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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): October 25, 2007

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

0-21174
(Commission File Number)

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

Avid Technology Park, One Park West, Tewksbury, MA
(Address of Principal Executive Offices)

01876
(Zip Code)

Registrant's telephone number, including area code: **(978) 640-6789**

(Former Name or Former Address, if Changed Since Last Report)

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 (see General Instruction A.2. below):

- ☐ 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))
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This Current Report on Form 8-K contains a number of forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995, about the performance of Avid Technology, Inc. (the “Company”). For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects” and similar expressions are intended to identify forward-looking statements. There are a number of factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements, many of which are beyond the Company’s control, including the risk factors disclosed previously and from time to time in the Company’s filings with the U.S. Securities and Exchange Commission. In addition, the forward-looking statements contained herein represent the Company’s estimate only as of the date of this filing and should not be relied upon as representing the Company’s estimate as of any subsequent date. While the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Item 2.02. Results of Operations and Financial Condition.

On October 25, 2007, the Company announced its financial results for the quarter ended September 30, 2007. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in Item 2.02 of this Form 8-K (including 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 it 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

99.1 Press Release issued by the Company on October 25, 2007.

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.

Date: October 25, 2007

AVID TECHNOLOGY, INC.
(Registrant)

By: /s/ Joel Legon
Joel Legon
Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release issued by the Company dated October 25, 2007.



Contact: Dean Ridlon, Investor Relations Director
Phone: 978.640.5309
Email: Investor_Relations@avid.com

Avid Reports Third Quarter 2007 Results

Tewksbury, MA – October 25, 2007 – Avid Technology, Inc. (NASDAQ: AVID) today reported revenue of \$226.8 million for the three-month period ended September 30, 2007, compared to \$231.2 million for the same period in 2006. GAAP net loss for the quarter was \$5.9 million, or \$.14 per share, compared to GAAP net income of \$3.6 million, or \$.08 per diluted share, in the third quarter of 2006.

GAAP net loss in the third quarter of 2007 includes \$21.0 million of amortization, stock-based compensation, restructuring costs, other costs and related tax adjustments. Excluding these items, non-GAAP earnings per diluted share were \$.37. For the third quarter of 2006, there was \$14.3 million of amortization, stock-based compensation, restructuring recoveries, in-process research and development, and related tax adjustments included in GAAP net income. Excluding these items, non-GAAP earnings per diluted share were \$.42 in the third quarter of 2006.

The company's cash balance increased to \$197.2 million at September 30, 2007 primarily due to operating cash flow.

"Given the initiatives we have undertaken, we are pleased with this quarter's results," said Nancy Hawthorne, Avid's interim chief executive officer. "We remain focused on enhancing Avid's profitability by improving all aspects of the company's operations.

"Our professional video business had a solid quarter with stable revenue and improved profitability sequentially as we recognized some large deals from our backlog and had a modest increase in our run rate business," continued Hawthorne. "Audio performed well as strength in studio and live mixing consoles and products serving the home/hobbyist studio market offset weakness in core Pro Tools|HD upgrades and M-Audio. Finally, in consumer the PC-based TV viewing products were strong and the launch of the Studio 11 consumer video editor continued to go well."

Revenue for the nine-month period ended September 30, 2007 was \$671.1 million, compared to revenue of \$671.5 million for the same period in 2006. GAAP net loss for the first nine months of 2007 was \$11.8 million, or \$.29 per share, compared to GAAP net income of \$9.6 million, or \$.22 per diluted share, for the same period in 2006. GAAP net loss for the nine-month period ended September 30, 2007 includes \$45.8 million of amortization, stock-based compensation, restructuring costs, other costs and related tax adjustments. Excluding these items, non-GAAP earnings per share were \$.82 per diluted share for the first nine months of 2007. GAAP net income for the nine-month period ended September 30, 2006 includes \$38.9 million of amortization, stock-based compensation, restructuring costs, in-process research and development, and related tax adjustments. Excluding these items, non-GAAP earnings per diluted share were \$1.13 for the first nine months of 2006.

Use of Non-GAAP Financial Measures

This press release contains “non-GAAP financial measures” under the rules of the U.S. Securities and Exchange Commission. 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. The reconciliation for net income and diluted earnings per share for the three- and nine-month periods ended September 30, 2007 and 2006 are in the tables attached to this press release.

