



# Avid Business Update

August 2015

# Safe Harbor & Non-GAAP Measures

The information provided in this presentation including the tables attached hereto include forward-looking statements that involve risks and uncertainties, including projections and statements about our anticipated plans, objectives, expectations and intentions. Such statements include, without limitation, statements regarding our financial statements or other information included herein based upon or otherwise incorporating judgments or estimates relating to future performance such as future operating expenses; earnings; bookings; backlog; revenue backlog conversion rate; product mix and free cash flow; our cost savings initiatives and transformation; our future strategy and business plans; our product plans, including products under development, such as cloud and subscription based offerings; our liquidity and ability to raise capital; the anticipated benefits of the Orad acquisition, including estimated synergies, and the effects of the transaction, including effects on future financial and operating results; and our liquidity. These forward-looking statements are based on current expectations as of August 25, 2015 and subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including but not limited to the effect on our sales, operations and financial performance resulting from: our liquidity; our ability to execute our strategic plan, including cost savings initiatives, and meet customer needs; our ability to retain and hire key personnel; our ability to produce innovative products in response to changing market demand, particularly in the media industry; our ability to successfully accomplish our product development plans; competitive factors; history of losses; fluctuations in our revenue, based on, among other things, our performance and risks in particular geographies or markets; our higher indebtedness and ability to service it and meet the obligations thereunder; restrictions in our credit facilities; our move to a subscription model and related effect on our revenues and ability to predict future revenues; elongated sales cycles; fluctuations in foreign currency exchange rates; seasonal factors; adverse changes in economic conditions; variances in our revenue backlog and the realization thereof; the identified material weaknesses in our internal control over financial reporting; the previously disclosed SEC and Department of Justice inquiries; and the possibility of further legal proceedings adverse to our company. Moreover, the business may be adversely affected by future legislative, regulatory or changes, including tax law changes, as well as other economic, business and/or competitive factors. The risks included above are not exhaustive. Other factors that could adversely affect our business and prospects are described in the filings made by our company with the SEC. We expressly disclaim any obligation or undertaking to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Avid includes non-GAAP financial measures in this presentation, including adjusted EBITDA, adjusted free cash flow, non-GAAP operating income, non-GAAP gross margin and Non-GAAP operating expense. The Company also includes the operational metric of bookings and revenue backlog in this presentation. For an explanation of these metrics and measures and a reconciliations to the Company's comparable GAAP financial measures please see our previous filings with the SEC, including our current report on Form 8-K filed on August 10, 2015. As there is no industry standard definition of bookings, revenue backlog, our reported bookings and revenue backlog may not be comparable with other companies. Additional information on our revenue backlog can be found in the section called "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Form 10-K for fiscal year ended December 31, 2014 and Form 10-Q for the quarter ended June 30, 2015 filed with the SEC.







**Avid is...**

**A premier provider of technology solutions to create, manage, distribute, and monetize media content**

Avid's heritage began with digital editing and mixing with some of the world's best loved creative tools which defined an industry...



...Avid initially refused to make that shift, staying stubbornly siloed in the creative suite...



... But the industry evolved as more of the workflow became digitized creating distribution and monetization issues for our customers ...



...now Avid Everywhere empowers our customers by connecting a creative idea with its expression and consumption as a monetized media asset.



# Strong Position in High-Growth Markets With Attractive Economics

## Proven and Trusted Provider of High-value Media Solutions

- Relationship across every major media segment
- Participate across media workflow from creation to distribution
- Emotionally engaged client community
- Integrated, open and flexible approach lowers cost

## Global Distribution Network and Market Presence

- Presence in over 140 countries with broad reseller network
- All major film studios are customers
- ~ 80% of International News and US Station Groups
- ~ 70% of commercial music use Avid products

## Large and Growing Market in Midst of Dramatic Change

- \$54B market with accessible high growth segments
- Digitization and consumerization pressuring traditional operating models
- Fusing of creative and monetization processes
- Heavily fragmented vendor market

## Avid Transformation on Track

- Acceleration of higher margin, higher growth products
- Reduced operating costs with continued opportunity
- Focus on cross-selling and penetrating Tier 3 market
- Strong shift to recurring revenue & ability to generate strong cash flow

## Experienced Management Team

- Reversed bookings decline and improved profitability
- Deep industry and turn-around experience
- Completed complex restatement
- On track to meet financial targets

Progress on Transformation with Large Opportunity Ahead



# 3 Phase Transformational Approach

New management team performed broad and deep analysis of industry to evaluate how to best leverage strengths towards succeeding in evolving digital media marketplace

## Phase 1

Perform better in the markets we serve today

## Phase 2

Address higher growth areas in current markets

## Phase 3

Address higher long-term growth areas and increase relevance

Growth

Cost

Culture



# Transformational Pillars



## The Aid Advantage



Customer Association

- Faster new product introduction
- Improved cross selling
- Participate in higher growth areas
- Lower cost deployment
- Scale to all segments

- Improved service model
- More efficient and targeted delivery
- Increase revenue
- Improve relationships

- Increased community engagement
- Improved return on investment
- Greater market alignment
- Productive outlet for energy



