this year, we plan to introduce the Framework plug-in store, which will be designed to help our customers do more with the Framework through both free and premium plug-ins, providing them with further avenues to monetize their installed base.

Additionally, the Framework technology enables us to change the way TV ads are sold, which, in turn, will allow our customers to recoup some of the ad revenue the TV industry has lost to the web over the past decade. In fact, we have several ongoing customer engagements and should be able to announce the initial customer deployments in the coming months.

Overall, we're really encouraged by the sales traction we achieved in fiscal 2020. We've entered the new year with a growing list of Framework customers, building recurring revenues through multiyear agreements, industry-leading technology, along with a robust pipeline of new opportunities that is well distributed across our geographic regions. We're confident these factors have positioned us well for continued success in fiscal 2021 and beyond.

With that, I'll turn the call over to Mike to walk us through our financial performance for fiscal Q4 and the full year of 2020. Mike?

Michael D. Prinn
CFO, Senior VP & Treasurer

Thanks, Chad, and good afternoon, everyone. Turning to our financial results for the fourth quarter ended January 31, 2020. We entered the fourth quarter of fiscal 2020 with $22.2 million in total backlog, excluding maintenance and legacy support. We booked new business of $17.4 million during the fourth quarter and ended the quarter with backlog of $21.8 million.

Total revenue increased 14% to $19.3 million from $17 million in the same year ago period. The increase in total revenue was driven by a $13 million increase in Framework revenue compared to no Framework revenue in the same year ago period, offset by a $10.7 million decrease in legacy revenue.

Product revenue increased 69% to $13.2 million or 69% of total revenue from $7.8 million or 46% of revenue in the same year ago period. The increase in product revenue was driven by a $12.4 million increase in Framework revenue.

Service revenue decreased 33% to $6.1 million or 31% of total revenue from $9.1 million or 54% of total revenue in the same year ago period. The decrease in service revenue was due to lower revenue from both professional services and support revenue from customers related to our legacy products. As we mentioned in our Q3 call, these declines are consistent with our expectations as we transitioned legacy customers to new Framework arrangements and transitioned our professional services organization to our customer engineering organization as we completed legacy professional services projects.

Revenue from our international markets was $11 million or 57% of total revenue, which compares to $12.4 million or 73% of total revenue in the same year ago period. The decrease in international revenue was due to a large project for a significant international customer in the fourth quarter of last year. Revenue in our U.S. market was $8.2 million or 43% of total revenue, which was up from $4.6 million or 27% of total revenue in the same year ago period. The increase in revenue from the U.S. was due to our Framework offering being introduced in fiscal 2020.

In terms of customer concentration, we had 2 customers that accounted for 16% and 12% of our total revenue compared to 1 customer in Q4 of last year that accounted for 42% of our total revenue.

Looking at our margins. Gross profit increased $14 million or 73% of total revenue from $10.9 million or 64% of total revenue in the same year ago period. The increase in gross profit was due to a shift in sales to our Framework product starting in Q2 of fiscal 2020. 73% gross margin we achieved in the quarter exceeded our annual guidance target of 60% for the fiscal year.

Product gross margin was 87% compared to 88% in Q4 of last year. Service gross margin was 42% compared to 43% in Q4 of last year.

Looking at our expenses, non-GAAP operating expenses decreased 25% to $9.2 million from $12.3 million in Q4 of last year. The improvement reflects the continued cost savings initiatives related to the reduction of third-party costs and elimination of nonessential internal costs throughout the organization.

In Q4, we eliminated all resources related to legacy professional services and support arrangements as we completed the remaining legacy projects we had underway. Our success reducing OpEx enabled us to realize 3 consecutive quarters of non-GAAP operating income as well as 3 consecutive quarters of non-GAAP net income.

GAAP income from operations totaled $3.6 million, an improvement from a loss of $19.9 million in the same year ago period. As a percent of total revenue, GAAP income from operations for the fourth quarter of fiscal 2020 was 19%, which compares to a negative percentage in the year ago period.

