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Q4 & FULL-YEAR 2019 EARNINGS CALL

Avid Technology

March 9, 2020





NON-GAAP & OPERATIONAL MEASURES

The following non-GAAP measures & operational measures will be used in the presentation:

Non-GAAP Measures

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Free Cash Flow
- Non-GAAP Gross Profit
- Non-GAAP Gross Margin
- Non-GAAP Operating Expenses
- Non-GAAP Operating Income
- Non-GAAP Net Income (Loss) Per Share

Operational Measures

- Cloud Enabled Software Subscriptions
- LTM Recurring Revenue %
- Annual Contract Value (“ACV”)

The non-GAAP measures used in this presentation are reconciled to their comparable GAAP measures in our press release announcing Q4 and full-year 2019 results published today and filed as an exhibit to our 8-K filed with the SEC today, and the operational measures used in this presentation are defined in the supplemental financial information datasheet available on ir.avid.com. Avid believes the non-GAAP measures and operational measures provided in this presentation provide helpful information to investors with respect to evaluating the Company’s performance. However, these non-GAAP measures and operational measures may vary from how other companies present such measures. Non-GAAP measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

The presentation also includes guidance for Adjusted EBITDA, Free Cash Flow, and Non-GAAP Net Income Per Share, which are forward-looking non-GAAP financial measures. Reconciliations of these forward-looking non-GAAP measures are not included in this presentation, 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, 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.





SAFE HARBOR STATEMENT

Certain statements made within this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements involve risks and uncertainties, including projections and statements about our anticipated plans, objectives, expectations and intentions. All statements other than statements of historical facts may be forward-looking statements. When used, words such as “believe”, “expect”, “could”, “would”, “may”, “will”, “potential”, and other similar words are intended to identify forward-looking statements. Among other things, this presentation includes projected results of operations for the first quarter and the full fiscal year 2020 which are based on a variety of assumptions about key factors and metrics that will determine our future results of operations. Other forward-looking statements include, without limitation, statements based upon or otherwise incorporating judgments or estimates relating to future performance such as future operating results and expenses; earnings; backlog; product mix and free cash flow; Recurring Revenue and Annual Contract Value; our long-term and recent cost savings initiatives and the anticipated benefits therefrom; our future strategy and business plans; our product plans, including products under development, such as cloud and subscription based offerings, recurring revenue and annual contract value. The projected future results of operations and the other forward-looking statements in this presentation are based on current expectations as of the date of this presentation 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. The guidance presented in this presentation is inherently uncertain and subject to numerous risks and uncertainties. Our actual future results of operations and cash flows could differ materially from those discussed in this presentation.

For additional information, including a discussion of some of the key risks and uncertainties associated with these forward-looking statements, please see the “Forward Looking Statements” section of our press release issued today, as well as the Risk Factors and Forward-Looking Statements sections of the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC. Copies of these filings are available from the SEC, the Avid web site or the Company’s Investor Relations Department.

Any forward-looking information relayed in this presentation speaks only as of today, and Avid undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.