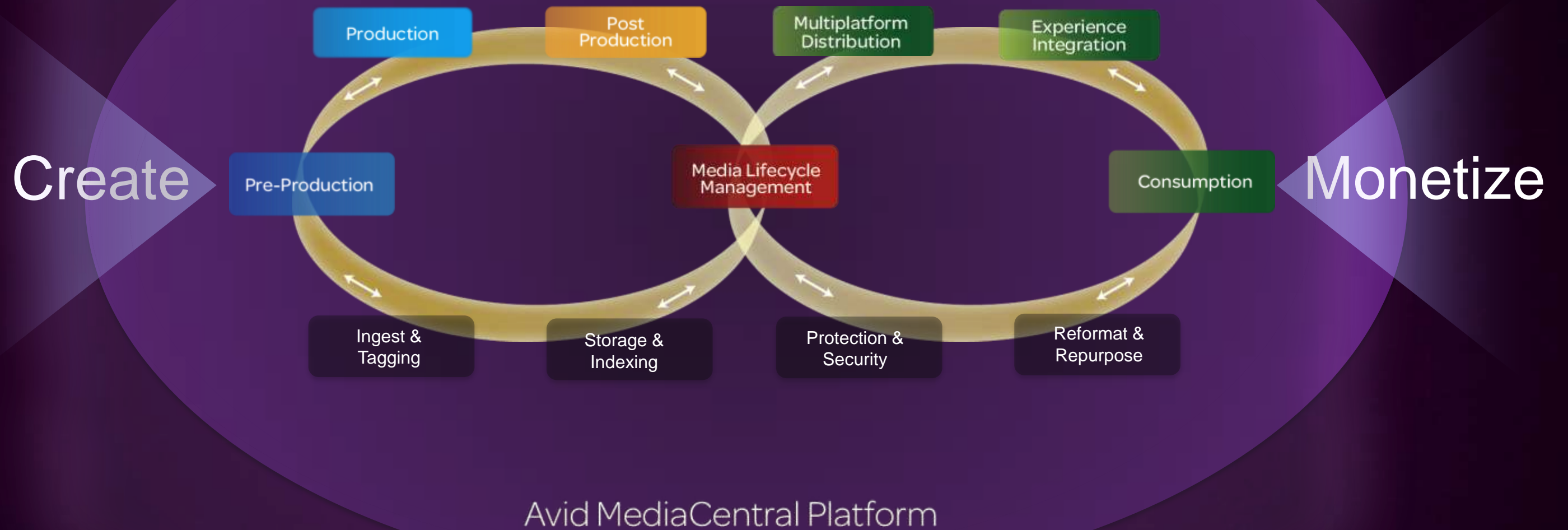
# New Reality of Media Content Creation Process







# Rapidly Evolving Industry Dynamics



## Common Services and Engines



### Media Services

- Search across your entire network
- Media access and playback on any device



### Connectivity Toolkit

- Tie third parties into the workflow
- Platform level connection for end-to-end integration
- Cross sell of partner solutions



### Collaboration

- Work on-prem or remotely
- Projects and media always stay in sync



### Orchestration Engine

- Workflow and process automation
- Flexible resource allocation



### System Administration

- Centralized system configuration, management and monitoring



### Resolution Independence

- Work with any resolution
- Fluidly scale playback to bandwidth available



### Metadata Management

- Persistence of metadata across apps
- Dynamic data model for changing needs



### Security Services

- Content protection
- User authentication and policy-based access



### Video Engine

- Real time video encoding and decoding
- Scalable, highly responsive and flexible



### Graphics Engine

- Foundation for real-time graphics solutions
- Reliable, modular, high-performance graphics rendering

Avid MediaCentral Platform





# Avid Everywhere

Common  
User Experience



iOS



3G/4G

Marketplace

Artist Community

Avid App Store

Cloud Storage

Avid Content Marketplace

Artist Suite

Graphics Authoring

Video (NLE)

Audio (DAW)

Notation & Scoring

Pro Mixing

Live Sound

FIRST ENTRY

Studio Suite

Broadcast Graphics

Replay Servers

Sports Enhancement

Virtual Studio

Augmented Reality

Video Wall Control

Media Suite

Asset  
Management

Workflow  
Management

Newsroom  
Management

Social Media  
Management

Channel Branding  
& Payout

Multiplatform  
Distribution

Storage Suite

Storage Ingest & Payout

Workgroup Storage

Enterprise Storage

Nearline Storage

Common  
Services



Common  
Engines



Video Engine



Graphics Engine

Avid MediaCentral Platform





# Common Platform Drives Workflow Efficiencies



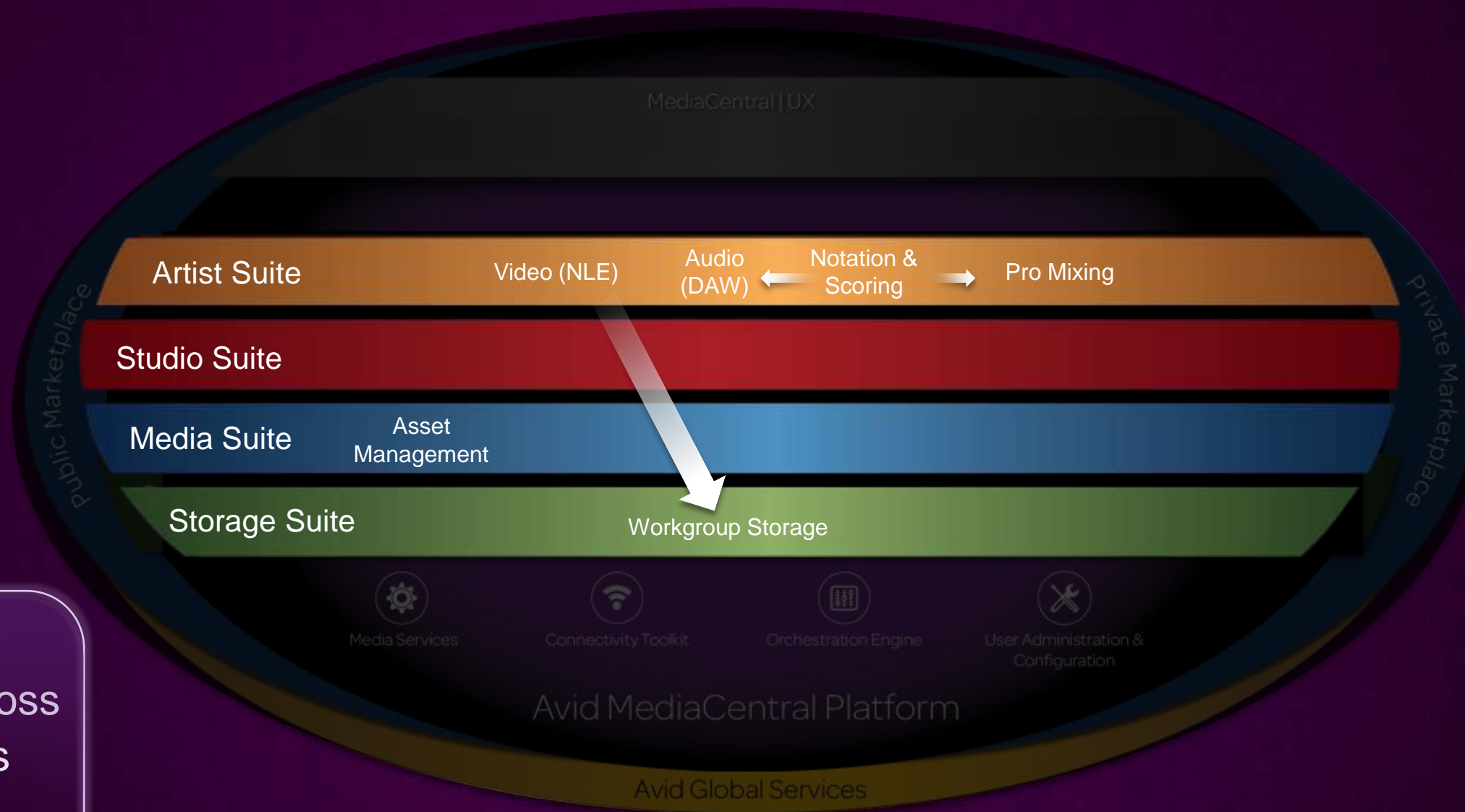
Common platform designed to lower development costs & increase speed to market