Non-GAAP income from operations totaled $4.8 million or $0.13 per diluted share, an improvement from a loss of $1.2 million or $0.03 per basic share in the same year ago period. As a percentage of total revenue, non-GAAP income from operations was 25% compared to negative 7% in Q4 of last year. GAAP net loss totaled $43,000 or $0.00 per basic share, a significant improvement from a loss of $19.6 million or $0.55 per basic share in the same year ago period. Non-GAAP net income totaled $1.2 million or $0.03 per diluted share. This was an improvement from a loss of $946,000 or $0.03 per basic share in Q4 of last year. As a percentage of total revenue, non-GAAP net income was 6% compared to negative 6% in Q4 of last year.

Turning to the balance sheet, we ended the year with $13.9 million in cash and cash equivalents and marketable securities and had no debt. Our cash position was up $159,000 from prior quarter, so we're pleased with that progress for the quarter as in prior quarters and prior years, we've had significant cash burn.

Deferred revenue at quarter end was $6.2 million, which compares to $7.8 million at the end of the prior quarter and $10.7 million at the end of Q4 last year. The sequential and year-over-year decrease was primarily due to the decrease in legacy revenue and the timing of revenue recognized and renewal of post-warranty maintenance and support agreements during the quarter.

DSO excluding unbilled receivables, was 66 days at the end of the fourth quarter of this fiscal year compared to 88 days in the fourth quarter of last fiscal year. Unbilled receivables were $23.3 million, which compares to $16.7 million in the prior quarter and $5.4 million in Q4 of last year. The sequential and year-over-year increase was the result of the timing of billings from our Framework deals due to the payment terms on those deals compared to the revenue recognition for the Framework deals.

Now turning to our fiscal year 2020 results. Total revenue increased 8% to $67.2 million from $62.4 million in fiscal 2019. The increase in total revenue was driven by a $36.8 million increase in Framework revenue compared to no Framework revenue in fiscal 2019, offset by a 51% decrease in legacy revenue to $30.4 million compared to $62.4 million in fiscal 2019. We fell slightly short of the lower end of our guidance range primarily because of a few Framework deals that pushed out of the quarter.

Looking at our revenue buckets, product revenue increased 93% to $39.9 million or 59% of total revenue from $20.7 million or 33% of total revenue in fiscal 2019. The increase in product revenue was driven by an $18.3 million increase in Framework revenue. Service revenue decreased 35% to $27.2 million or 41% of total revenue from $41.7 million or 67% of total revenue in fiscal 2019. The decrease in service revenue was driven by a $6.1 million decrease in installation and customized development services as a result of our Framework product's out-of-the-box functionality as well as a $7 million decrease in maintenance associated with decommissioned legacy products.

Revenue from our international markets was $35.4 million or 53% of total revenue, which compares to $38.8 million or 62% of total revenue in fiscal 2019. Revenue in our U.S. market was $31.7 million or 47% of total revenue, which was up from $23.6 million or 38% of total revenue in fiscal 2019.

In terms of customer concentration, we had no customers accounting for more than 10% each of our total revenue in the fiscal year compared to 2 customers who represented 24% and 11% each in fiscal 2019.

Looking at our margins, gross profit increased to $43.5 million or 65% of total revenue from $37.3 million or 60% of total revenue in fiscal 2019. As I mentioned earlier, the increase in gross profit was due to a new go-to-market strategy of our Framework product starting in Q2 of fiscal 2020. The 65% gross margin we achieved exceeded our annual guidance target of 60% for the fiscal year.

Product gross margin was 85% compared to 83% in fiscal 2019. The improvement was due to an increase in higher-margin Framework revenue in fiscal 2020. Service gross margin was 36% compared to 48% in fiscal 2019. The decline was due to fixed costs related to decommissioning of our legacy products in fiscal 2020.

Looking at our expenses, non-GAAP operating expenses decreased 20% or $9.8 million to $40 million from $49.7 million in fiscal 2019. As I mentioned earlier, the improvement reflects the continued cost savings initiatives related to the reduction of third-party costs and elimination of nonessential internal costs throughout the organization.

Turning to our profitability measures, GAAP loss from operations totaled $3.5 million, a significant improvement from a loss of $35.8 million in fiscal 2019. Non-GAAP income from operations totaled $3.6 million or $0.10 per diluted share, an improvement from a loss of $11.7 million or $0.33 per basic share in fiscal 2019. As a percentage of total revenue, non-GAAP income from operations was 5%, which compares to a negative percentage in fiscal 2019.

