
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): August 3, 2021

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-36254
(Commission File Number)

04-2977748
(I.R.S. Employer
Identification No.)

75 Network Drive, Burlington, Massachusetts 01803
(Address of Principal Executive Offices) (Zip Code)

978 640-6789
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	AVID	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2021, Avid Technology, Inc. (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended June 30, 2021 (the “Press Release”). The full text of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

The information contained in Item 2.02 is incorporated by reference herein.

Non-GAAP and Operational Measures. The attached Press Release includes financial measures that are not based on generally accepted accounting principles, or GAAP. These non-GAAP financial measures, which are not based on a comprehensive set of accounting rules or principles, include the following: Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP Net Income, Non-GAAP Net Income Per Share, and Free Cash Flow.

- Non-GAAP Gross Margin is defined as GAAP gross margin, excluding amortization of intangible assets and stock-based compensation expense.
- Non-GAAP Operating Expenses are defined as GAAP operating expense excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to M&A related activity, efficiency program, and COVID-19 related costs.
- Non-GAAP Operating Income is defined as GAAP operating income excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to M&A related activity, efficiency program, and COVID-19 related costs.
- Adjusted EBITDA is defined as Non-GAAP operating income excluding depreciation expense.
- Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by GAAP Net Revenues.
- Non-GAAP Net Income is defined as GAAP net income excluding restructuring costs, stock-based compensation, amortization of intangible assets, loss on extinguishment of debt, tax impact of non-GAAP adjustments, as well as other unusual items such as costs related to M&A related activity, efficiency program, and COVID-19 related costs.
- Non-GAAP Net Income Per Share is defined as Non-GAAP Net Income divided by weighted-average common shares outstanding.
- Free Cash Flow is defined as GAAP operating cash flow less capital expenditures.

Reconciliations of these non-GAAP financial measures to their most comparable GAAP measures are contained in the tables accompanying the Press Release. The Press Release furnished herewith also includes forward-looking non-GAAP financial measures, including estimated Adjusted EBITDA, Non-GAAP Net Income Per Share and Free Cash Flow for future periods. Reconciliations of these forward-looking non-GAAP financial measures are not included in the Press Release furnished herewith due to the high variability and difficulty in making accurate forecasts and projections of some of the excluded information, together with some of the excluded information not being ascertainable or accessible at this time. As a result, the Company is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measure without unreasonable efforts.

These non-GAAP financial measures reflect how Avid manages its businesses internally. Avid’s non-GAAP measures may vary from how other companies present non-GAAP measures. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

The Press Release furnished herewith also includes the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue %, Annual Contract Value and Revenue Backlog. Definitions of these operational metrics are included in the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.

- Cloud-enabled software subscriptions as of the end of a quarter represent the number of paid subscription licenses under an active contract as of that date, excluding any licenses that may be receiving service under an active contract but that are not paid for at that time by the customer, whether due to a promotion, cancellation or otherwise. For comparison purposes, subscription numbers for previous quarters have been adjusted from previously published numbers to (i) include multi-year and multi-seat licenses, and (ii) exclude certain terminated subscription licenses.
- Recurring Revenue is defined as the sum of subscription revenue, maintenance revenue and revenue under our long-term contractual agreements.
- LTM Recurring Revenue % is Recurring Revenue divided by Total Net Revenue for the most recent four quarters.
- Annual Contract Value is defined, as of a given date, as the sum of the following three components: (i) the annual value of all long-term contractual agreements in effect on such date, calculated by dividing the total value of each contract (excluding expected maintenance revenue included in (ii) below and expected subscription revenue included in (iii) below) divided by the total number of years of such contract, (ii) maintenance revenue for the quarter ended on such date, multiplied by four, and (iii) subscription revenue for the quarter ended on such date, multiplied by four.
- Revenue Backlog consists of firm orders received and includes both (i) orders where the customer has been invoiced in advance of our performance obligations being fulfilled and (ii) orders for future product deliveries or services that have not yet been invoiced by us.