We use non-GAAP financial measures internally to manage our business, for example, in establishing our annual operating budget, in assessing segment operating performance and for measuring performance under our employee incentive compensation plans. Non-GAAP financial measures are used by our management in its operating and financial decision-making because management believes these measures reflect our ongoing business in a manner that allows meaningful period-to-period comparisons. Accordingly, we believe it is useful for our investors and others to review both GAAP and non-GAAP measures in order to (a) understand and evaluate our current operating performance and future prospects in the same manner as management does and (b) compare in a consistent manner the company’s current financial results with our past financial results. The primary limitations associated with our use of non-GAAP financial measures are that these measures may not be directly comparable to the amounts reported by other companies and they do not include all items of income and expense that affect our operations. Our management compensates for these limitations by considering the company’s financial results as determined in accordance with GAAP and by providing a detailed reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures in this press release.

Conference Call

A conference call to discuss Avid’s third quarter 2007 financial results will be held today, October 25, 2007, at 5:00 p.m. EDT. The call will be open to the public and can be accessed by dialing (719) 457-2617 and referencing confirmation code 8148060. The call and subsequent replay will also be available on Avid’s website. To listen via this alternative, go to the Investor Relations page under the About Us menu at www.avid.com for complete details prior to the start of the conference call.

Use of Forward-Looking Statements

The above release is subject to the completion and filing of our Quarterly Report on Form 10-Q. This release includes forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995, about Avid's performance. There are a number of factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements, such as Avid's ability to meet customer needs, market acceptance of Avid's existing and new products, Avid's ability to recognize revenue in a timely manner, competitive factors, pricing pressures, delays in product shipments and other important events and factors disclosed previously and from time to time in Avid's filings with the U.S. Securities and Exchange Commission. In addition, the forward-looking statements contained herein represent Avid's estimate only as of today and should not be relied upon as representing the company's estimate as of any subsequent date. While Avid may elect to update these forward-looking statements at some point in the future, Avid specifically disclaims any obligation to do so, even if the estimates change.

About Avid Technology, Inc.

Avid Technology, Inc. is the world leader in digital nonlinear media creation, management and distribution solutions, enabling film, video, audio, animation, games and broadcast professionals to work more efficiently, productively and creatively. For more information about the company's Oscar®, Grammy® and Emmy® award-winning products and services, please visit: www.avid.com.

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AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited - in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net revenues:				
Products	\$ 198,817	\$ 203,274	\$ 583,630	\$ 595,597
Services	<u>28,009</u>	<u>27,959</u>	<u>87,420</u>	<u>75,932</u>
Total net revenues	226,826	231,233	671,050	671,529
Cost of revenues:				
Products	93,397	99,202	279,100	284,382
Services	16,054	13,968	49,487	41,095
Amortization of intangible assets	4,096	6,208	13,329	16,304
Restructuring costs	<u>2,797</u>	<u>—</u>	<u>2,797</u>	<u>—</u>
Total cost of revenues	116,344	119,378	344,713	341,781
Gross profit	<u>110,482</u>	<u>111,855</u>	<u>326,337</u>	<u>329,748</u>
Operating expenses:				
Research and development	36,471	35,250	112,657	106,363
Marketing and selling	48,832	50,641	157,031	153,136
General and administrative	20,514	16,021	56,064	47,011
Amortization of intangible assets	3,432	3,298	10,295	10,940
Restructuring costs (recoveries), net	6,297	(1,620)	8,072	(554)
In-process research and development	<u>—</u>	<u>569</u>	<u>—</u>	<u>879</u>
Total operating expenses	115,546	104,159	344,119	317,775
Operating income (loss)	(5,064)	7,696	(17,782)	11,973
Interest and other income (expense), net	<u>1,980</u>	<u>1,832</u>	<u>5,898</u>	<u>5,683</u>
Income (loss) before income taxes	(3,084)	9,528	(11,884)	17,656
Provision for (benefit from) income taxes, net	<u>2,769</u>	<u>5,935</u>	<u>(52)</u>	<u>8,018</u>
Net income (loss)	<u>\$ (5,853)</u>	<u>\$ 3,593</u>	<u>\$ (11,832)</u>	<u>\$ 9,638</u>
Net income (loss) per common share – basic	\$ (0.14)	\$ 0.09	\$ (0.29)	\$ 0.23
Net income (loss) per common share – diluted	\$ (0.14)	\$ 0.08	\$ (0.29)	\$ 0.22
Weighted-average common shares outstanding – basic	40,798	41,531	40,963	41,978
Weighted-average common shares outstanding – diluted	40,798	42,281	40,963	42,845

AVID TECHNOLOGY, INC.
(unaudited - in thousands, except per share data)