Growth

Cost



# Designed for Cross Sales Growth Opportunities



↑ Growth

○ Cost

Anchor products provide strong cross sale opportunities across workflow

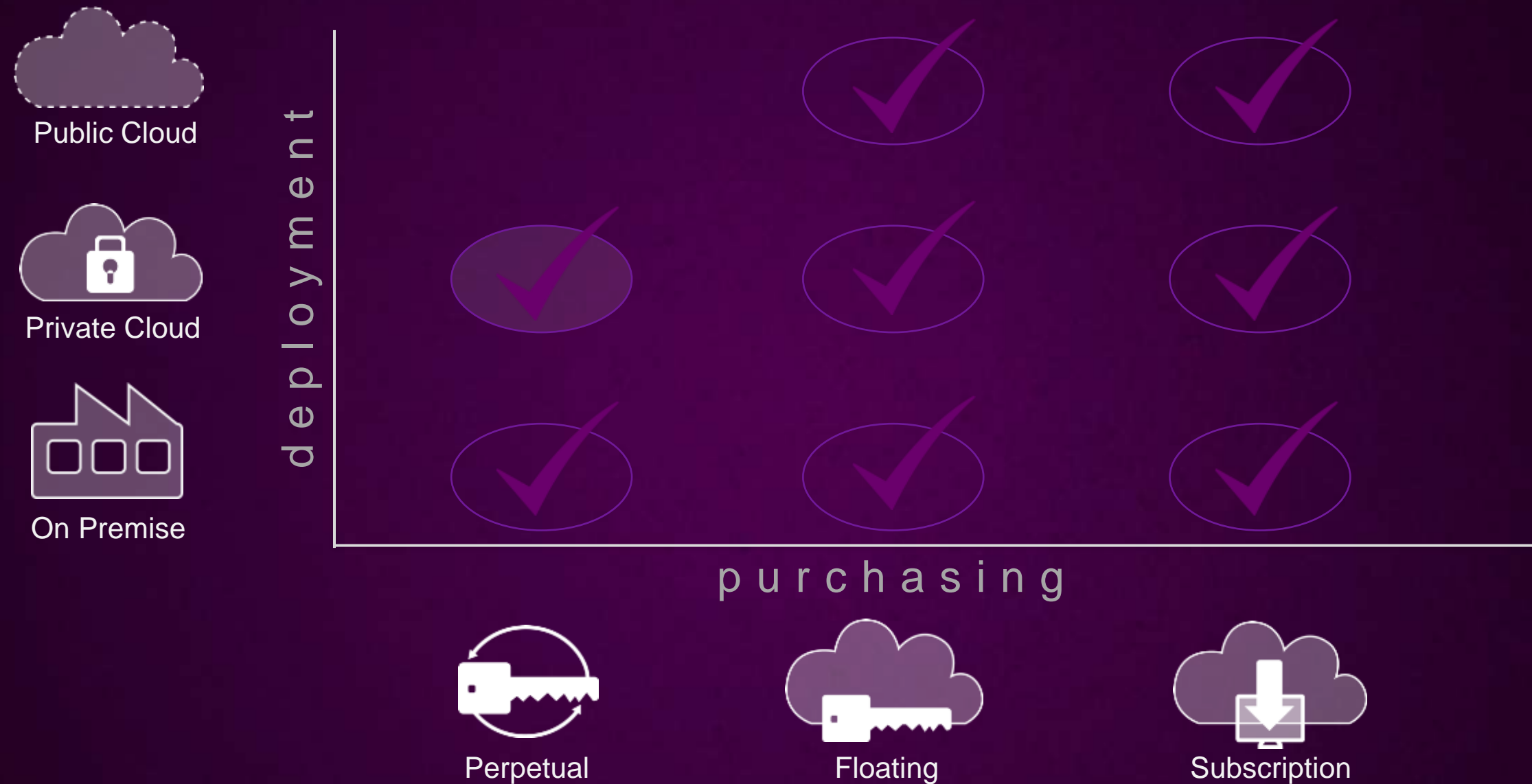


# Platform for Market Expansion





# User Flexibility & Choice



Scalable up and down market through flexible pricing and deployment



# Transitioning to Recurring Revenue Model

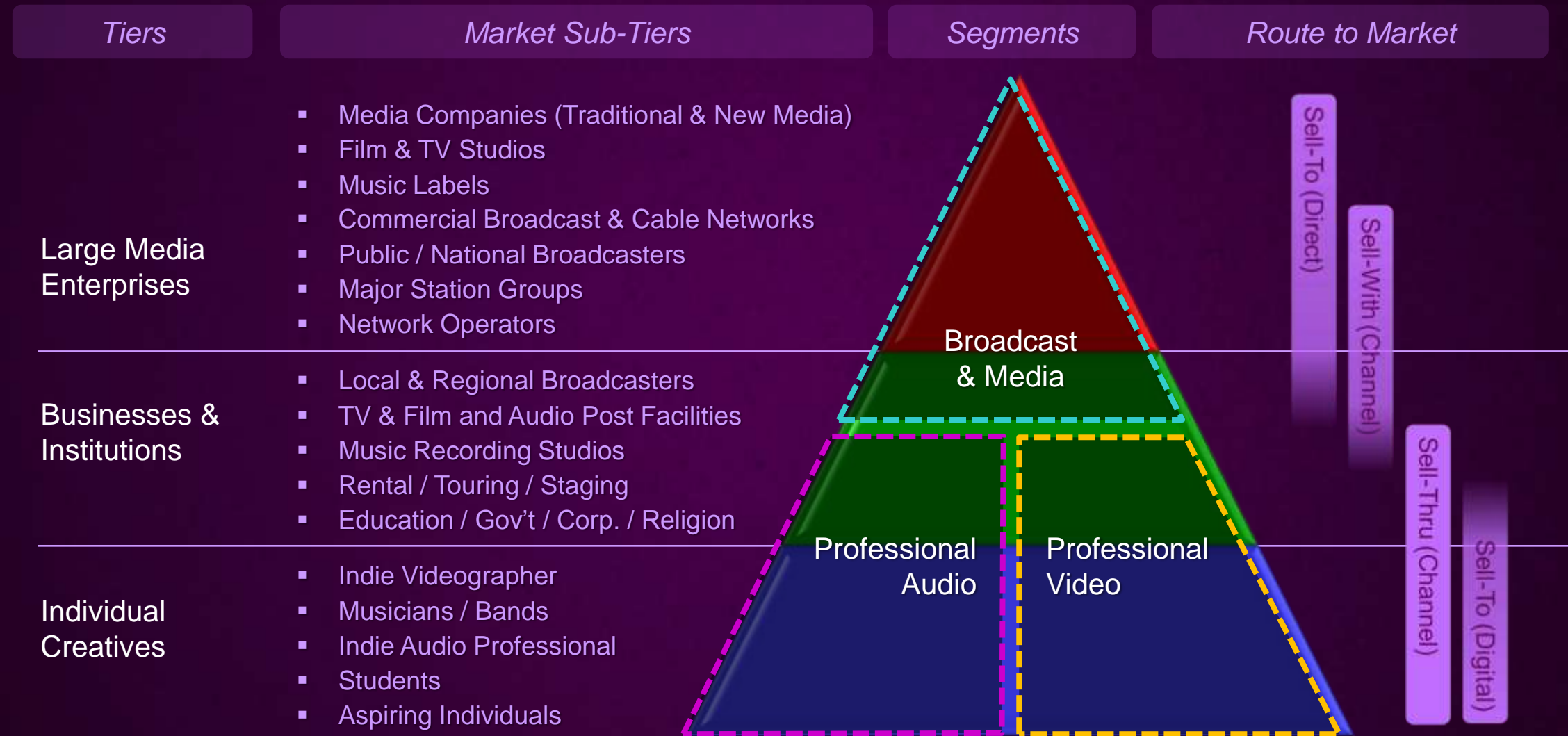


- Launched Subscription Models with Monthly & Annual options
- Media Composer 8 (May 2014)
- Pro Tools 12 (Jan 2015)
- Sibelius 7.5
- Multi-year Service Contracts

Shift to Recurring Revenue Model Expected to Provide Revenue Stability and Predictability



# Customer Tiers, Segments and Routes to Market





## INCREASE GROWTH

Addressable Market  
Opportunity

- Cross sell and up sell
- New product adoption
- Improved account management

\$2.8 billion

Large Media  
Enterprises

- Optimize channel networks
- Reseller productivity
- Cross sell and up sell

\$3.1 billion

Businesses  
& Institutions

- Launch new products and pricing/packaging models
- Digital strategy
- Reseller strategy