GAAP net loss for the year totaled $8.9 million or $0.24 per basic share, a significant improvement from a loss of $38 million or $1.06 per basic share in fiscal 2019. Included in the net loss for fiscal 2020 was a onetime noncash charge of $5.4 million related to the loss on the sale of our prior headquarters in Acton.

And finally, non-GAAP net loss improved by $12 million to a loss of $1.9 million or $0.05 per basic share from a loss of $13.9 million or $0.39 per basic share in fiscal 2019.

Before I hand the call over to Yossi, I wanted to discuss guidance for our fiscal 2021. Prior to the onset of COVID-19, we were prepared to provide guidance representing meaningful revenue growth in fiscal 2021. Based on our pipeline, we believed revenue guidance of $80 million to $90 million for fiscal 2021, with operating metrics consistent with our previous guidance was achievable. We're working to better understand the impact of COVID-19 and will provide our formal fiscal 2021 guidance as COVID's impact on our business becomes clearer.

This completes my financial summary. For a more detailed analysis of our financial results, please refer to today's earnings release as well as our 10-K, which we plan to file by April 15. Yossi?

Yosef Aloni
CEO, President & Director

Thanks, Mike. We started fiscal 2021 with positive momentum and the best pipeline we have ever had. As Mike mentioned, prior to COVID-19, we planned to guide for $80 million to $90 million for fiscal 2021. We expect to better understand the short-term COVID-19 impact during the next 90 days. We believe that we have the right cost structure to endure the next few months and later to prevail using our value-based engagement and unique value proposition. There is one final item I'd like to mention. Recently, we had a new module to the Framework, which will change the way the TV industry unsold and underutilized advertising inventory is monetized. We are currently working with several customers and will share more in the near future.
With that, let me turn the call over to the operator to begin the Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question comes from Steven Frankel with Dougherty.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

So Yossi, you talked about several deals that you hoped to close in Q4 that slipped out. I wonder if you might tell us approximately how many deals slipped out of the quarter? What was their value? And have any of those deals closed thus far in Q1?

Yosef Aloni
CEO, President & Director

Thanks, Steve. So these are 4 deals from the international market. We did not lose any of them. We expect to close all of them. Closing the 4 deals would have enabled us to significantly exceed our revenue target. Unfortunately, we were not able to complete the agreement in a timely manner. It's also important to note, if you don't mind, that our win ratio, including these 4 deals that we consider not out of the win ratio, our win ratio for last year was quite decent. It was over 75%, out of which 4 deals were pushed out. We did not lose them, and we are also starting with a positive momentum. So overall, we are still very bullish on the future of our company.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Okay. And let's talk about solving the cash problem. Yes, you did generate some cash in Q4, but it was a relatively minor amount. I assume your internal plan was for something higher than that. What kind of cash burn might we expect in the next couple of quarters until business picks up?

Michael D. Prinn
CFO, Senior VP & Treasurer

Yes, it's Mike. I can take that. So during the first 3 quarters of the year, we did burn $17 million. We had kind of a, call it, cash neutral or we generated a little bit of cash in Q4. Granted, it was a small increase, but I think it was significant in comparison to the cash burn in prior quarters and prior years. 2020 was a transition year for us. So we're focused on optimizing our cost structure, building a business that's consistently generating cash. And then I think just in terms of stability, we've got an accounts receivable and an unbilled base. And if we ever, at some point in the future, decided we wanted to put something in place, I think that would be kind of a logical next step.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

But you will burn material cash in the next couple of quarters, right? That's just your business cycle that's been the company's history? Or is there something different that says if business recovers in Q2, you'd generate cash?

Yosef Aloni
CEO, President & Director

So Mike, before you answer that, Steve, there's one more item that you need to look at. You will see the updated OpEx. The challenge we had last year, we had some negative commitments, very meaningful in terms of OpEx. The impact of these legacy commitments was both on the support organization and the R&D organization. Now that all of these legacy commitments are done and completed with negative ROI, obviously, in Q1, our cost structure is much better, therefore, it will have a significant impact on the cash that we need. But Mike, please go ahead.