Limitation on Incorporation by Reference. The information furnished in Items 2.02 and 7.01, including the Press Release furnished herewith as Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Cautionary Note Regarding Forward-Looking Statements. This Form 8-K, and the Press Release furnished herewith as Exhibit 99.1 contain forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Please refer to the cautionary notes in the Press Release regarding these forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release announcing financial results, dated August 3, 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

AVID TECHNOLOGY, INC.
(Registrant)

Date: August 3, 2021

By: /s/ Kenneth Gayron
Name: Kenneth Gayron
Title: Executive Vice President and Chief Financial Officer

Avid Technology Announces Second Quarter 2021 Results

19.7% Year-Over-Year Revenue Growth, driven by Continued Subscription Growth and Recovery in Integrated Solutions

\$6.6 million in Net Cash Provided by Operating Activities and Free Cash Flow of \$5.6 million in the Quarter

Net Income per Share of \$0.15 and Non-GAAP Net Income per Share of \$0.25, a 108% Improvement Year-Over-Year

Full Year 2021 Guidance: Raises Free Cash Flow Guidance and Reaffirms All Other Guidance

BURLINGTON, Mass., August 3, 2021 -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its financial results for the second quarter ended June 30, 2021, provided guidance for the third quarter of 2021, raised full-year guidance for Free Cash Flow, and reaffirmed all other full-year 2021 guidance.

Total revenue increased 19.7% year-over-year in the second quarter, driven by (i) continued growth in Subscription revenue, which was \$21.5 million, an increase of 30.9% year-over-year and (ii) a recovery in Integrated Solutions revenue, which was \$31.3 million, an increase of 50.5% year-over-year.

During the second quarter, net income was \$7.0 million, an increase of 279.7% year-over-year, and Adjusted EBITDA was \$15.8 million, an increase of 17.1% year-over-year. The improvement in profitability also resulted in significant year-over-year improvement in net cash provided by operating activities to \$6.6 million, and Free Cash Flow to \$5.6 million.

Second Quarter 2021 Financial and Business Highlights

- Subscription revenue was \$21.5 million, an increase of 30.9% year-over-year.
- Paid Cloud-enabled software subscriptions, including MediaCentral subscriptions, increased by 43.2%, year-over-year to approximately 346,000 at June 30, 2021, and increased by approximately 19,000 from March 31, 2021.
- Subscription and Maintenance revenue was \$52.0 million, an increase of 10.5% year-over-year.
- Total revenue was \$94.9 million, an increase of 19.7% year-over-year.
- LTM Recurring Revenue % was 76.1% of the Company's revenue for the 12 months ended June 31, 2021, up from 69.8% for the 12 months ended June 30, 2020.
- Annual Contract Value was \$293.1 million as of June 30, 2021, an increase of 10.5% from \$265.3 million as of June 30, 2020.
- Gross margin was 63.4%, a decrease of 160 basis points year-over-year. Non-GAAP Gross Margin was 63.9%, a decrease of 150 basis points year-over-year. One-time items of \$1.2M negatively impacted GAAP and Non-GAAP Gross Margin by 120 basis points in the second quarter of 2021.
- Operating expenses were \$51.1 million, an increase of 17.6% year-over-year, as the second quarter of 2020 included significant temporary cost savings initiatives put in place due to the COVID-19 pandemic. Non-GAAP Operating Expenses were \$47.0 million, an increase of 16.0% year-over-year.
- Net income was \$7.0 million, an increase of 279.7% year-over-year. Net income was 7.4% of revenue, an increase of 510 basis points year-over-year. Non-GAAP Net Income was \$11.6 million, an increase of

- 128.5% year-over-year. Non-GAAP Net Income was 12.2% of revenue, an increase of 580 basis points year-over-year.
- Net income per common share was \$0.15, up from net income per common share of \$0.04 in the second quarter of 2020. Non-GAAP Net Income per Share was \$0.25, up from Non-GAAP Net Income per Share of \$0.12 in the second quarter of 2020.
- Adjusted EBITDA was \$15.8 million, an increase of 17.1% year-over-year. Adjusted EBITDA Margin was 16.7%, a year-over-year decrease of 30 basis points, as the second quarter of 2020 included significant temporary cost savings initiatives put in place due to the COVID-19 pandemic.
- Net cash provided by operating activities was \$6.6 million in the quarter, an increase of \$10.1 million compared to Net cash used in operating activities of (\$3.5) million in the prior year period.
- Free Cash Flow was \$5.6 million in the quarter, an increase of \$10.8 million from (\$5.2) million in the prior year period.