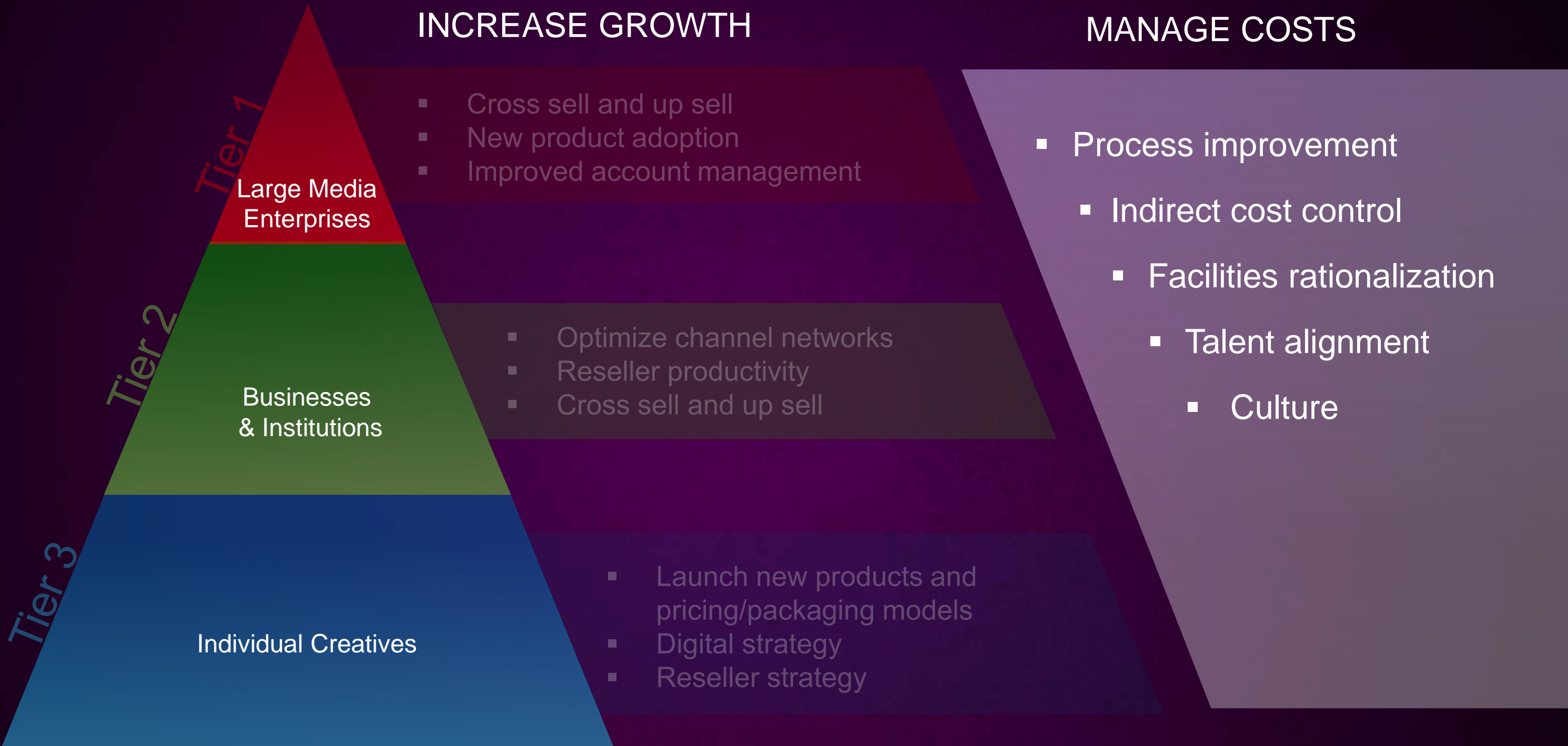
\$1.8 billion

Individual Creatives



## INCREASE GROWTH

## MANAGE COSTS



# Avid Transformation Update

## *Shifting To Recurring Revenue Model*

We believe we are roughly one-half through the transformation

### Financial Stabilization, Strategic Planning & Execution

2013 & 2014

- Market assessment and 3 pronged strategy developed
- Launched Avid Everywhere, Avid Advantage, Avid Customer Association
- Introduced new products & de-emphasized lower margin products
- Stabilized bookings decline
- Initial cost takeout begins
- Restatement completed

2015

- Initial impact of cost efforts, stabilized bookings, higher margins
- Next phase of cost optimization – labor arbitrage and facility rationalization
- Launched customer tier alignment & investment in digital strategy
- Continuing the transition to recurring revenue model
- Launched higher margin & growth products
- Began investment cycle

### Accelerating Improvement & Continued Investment

2016

#### Expectations for 2016:

- Benefits of more complete cost structure
- Launch of next phase of new growth products
- Optimize customer tier go to market model
- Accelerate transition to recurring revenue model
- Execute on remaining cost actions
- Complete investment cycle

### Transformation Expected to be Completed: Sustained Growth

2017 & Beyond

#### Expectations for 2017 & Beyond:

- Growth engines fully operating
- Above market growth rates
- Higher mix of recurring revenue
- Cost structure aligned
- Pre-2011 deferred revenue run off ends
- Migration toward enterprise software level EBITDA margins

**Dramatic Operating & Financial Transformation Underway**







# Performance Update



# Financial Conversion of Strategy

3-pronged approach to convert strategic vision to a financial expression of sustainable EBITDA growth with higher free cash flow conversion...

- Stabilize bookings, improve visibility and sell more profitably
- Shift to higher growth areas of value chain
- Lower operating costs

# Progress Through Q2 2015

## **Stabilize bookings, improve visibility and sell more profitably**

- Reversed prolonged trend of annual bookings decline
- Post-2010 Revenue backlog up over \$100M or 28% since December 2013
- Transitioning through the shift to a more recurring revenue model

## **Shift to higher growth areas of value chain**

- Platform approach allows extension to higher growth segment of value chain
- Media Central platform licenses have increased almost 70% in last year
- Acquisition of Orad includes products to address high growth Live and Sports segments