Michael D. Prinn
CFO, Senior VP & Treasurer

No, I think that makes sense. I think the only thing I'll just add is, yes, we may see a little bit of a cash burn, especially maybe quarter-to-quarter. We'll give maybe some longer-term outlook when we give additional guidance. But I think like I mentioned, the -- compared to kind of legacy SeaChange, we don't expect that type of significant burn in 2021.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Okay. And just a follow-up on a press release you had, maybe it was last week, where you talked about the increase in streaming, and I understand that's obviously what's going on in the market. But is there any component of Framework today where you derive incremental revenue as customer activity increases?

Yosef Aloni
CEO, President & Director

It's limited to new components. For instance, when customer activity is increasing, many of our Framework customers, obviously, they will require some more cloud services, where we have decent gross margin, and some of them will require better analytics as well. This will be positive. Also and this is fairly new in places where we are going to take over the advertisement, obviously, over there, there will be meaningful increase.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Okay. So these are things that potentially can come into play in the -- over the next year. Where is the head count today? And given the COVID-19 situation, are you contemplating further shrinking head count?

Michael D. Prinn
CFO, Senior VP & Treasurer

Yes. So right now, we're at about 275 globally. We have made some changes. And I think we just are going to continue to evaluate it on a kind of a monthly and a quarterly basis. I feel like we made a lot of changes at the end of our fiscal '20, in Q3 and Q4. And so we kind of feel like we are lean and efficient and can leverage that, and we'll continue to monitor that going forward.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Okay. And then a big-picture question. If you've done 26 Framework deals, remind us how large your legacy installed base is? So even if you didn't move outside of that universe, how many potential customers could you convert?

Yosef Aloni
CEO, President & Director

So the legacy installed base, it's about 120 customers. It's important to note that many, many, many of the Framework wins are from new customers and new functionality. If you are looking at our target market, so obviously we are not only servicing the legacy customers that SeaChange used to service. It's not only a cable solution. The vast majority of the Framework customers are OTT solution. Now when you think about the OTT domain, so -- of course, cable providers are there, and we will continue to service them and do our best to support them, but we also have content providers and content owners. And if you think about content owners, for instance, I'm not suggesting that Bloomberg is a customer but Bloomberg is a content owner, and Bloomberg, and this is public information, Bloomberg is starting an over-the-top direct-to-consumer service. This is not to be confused with the Bloomberg channel. So this is another type of content provider.

So if you think about it, the target customers that we are facing, especially these days, so it's a growing TAM and it's a significantly growing TAM. So in this sense, there's a very meaningful opportunity to do much more. And just look at the pipeline that we have going into Q1, and pipeline means that there is an opportunity, there is budget, and we are the front-runner, that's what we call a pipeline. It's the best pipeline we have ever had, hundreds of millions. So are we going to close it all this year? No. But we don't give an estimate to meet 50% of our win ratio for this year to meet our target for the year. So we feel confident. Is the next few months or next few weeks are going to be challenging? Maybe, we continue to engage. We'll see. Is this year going to be great? Yes.

Steven Bruce Frankel
Dougherty & Company LLC, Research Division

Okay. And then maybe you hinted at some OpEx expense savings in Q1. Maybe give us an idea of what kind of year-over-year decline in OpEx we might see in Q1?

Michael D. Prinn
CFO, Senior VP & Treasurer

Yes. So our non-GAAP operating expenses were $9.2 million for Q4. And I think we're generally going to be around that run rate for the next couple of quarters or for fiscal '21. And that's obviously significantly better than in prior quarters, prior years.

Operator

[Operator Instructions] Our next question comes from Jaeson Schmidt with Lake Street.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Fully recognizing sort of the COVID-19 situation makes it a bit difficult. Just curious if you could comment on your confidence that customer spending is more being pushed and not being reduced at this time.

Yosef Aloni
CEO, President & Director

So Jaeson, thanks for the question. Some customers are going to push their budget, absolutely. But look at the bright side. Almost each and every TV provider on the climate, this is just like 2008, they will have to optimize their OpEx. Who else is going to offer them a solution that will enable them to reduce their OpEx by up to 50%. There's no one. Look at all the other vendors, there are not too many of them, but the other vendors that are selling multiple components for video delivery platform. They have a very long and complex price list, which has nothing to do with the operator needs and the operator OpEx challenges. And we are there. We have value-based engagement, it's unique.