Jeff Rosica, Avid's Chief Executive Officer and President, stated, "We are pleased by the continued strong performance from our Subscriptions business and by the recovery of our Integrated Solutions business, including storage and live sound, during the second quarter." Mr. Rosica continued, "We experienced gradual improvement in end market demand during the second quarter, and expect that the momentum from this recovery trend will continue into the second half of 2021 as we introduce several new product innovations across our portfolio."

Ken Gayron, Chief Financial Officer and Executive Vice President of Avid, added, "We continued to grow our recurring revenue streams and deliver year-over-year growth in profitability and Free Cash Flow during the second quarter." Mr. Gayron continued, "Having delivered this strong first half performance and favorable trajectory we are raising our 2021 Free Cash Flow Guidance and reaffirming all other items of our 2021 annual guidance."

Third Quarter and Full Year 2021 Guidance

For the third quarter of 2021, Avid is providing guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Net Income per Share and Adjusted EBITDA. Avid has also increased its full-year 2021 guidance for Free Cash Flow and reaffirmed its full-year 2021 guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Net Income per Share and Adjusted EBITDA that was issued on May 5, 2021.

(\$ in millions, except per share amounts) Third Quarter 2021

Revenue \$94 – \$100
 Subscription & Maintenance Revenue \$51 – \$55
 Non-GAAP Net Income per Share \$0.20 – \$0.28
 Adjusted EBITDA \$14 – \$18

Full-Year 2021

Revenue \$382 – \$402
 Subscription & Maintenance Revenue \$217 – \$225
 Non-GAAP Net Income per Share \$1.05 – \$1.27
 Adjusted EBITDA \$69 – \$79
 Free Cash Flow \$49 – \$57

All guidance presented by the Company is inherently uncertain and subject to numerous risks and uncertainties. Avid's actual future results of operations could differ materially from those shown in the table above. For a discussion of some of the key assumptions underlying the guidance, as well as the key risks and uncertainties associated with these forward-looking statements, please see "Forward-Looking Statements" below as well as the Avid Technology Q2 2021 Earnings Call presentation posted on Avid's Investor Relations website at ir.Avid.com.

Conference Call to Discuss Second Quarter 2021 Results on August 3, 2021

Avid will host a conference call to discuss its financial results for the first quarter on Tuesday, August 3, 2021, at 5:30 p.m. Eastern Time. Participants may join the webcast in listen-only mode and access the presentation slides using the link on the Avid Investor Relations website, which can be found on the events tab at ir.Avid.com. Participants who would like to ask a question can access the call by dialing +1 929-477-0593 and referencing confirmation code 3169916. Please connect at least 15 minutes in advance to ensure a timely connection to the call. A replay of the webcast will also be available for a limited time on the Avid Investor Relations website shortly after the completion of the call.

Non-GAAP Financial Measures and Operational Metrics

Avid includes non-GAAP financial measures in this press release, including Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Net Income, and Non-GAAP Net Income per Share. The Company also includes the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue % and Annual Contract Value in this release. Avid believes the non-GAAP financial measures and operational metrics provided in this release provide helpful information to investors with respect to evaluating the Company's performance. Unless noted, all financial and operating information is reported based on actual exchange rates. Definitions of the non-GAAP financial measures and the operational metrics are included in our Form 8-K filed today. Reconciliations of the non-GAAP financial measures presented in this press release to the Company's comparable GAAP financial measures for the periods presented are set forth below and are included in the supplemental financial and operational data sheet available on our Investor Relations website at ir.Avid.com, which also includes definitions of all operational metrics.

This press release also includes expectations for future Adjusted EBITDA, Non-GAAP Net Income per Share and Free Cash Flow, which are forward-looking non-GAAP financial measures. Reconciliations of these forward-looking non-GAAP measures are not included in this press release or elsewhere, due to the high variability and difficulty in making accurate forecasts and projections of some of the information excluded from the estimation of the non-GAAP results, together with some of the excluded information not being ascertainable or accessible at this time. As a result, we are unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measure without unreasonable efforts.

Forward-Looking Statements

Certain information provided in this press release includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include statements regarding our future financial performance or position, results of operations, business strategy, plans and objectives of management for future operations, and other statements that are not historical fact. You can identify forward-looking statements by their use of forward-looking words such as "may", "will", "anticipate", "expect", "believe", "estimate", "intend", "plan", "should", "seek", or other comparable terms.