## **Lower operating costs**

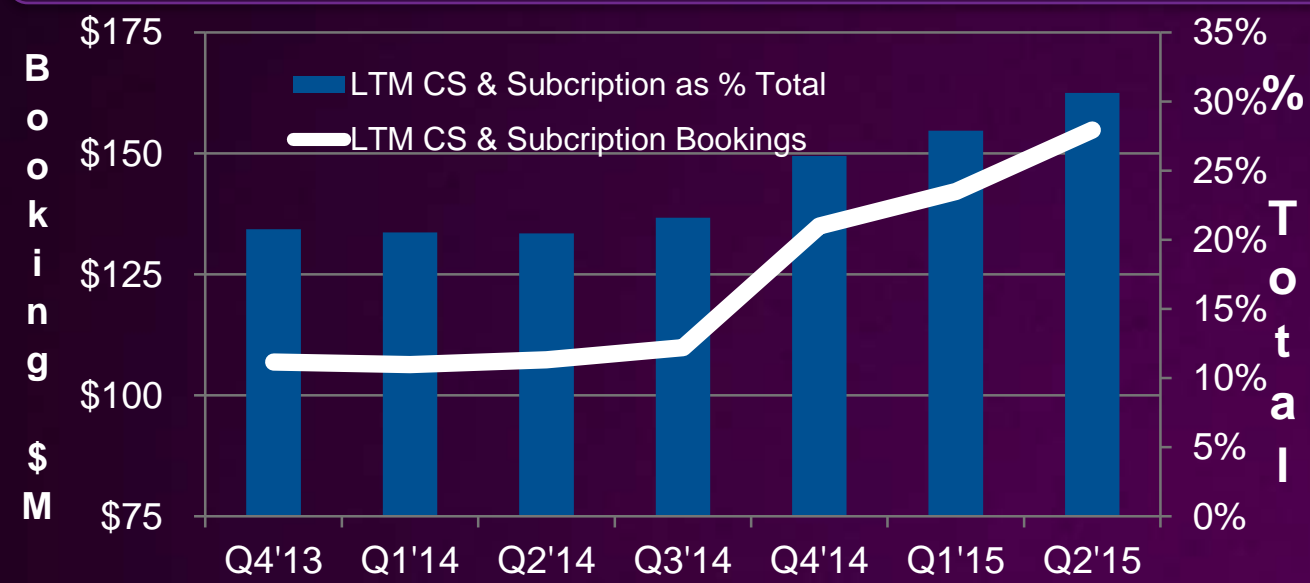
- LTM operating costs through June 2015 down over \$26M or 9% since 2012
- Labor arbitrage savings project accelerating driving future cost savings visibility
- Identified \$5M of cost synergies from Orad acquisition