So are we going to see some customers that are going to delay their budget? Yes, sure. Are we going to see many, many customers that will move forward very fast in order to optimize their OpEx? I think we're going to see more of those. I think it's fair to say that we already see some of those or many of those.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

Okay. That's helpful. And I know you mentioned a pretty impressive win rate. But just curious, what tends to be the primary pushback from customers today with not going with the Framework deal?

Yosef Aloni
CEO, President & Director

So we reported 26 wins. And I said that our win rate was over 75%, also may be slightly more than that. So we lost very, very few opportunities. In the 25% that we did not win, I'm also including 4 deals that were pushed to this year. So we lost very, very few opportunities. It's hard to say. We lost so few, so -- and each one has its own reason for losing it. And losing is not only to another vendor, in some cases, losing, it means that we initiated engagement, and we were not able to convince the customer to close the engagement within the year.

Jaeson Allen Min Schmidt
Lake Street Capital Markets, LLC, Research Division

And then just a quick question on the Framework plug-in store. Is this really targeted at a different segment of the market? Or is this viewed more as additive for a customer that already has gone with a more kind of broad-based Framework deal?

Yosef Aloni
CEO, President & Director

So if you think about the Framework, the best analogy probably is a phone. So SeaChange used to have all these gauge components like a CPU, a power button, a volume button, we took all these components, and now we are selling the best-in-class phone. Each and everyone that has this phone will have access to the App Store, to the plug-ins. But this is something that is going to be meaningful to each and every Framework customer. And within 9 months, we were able to win 26 customers, deliver the vast majority, to vast fast majority of them. I think we should be able to win a more meaningful number this year. And then once this decent number of Framework customers will have access to the Framework app store, the plug-ins, if you will, we will see some revenue contribution over there as well.

Operator

Our next question comes from George Marema with Pareto Ventures.

George Marema

So on the -- can you illuminate a little bit on the 120 legacy installed base? What sort of revenue opportunities in fiscal 2021 does that represent to us?

Yosef Aloni
CEO, President & Director

So we can convert some of this installed base into Framework. So the 120, these are customers that are using a SeaChange component. They are not using the Framework. The vast majority of them are using one single component, with many other components from several vendors. In terms of value, probably the average value of this -- of the current installed base, the average Framework value is about $2 million to $4 million. Obviously, these are the vast majority of them, these are cable providers. So the pace over there is slightly slower. But with the COVID-19 impact on the market and the cable segment, we should be able to be in a position where maybe in the second half of the year, we are going to be able to convert many of them to the Framework.

If you think about cable providers, similar to 2008 or even worse, in fact, since they have to make investments in the networks, even the smallest operators, to continue and support the growing demand for bandwidth. So their OpEx are increasing. And then similar to 2008, their video ARPU is going to go down. We already see this report, video ARPU is going down. So we have our back office install that to many cable providers. So we see this as also what they share with us. And you will see that in a public manner, probably in a month or so when they will publish their reports. So their OpEx is increasing, their revenues are decreasing, we should be able to accelerate the conversion of some of the installed base into Framework.

George Marema

Okay. And then you -- is it true that, although maybe some people are sort of freezing their budget for the moment, for the next few weeks, to see what happens? Aren't some people in video accelerating their plans due to the necessity to go online immediately due to the -- like movie theaters and other content providers need to rush to market? Are you seeing some -- on the other side of the table, increased engagement from certain parties?

Yosef Aloni
CEO, President & Director

Oh, yes. Sure. Absolutely. You see more demand from content owners. Some content owners, like the one you mentioned, obviously, they are looking to move very, very quick. And the fact that we have a solution, running on AWS, obviously enable us to go to production fairly quickly. For instance, there's a customer in the Nordics that we were able to take the production with hundreds of thousands of subscribers within very, very few months. So we see more demand. And I believe that we have the right solution to support this demand.