Readers of this press release should understand that these forward-looking statements are not guarantees of performance or results. Forward-looking statements provide our current expectations and beliefs concerning future events and are subject to risks, uncertainties, and factors relating to our business and operations, all of which are difficult to predict and could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements.

These risks, uncertainties, and factors include, but are not limited to: risks related to the impact of the coronavirus (COVID-19) outbreak on our business, suppliers, consumers, customers and employees; our

liquidity; our ability to execute our strategic plan including our cost saving strategies, and to 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; fluctuations in subscription and maintenance renewal rates; 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; risks related to the availability and prices of raw materials, including any negative effects caused by inflation, weather conditions, or health pandemics; disruptions or inefficiencies in our supply chain and/or operations, including from the COVID-19 outbreak; the costs, disruption, and diversion of management's attention due to the COVID-19 outbreak; the possibility of legal proceedings adverse to our Company; and other risks described in our reports filed from time to time with the U.S. Securities and Exchange Commission. Moreover, the business may be adversely affected by future legislative, regulatory or other changes, including tax law changes, as well as other economic, business and/or competitive factors. The risks included above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements included in this press release which speak only as to the date of this press release. We undertake no responsibility to update or revise any forward-looking statements, except as required by law.

About Avid

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AVID TECHNOLOGY, INC.
Consolidated Statements of Operations
(unaudited - in thousands except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net revenues:				
Products	\$ 37,178	\$ 27,635	\$ 70,445	\$ 62,346
Services	57,698	51,646	118,795	103,388
Total net revenues	<u>94,876</u>	<u>79,281</u>	<u>189,240</u>	<u>165,734</u>
Cost of revenues:				
Products	20,083	16,954	39,576	37,916
Services	14,655	10,765	28,110	23,105
Total cost of revenues	<u>34,738</u>	<u>27,719</u>	<u>67,686</u>	<u>61,021</u>
Gross profit	<u>60,138</u>	<u>51,562</u>	<u>121,554</u>	<u>104,713</u>
Operating expenses:				
Research and development	16,093	13,068	31,510	28,493
Marketing and selling	21,354	19,690	42,098	44,979
General and administrative	13,678	10,604	27,313	23,348
Restructuring costs, net	15	140	1,089	285
Total operating expenses	<u>51,140</u>	<u>43,502</u>	<u>102,010</u>	<u>97,105</u>
Operating income	8,998	8,060	19,544	7,608
Interest and other expense, net	<u>(1,633)</u>	<u>(5,498)</u>	<u>(7,306)</u>	<u>(10,781)</u>
Income (loss) before income taxes	7,365	2,562	12,238	(3,173)
Provision for income taxes	359	717	841	839
Net income (loss)	<u>\$ 7,006</u>	<u>\$ 1,845</u>	<u>\$ 11,397</u>	<u>\$ (4,012)</u>
Net income (loss) per common share – basic	<u>\$0.15</u>	<u>\$0.04</u>	<u>\$0.25</u>	<u>\$(0.09)</u>
Net income (loss) per common share – diluted	<u>\$0.15</u>	<u>\$0.04</u>	<u>\$0.25</u>	<u>\$(0.09)</u>
Weighted-average common shares outstanding – basic	45,211	43,719	44,887	43,486
Weighted-average common shares outstanding – diluted	46,550	44,180	46,420	43,486

AVID TECHNOLOGY, INC.