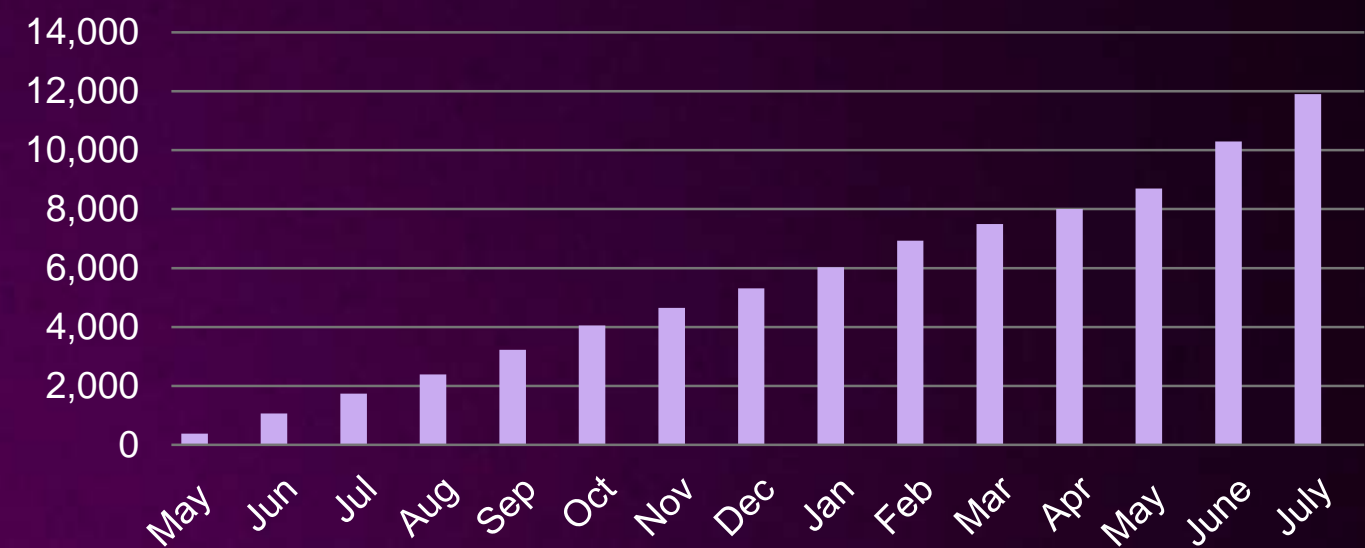


# Recent Growth Trends

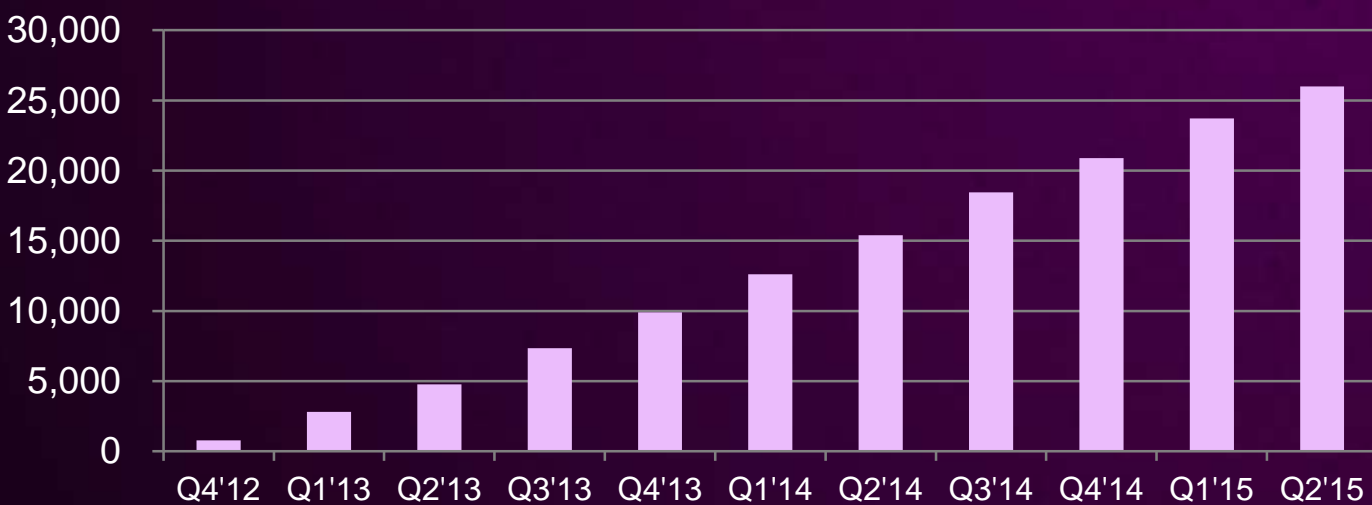
Shift to recurring revenue model



Subscribers



MediaCentral Users