Segment revenue and operating income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Professional Video:				
Revenues	\$ 118,855	\$ 126,579	\$351,844	\$ 361,642
Operating income	9,976	14,711	13,892	33,111
Audio:				
Revenues	\$ 77,320	\$ 74,189	\$233,006	\$ 221,199
Operating income	7,797	8,391	21,495	26,481
Consumer Video:				
Revenues	\$ 30,651	\$ 30,465	\$ 86,200	\$ 88,688
Operating loss	(1,877)	(2,625)	(5,210)	(7,006)
Total:				
Total segment revenues	\$226,826	\$ 231,233	\$671,050	\$ 671,529
Total segment operating income	15,896	20,477	30,177	52,586

Reconciliation of GAAP operating income (loss) to Non-GAAP operating income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Consolidated GAAP operating income (loss)	\$ (5,064)	\$ 7,696	\$(17,782)	\$ 11,973
Adjustments to reconcile to Non-GAAP operating income:				
Amortization of intangible assets	7,528	9,506	23,624	27,244
Stock-based compensation	3,988	4,326	12,091	13,044
Restructuring costs (recoveries), net	9,094	(1,620)	10,869	(554)
Other costs	350	—	1,375	—
In-process research and development	—	569	—	879
Total operating income for reportable segments	<u>\$ 15,896</u>	<u>\$ 20,477</u>	<u>\$ 30,177</u>	<u>\$ 52,586</u>

AVID TECHNOLOGY, INC.
(unaudited - in thousands, except per share data)

Reconciliation of GAAP net income (loss) to Non-GAAP net income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
GAAP net income (loss)	\$ (5,853)	\$ 3,593	\$(11,832)	\$ 9,638
Adjustments to reconcile to Non-GAAP net income:				
Amortization of intangible assets	7,528	9,506	23,624	27,244
Stock-based compensation	3,988	4,326	12,091	13,044
Restructuring costs (recoveries), net	9,094	(1,620)	10,869	(554)
Other costs	350	—	1,375	—
In-process research and development	—	569	—	879
Related tax adjustments	74	1,494	(2,140)	(1,757)
Non-GAAP net income	<u>\$ 15,181</u>	<u>\$ 17,868</u>	<u>\$ 33,987</u>	<u>\$ 48,494</u>
Weighted-average common shares outstanding – diluted	41,234	42,281	41,521	42,845
Non-GAAP net income per common share – diluted	\$ 0.37	\$ 0.42	\$ 0.82	\$ 1.13

Stock-based compensation, which relates to adoption of SFAS 123R, the acquisition of M-Audio, and the issuance of restricted stock and restricted stock units in 2006 and 2007, is comprised of the following:

Stock-based compensation included in:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Cost of products revenues	\$ 182	\$ 128	\$ 505	\$ 398
Cost of services revenues	248	196	696	623
Research and development expense	1,018	1,252	3,415	3,802
Marketing and selling expense	1,092	1,190	3,228	3,638
General and administrative expense	1,448	1,560	4,247	4,583
	<u>\$ 3,988</u>	<u>\$ 4,326</u>	<u>\$ 12,091</u>	<u>\$ 13,044</u>

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited - in thousands)

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	\$ 197,239	\$ 172,107
Accounts receivable, net of allowances of \$19,164 and \$23,087 at September 30, 2007 and December 31, 2006, respectively	140,363	138,578
Inventories	133,732	144,238
Prepaid and other current assets	<u>33,336</u>	<u>29,016</u>
Total current assets	504,670	483,939
Property and equipment, net	45,780	40,483
Intangible assets, net	78,425	102,048
Goodwill	360,550	360,143
Other assets	<u>11,983</u>	<u>10,421</u>
Total assets	<u><u>\$ 1,001,408</u></u>	<u><u>\$ 997,034</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 35,442	\$ 34,108
Accrued expenses and other current liabilities	91,262	88,331
Deferred revenues	<u>82,159</u>	<u>73,743</u>
Total current liabilities	208,863	196,182
Long-term liabilities	<u>19,029</u>	<u>20,471</u>
Total liabilities	<u><u>227,892</u></u>	<u><u>216,653</u></u>
Stockholders' equity:		
Common stock	423	423
Additional paid-in capital	964,330	952,763
Accumulated deficit	(158,799)	(134,708)
Treasury stock at cost, net of reissuances	(44,536)	(43,768)
Accumulated other comprehensive income	<u>12,098</u>	<u>5,671</u>
Total stockholders' equity	<u>773,516</u>	<u>780,381</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,001,408</u></u>	<u><u>\$ 997,034</u></u>