Reconciliations of GAAP financial measures to Non-GAAP financial measures

(unaudited - in thousands except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<u>GAAP revenue</u>				
GAAP revenue	\$ 94,876	\$ 79,281	\$ 189,240	\$ 165,734
<u>Non-GAAP Gross Profit</u>				
GAAP gross profit	\$ 60,138	\$ 51,562	\$ 121,554	\$ 104,713
Stock-based compensation	478	275	918	475
Non-GAAP Gross Profit	\$ 60,616	\$ 51,837	\$ 122,472	\$ 105,188
GAAP Gross Margin	63.4 %	65.0 %	64.2 %	63.2 %
Non-GAAP Gross Margin	63.9 %	65.4 %	64.7 %	63.5 %
<u>Non-GAAP Operating Expenses</u>				
GAAP operating expenses	\$ 51,140	\$ 43,502	\$ 102,010	\$ 97,105
Less Amortization of intangible assets	(105)	(105)	(210)	(201)
Less Stock-based compensation	(3,159)	(2,450)	(6,136)	(4,359)
Less Restructuring costs, net	(15)	(140)	(1,089)	(285)
Less Acquisition, integration and other costs	(838)	—	(1,207)	183
Less Efficiency program costs	—	(235)	(48)	(366)
Less COVID-19 related expenses	(20)	(62)	(22)	(248)
Non-GAAP Operating Expenses	\$ 47,003	\$ 40,510	\$ 93,298	\$ 91,829
<u>Non-GAAP Operating Income and Adjusted EBITDA</u>				
GAAP net income (loss)	\$ 7,006	\$ 1,845	\$ 11,397	\$ (4,012)
Interest and other expense	1,633	5,498	7,306	10,781
Provision for income taxes	359	717	841	839
GAAP operating income	\$ 8,998	\$ 8,060	\$ 19,544	\$ 7,608
Amortization of intangible assets	105	105	210	201
Stock-based compensation	3,637	2,726	7,054	4,835
Restructuring costs, net	15	140	1,089	285
Acquisition, integration and other costs	838	—	1,207	(183)
Efficiency program costs	—	235	48	366
COVID-19 related expenses	20	62	22	248
Non-GAAP Operating Income	\$ 13,613	\$ 11,328	\$ 29,174	\$ 13,360
Depreciation	2,202	2,172	4,321	4,314
Adjusted EBITDA	\$ 15,815	\$ 13,500	\$ 33,495	\$ 17,674
GAAP net income margin	7.4 %	2.3 %	6.0 %	(2.4) %
Adjusted EBITDA Margin	16.7 %	17.0 %	17.7 %	10.7 %

Non-GAAP Net Income

GAAP net income (loss)	\$	7,006	\$	1,845	\$	11,397	\$	(4,012)
Amortization of intangible assets		105		105		210		201
Stock-based compensation		3,637		2,726		7,054		4,835
Restructuring costs, net		15		140		1,089		285
Acquisition, integration and other costs		838		—		1,207		(183)
Efficiency program costs		—		235		48		366
COVID-19 related expenses		20		62		22		248
Loss on extinguishment of debt		—		—		3,748		7
Tax impact of non-GAAP adjustments		(10)		(31)		(159)		(41)
Non-GAAP Net Income	\$	11,611	\$	5,082	\$	24,616	\$	1,706
Weighted-average common shares outstanding - basic		45,211		43,719		44,887		43,486
Weighted-average common shares outstanding - diluted		46,550		44,180		46,420		43,486
Non-GAAP Earnings Per Share - basic	\$	0.26	\$	0.12	\$	0.55	\$	0.04
Non-GAAP Earnings Per Share - diluted	\$	0.25	\$	0.12	\$	0.53	\$	0.04

Free Cash Flow

GAAP net cash provided by (used in) operating activities	\$	6,585	\$	(3,507)	\$	18,898	\$	(9,112)
Capital expenditures		(1,021)		(1,733)		(2,275)		(3,212)
Free Cash Flow	\$	5,564	\$	(5,240)	\$	16,623	\$	(12,324)
Free Cash Flow conversion of Adjusted EBITDA		35.2 %		(38.8)%		49.6 %		(69.7)%

These non-GAAP measures reflect how Avid manages its businesses internally. Avid's non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

AVID TECHNOLOGY, INC.**Consolidated Balance Sheets**

(unaudited - in thousands, except per share data)