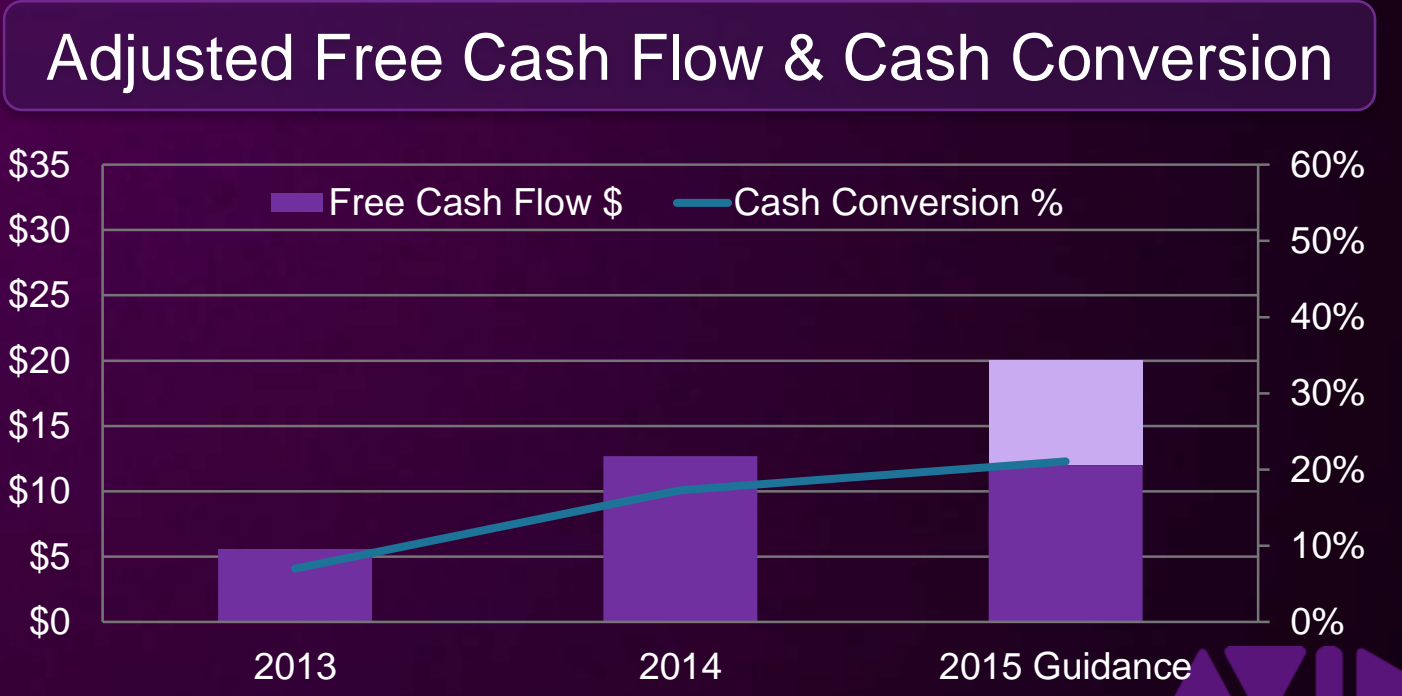
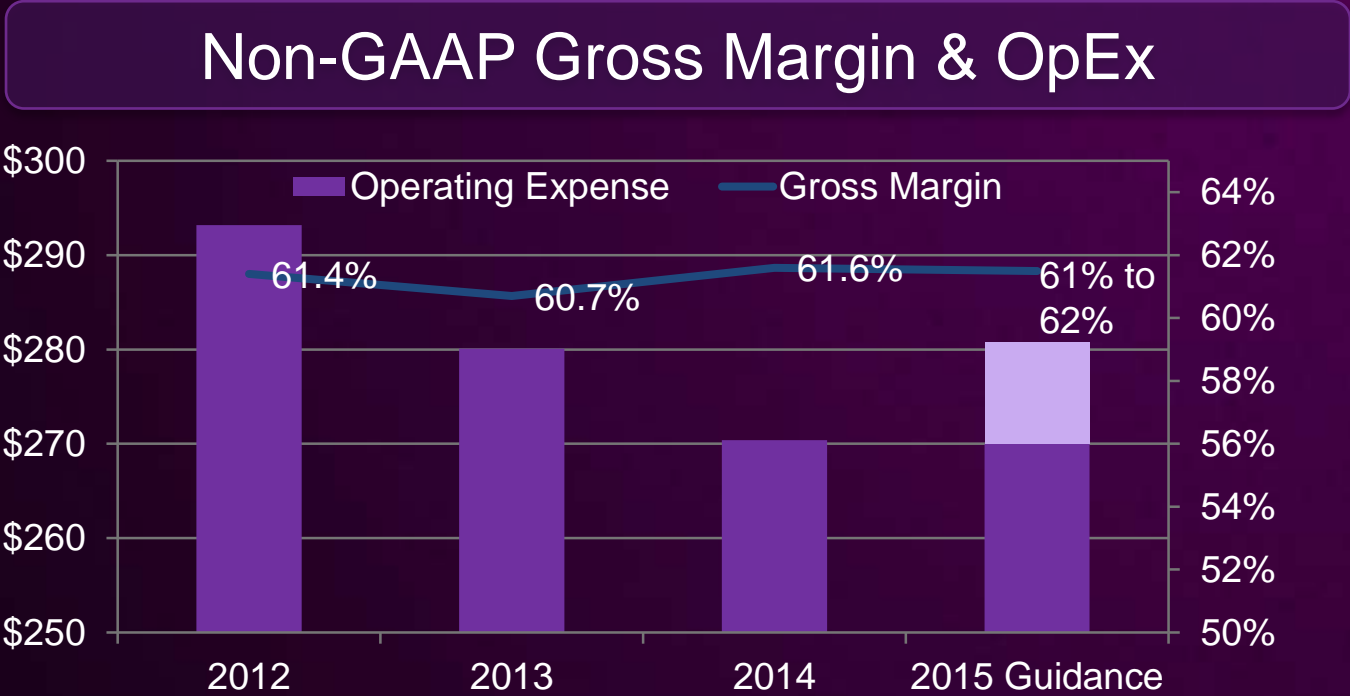
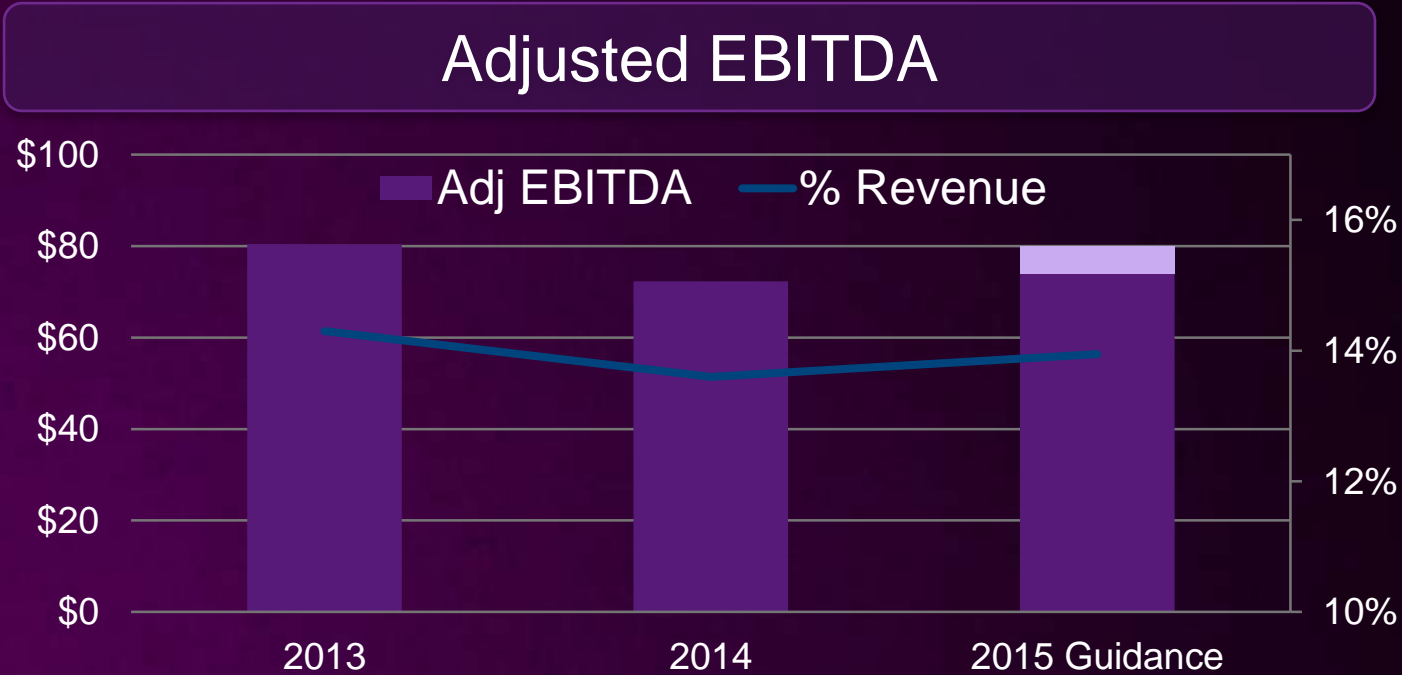
Growing Revenue Backlog<sup>(1)</sup>