BUSINESS UPDATE

Jeff Rosica

Chief Executive Officer & President



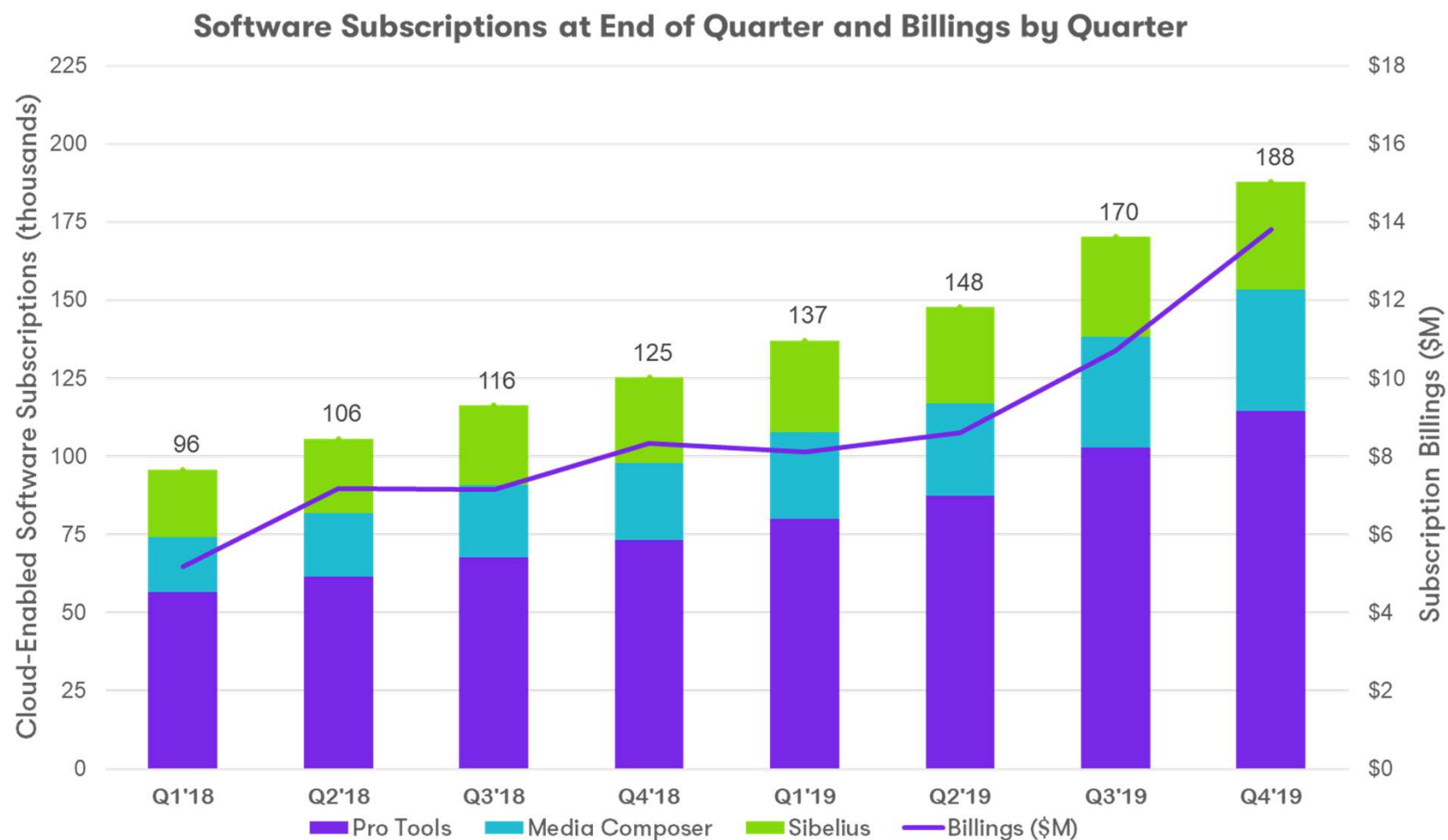
Q4 & 2019 HIGHLIGHTS

- Continued growth of recurring revenue and ACV
 - Strong subscriptions growth – and subscription revenue growth inline with user growth
 - Stabilization of maintenance revenue
- Audio and storage led strong integrated solutions performance
- Supply chain stabilized & fully supported Q4 demand
- Recovery in larger enterprise customers in Q4
- Gross margin expansion in all categories
- Continued to execute strategy to grow revenue, improve costs and improve profitability



SUBSCRIPTION GROWTH CONTINUES

- Paid cloud-enabled software subscriptions up 50% YoY in Q4 to approximately 188,000
- Subscription billings up 66% YoY in Q4
- Subscription revenue up 54% YoY in Q4



KEY HIGHLIGHTS – Q4 2019

Total
Revenue

+3.2%
YoY

Subscription
+ Maintenance
Revenue

+10.3%
YoY

LTM
Recurring
Revenue %

+610 bps
YoY

Non-GAAP
Gross Margin

+240 bps
YoY



KEY HIGHLIGHTS – FULL YEAR 2019

Non-GAAP
Gross Margin

+170 bps
YoY

Adjusted
EBITDA

+17.9%
YoY

Free Cash
Flow

+112%
YoY

Non-GAAP
Net Income
per Share

+\$0.26
YoY



LOOKING FORWARD

- Actively monitoring the evolving COVID-19 situation and the impact to our business
- Continued focus on growing recurring revenue streams including subscription and maintenance
- Clear path to realizing the full benefits of our supply chain transition
- Recent product innovations to help growth
- Confident in trajectory to a consistently profitable & predictable financial model built on growing recurring revenue