George Marema

Okay. Are you noticing any trends among regions like is Europe stronger or weaker, North America stronger or weaker, Latin America stronger, weaker in Q1 here right now? Any geography trends?

Yosef Aloni
CEO, President & Director

Yes. So we have -- in terms of opportunity size, I think it's fair to say that what we have today going into Q1, and obviously this is a pipeline that we built last year, the deals that we see today are significantly, significantly higher than everything that we have managed to close last year. And obviously, the larger deals require a longer engagement cycle, but now we are getting there.

In terms of new demand, most of the new demand is in the Americas where some content providers, content owners are faster to react. Europe, overall, is a more conservative market, so it's moving slightly slower over there in terms of new demand, not current demand.

Now if you think about the Framework, it's been out only for less than 9 months. So we started to offer the Framework for less than 9 months for last year. We started to offer the Framework, we introduced the Framework at NAB of last year, this was in April. And then we started to deliver within 60 days or so after the introduction of the Framework. So overall, the success is quite good. And the fact that we have this great, this amazing pipeline, it's because of 2 reasons, because of the fact that we have the right technology and obviously customers acknowledge that, and also the value-based engagement, which enable us, especially during this -- these days, to take new content providers in a way that will enable them to launch a service with cost control and current TV providers in a way that will enable them to control their OpEx.

George Marema

Okay. And are you guys still expecting somewhere in the ballpark of a similar service revenue per quarter the next couple of quarters for the 2021?

Yosef Aloni
CEO, President & Director

So we will... sorry, go ahead, Mike.

Michael D. Prinn
CFO, Senior VP & Treasurer

Yes. So obviously, the service revenue was a big piece of legacy SeaChange. We will definitely see a decline in that in the next couple of quarters. So service revenue for Q4 was $6 million. We still have probably maybe $5 million to $10 million in total of legacy revenue to transition through the year, but you will see a decline in the services, and then that will be offset with an increase in product revenue, which is primarily what the Framework revenue is.

George Marema

And when you sell a Framework deal, is there any service component that gets bled through with all components?

Michael D. Prinn
CFO, Senior VP & Treasurer

Yes. There is and so -- no, there is a component. So roughly, it's maybe, say, 2/3, 1/3. So if it's a $3 million deal, it's generally 2 pieces. It's $2 million of a software license and then the remaining $1 million is a services and support agreement, and that's generally over the term of the contracts, which are generally 4 to 5 years. So that other $1 million would come in ratably. And so -- and you can see this in our tables in the press release. We are starting to build up a piece of the Framework that is recurring. But obviously, given that mix, 2/3, 1/3, with 1/3 being spread over the life, you're seeing that build but it's at a smaller scale right now.

George Marema

And on the Framework, is it earned monthly, quarterly or annually payments? How is the cash flow, those revenues in the out years?

Michael D. Prinn
CFO, Senior VP & Treasurer

So the model, typically, there's revenue recognition and there's cash. So revenue, I think we went through the 2 pieces, right, with a license when we deliver it and then ratable. Generally, the first kind of 26 deals or so that we sold with the new go-to-market, we've been spreading the payment terms out ratably. So in that same $3 million deal, where we just walk through where our revenue comes in, from a billing perspective, that will be ratable over the 4 to 5 years.

George Marema

And you bill once a year or once a quarter or once a what?

Michael D. Prinn
CFO, Senior VP & Treasurer

Sorry. They're generally once a year or once a quarter. The most part, I'd say, majority is annually. Yes. So there'd be 1/5 kind of when they sign a contract and then...

George Marema

So on a $5 million deal over 5 years, you get $1 million year 1; $1 million year 2, all of this. So if you've build it April 1 of 2019, it'd be $1 million April 1, 2019; $1 million April 1, 2020; $1 million April 1, 2021. Is that how they go?

Michael D. Prinn
CFO, Senior VP & Treasurer

Correct, yes.

Operator

There are no further questions at this time. I'll turn the floor back to Mr. Yossi Aloni for closing remarks. Thank you.

Yosef Aloni
CEO, President & Director

Thank you, everyone, for joining us today for the SeaChange fourth quarter fiscal 2020 conference. You may now disconnect.

Operator
Thank you. This concludes today's conference. All parties may disconnect. Have a great evening.