(1) Figures reflect revenue backlog generated after 2010.



# Profitability Trends (\$M)



Note: 2015 Guidance includes impact of Orad Acquisition from June 23, 2015

# 2015 Financial Guidance

**CFX Bookings**  
**\$530 - \$550 million**  
**2% - 6% YoY Growth**

**Adjusted EBITDA**  
**\$74 - \$80 million**  
**13.8% - 14.5% Adjusted EBITDA Margin**

**Revenue**  
**\$538 - \$550 million**  
**2% - 4% YoY Growth**

**Adjusted FCF**  
**\$12 - \$20 million**  
**16% - 25% Adjusted EBITDA Conversion**

## Materially Improved Cost & Revenue Visibility

- Increase in revenue backlog and near term visibility
  - Momentum from Q2 advance orders of new product expected to ship in 2H
  - Impact of improved business practices related to Media Composer 8
  - Shift to recurring revenue
- Addition of Orad product lines
- Impact of cost initiatives already executed
- Specifically identified growth initiatives

## Hurdles to Overcome

- Macro industry spending trends
- Near term impact of continued shift to recurring revenue
- Continued elongation of sales cycle
  - Expected to normalize in Q4 with normal seasonality





# Growth and Visibility on a Scalable Operating Model

Bookings have hit a growth inflection point and Avid has turned on 5 key growth engines enabled by Avid Everywhere

## Revenue

	Direct	Reseller	Digital
Media Central platform adoption enabling cross-selling of existing product suite	✓	✓	
Expand cross-sell through natural extensions of current product suite	✓	✓	
Sell new products beyond our traditional workflows all the way to consumption	✓	✓	
Sell third-party products via the connectivity toolkit and AppStore by leveraging Media Central Platform	✓	✓	✓
Enter the Tier III market aggressively via cloud subscription and marketplace		✓	✓

## Costs

Focus on a leaner, more directed cost structure enabled by common platform architecture

- Align resources to support growth engines
- Indirect procurement
- Product rationalization
- Labor arbitrage and facility rationalization
- Indirect procurement
- Clear focus on ROI supported investments