	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 53,337	\$ 79,899
Restricted cash	1,422	1,422
Accounts receivable, net of allowances of \$1,369 and \$1,478 at June 30, 2021 and December 31, 2020, respectively	58,746	78,614
Inventories	24,242	26,568
Prepaid expenses	8,774	6,044
Contract assets	21,828	18,579
Other current assets	2,265	2,366
Total current assets	<u>170,614</u>	<u>213,492</u>
Property and equipment, net	14,762	16,814
Goodwill	32,643	32,643
Right of use assets	26,561	29,430
Deferred tax assets, net	6,254	6,801
Other long-term assets	5,871	5,958
Total assets	<u>\$ 256,705</u>	<u>\$ 305,138</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 21,775	\$ 21,823
Accrued compensation and benefits	23,103	29,105
Accrued expenses and other current liabilities	32,904	42,264
Income taxes payable	1,648	1,664
Short-term debt	16,961	4,941
Deferred revenue	80,745	87,974
Total current liabilities	<u>177,136</u>	<u>187,771</u>
Long-term debt	165,178	202,759
Long-term deferred revenue	10,838	11,284
Long-term lease liabilities	25,819	28,462
Other long-term liabilities	7,476	7,786
Total liabilities	<u>386,447</u>	<u>438,062</u>
Stockholders' deficit:		
Common stock	452	442
Additional paid-in capital	1,029,675	1,036,658
Accumulated deficit	(1,156,950)	(1,168,347)
Accumulated other comprehensive loss	(2,919)	(1,677)
Total stockholders' deficit	<u>(129,742)</u>	<u>(132,924)</u>
Total liabilities and stockholders' deficit	<u>\$ 256,705</u>	<u>\$ 305,138</u>

AVID TECHNOLOGY, INC.
Consolidated Statements of Cash Flows
(unaudited - in thousands)

	Six Months Ended	
	June 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 11,397	\$ (4,012)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,321	4,330
Allowance for doubtful accounts	270	1,205
Stock-based compensation expense	6,702	4,835
Non-cash provision for restructuring	927	—
Non-cash interest expense	257	3,433
Loss on extinguishment of debt	2,579	—
Unrealized foreign currency transaction gains	(1,468)	(112)
Benefit from deferred taxes	547	383
Changes in operating assets and liabilities:		
Accounts receivable	19,599	18,783
Inventories	2,326	(484)
Prepaid expenses and other assets	(2,629)	(547)
Accounts payable	(48)	(22,003)
Accrued expenses, compensation and benefits and other liabilities	(14,942)	(4,057)
Income taxes payable	(16)	66
Deferred revenue and contract assets	(10,924)	(10,932)
Net cash provided by (used in) operating activities	18,898	(9,112)
Cash flows from investing activities:		
Purchases of property and equipment	(2,275)	(3,212)
Net cash used in investing activities	(2,275)	(3,212)
Cash flows from financing activities:		
Proceeds from revolving line of credit	—	22,000
Proceeds from long-term debt	180,000	7,800
Repayment of debt	(205,824)	(695)
Payments for repurchase of outstanding notes	—	(28,867)
Proceeds from the issuance of common stock under employee stock plans	363	—
Common stock repurchases for tax withholdings for net settlement of equity awards	(14,038)	(2,357)
Prepayment penalty on extinguishment of debt	(1,169)	—
Partial unwind capped call cash receipt	—	875
Payments for credit facility issuance costs	(2,574)	(289)
Net cash (used in) provided by financing activities	(43,242)	(1,533)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	56	682
Net (decrease) increase in cash, cash equivalents and restricted cash	(26,563)	(13,175)
Cash, cash equivalents and restricted cash at beginning of period	83,638	72,575
Cash, cash equivalents and restricted cash at end of period	\$ 57,075	\$ 59,400
Supplemental information:		
Cash and cash equivalents	\$ 53,337	\$ 55,662
Restricted cash	1,422	1,663
Restricted cash included in other long-term assets	2,316	2,075
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 57,075	\$ 59,400

AVID TECHNOLOGY, INC.
Supplemental Revenue Information
(unaudited - in millions)

Backlog Disclosure for Quarter Ended June 30, 2021

	June 30, 2021	March 31, 2021	June 30, 2020
Revenue Backlog*			
Deferred Revenue	\$91.6	\$97.5	\$85.7
Other Backlog	309.4	319.3	337.9
Total Revenue Backlog	\$401.0	\$416.8	\$423.6

The expected timing of recognition of revenue backlog as of June 30, 2021 is as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Revenue	\$57.9	\$27.0	\$3.4	\$3.3	\$91.6
Other Backlog	61.3	100.0	76.3	71.8	309.4
Total Revenue Backlog	\$119.2	\$127.0	\$79.7	\$75.1	\$401.0

*A definition of Revenue Backlog is included in the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.