Q4 & 2019 FINANCIAL RESULTS AND GUIDANCE

Ken Gayron

Executive Vice President & Chief Financial Officer



Q4 2019 FINANCIAL RESULTS

(\$M, except per share)	<u>Q4'18</u>	<u>Q3'19</u>	<u>Q4'19</u>	<u>YoY change Fav / (Unfav)</u>
Revenue	\$112.7	\$93.5	\$116.3	+3.2%
Subscription & Maintenance Revenue	44.6	43.7	49.3	+10.3%
Non-GAAP Gross Profit	68.6	58.0	73.5	+7.2%
Non-GAAP Gross Margin %	60.8%	62.1%	63.2%	+240bps
Non-GAAP Operating Expenses	\$50.2	\$47.3	\$54.4	(-8.5%)
Adjusted EBITDA	21.3	12.8	21.2	(-0.5%)
Adjusted EBITDA margin %	18.9%	13.7%	18.2%	(-70 bps)
Non-GAAP Net Income per Share	\$0.28	\$0.10	\$0.28	\$-
Free Cash Flow	\$17.7	\$(4.6)	\$17.0	(-\$0.7)

- Revenue up 3.2% YoY on subscriptions and audio hardware
- Subscription & Maintenance revenue up 10.3% YoY on subscription growth exceeding maintenance decline
- Non-GAAP Gross Margin improved 240bps YoY, primarily from better integrated solutions and professional services margin and improved mix
- Non-GAAP Operating Expenses were up \$4.2M YoY on increased investment in R&D, bonus accrual and higher sales commissions
- Adjusted EBITDA and FCF strong in Q4 but down slightly YoY
- FCF impacted by timing of quarterly billings in Q4'19 resulting in higher A/R balance at year end





2019 FINANCIAL RESULTS

(\$M, except per share)

	<u>2018</u>	<u>2019</u>	<u>Change Fav/(Unfav)</u>
Revenue	\$413.3	\$411.8	(-0.4%)
Subscription & Maintenance Revenue	175.1	175.6	+0.3%
Non-GAAP Gross Profit	247.3	253.4	+2.5%
Non-GAAP Gross Margin %	59.8%	61.5%	+170bps
Non-GAAP Operating Expenses	\$211.7	\$206.6	+2.4%
Adjusted EBITDA	47.5	56.0	+17.9%
Adjusted EBITDA Margin %	11.5%	13.6%	+210bps
Non-GAAP Net Income per Share	\$0.25	\$0.51	+\$0.26
Free Cash Flow	\$5.9	\$12.5	+111.6%

- Revenue down (0.4%) YoY from hardware maintenance and professional services decline, offsetting growth in subscription and audio hardware
 - On constant currency basis, revenue up 1.0% YoY
- Subscription & Maintenance revenue up 0.3% on subscription growth offsetting maintenance decline
- Non-GAAP Gross Margin improved by 170bps YoY, primarily from better software, hardware and PS margin
- Non-GAAP Operating Expenses were down (\$5.1M) YoY, largely driven by Smart Savings initiatives
- Adjusted EBITDA up 17.9% YoY, from better Non-GAAP Gross Margin and lower Non-GAAP Operating Expenses
- Free Cash Flow improved 111.6% YoY



REVENUE & NON-GAAP GROSS MARGIN BY TYPE

(\$M)

	Q4 2018	2018	Q3 2019	Q4 2019	2019	Q4 2019 Y/Y %	2019 Y/Y %
Revenue							
Subscriptions	\$10.3	\$35.9	\$10.3	\$15.8	\$45.2	53.6%	25.9%
Maintenance	34.3	139.2	33.4	33.4	130.4	(2.7%)	(6.3%)
Subscriptions and Maintenance	\$44.6	\$175.1	\$43.7	\$49.3	\$175.6	10.3%	0.3%
Perpetual Licenses	12.9	38.4	8.7	9.5	34.9	(26.1%)	(8.9%)
SW Licenses and Maintenance	\$57.5	\$213.4	\$52.3	\$58.8	\$210.6	2.2%	(1.4%)
HW & Integrated Software	47.3	166.8	34.2	50.3	172.5	6.3%	3.5%
Professional Services & Training	7.9	33.1	6.9	7.2	28.7	(8.0%)	(13.2%)
Total Revenue	\$112.7	\$413.3	\$93.5	\$116.3	\$411.8	3.2%	(0.4%)
Non-GAAP Gross Margin							
SW Licenses and Maintenance	85.5%	84.2%	86.7%	85.8%	85.6%	30 bps	140 bps
HW & Integrated Software	38.7%	38.8%	34.2%	43.1%	39.9%	440 bps	110 bps
Professional Services & Training	13.6%	8.7%	14.5%	18.8%	14.8%	520 bps	610 bps
Total Non-GAAP Gross Margin %	60.8%	59.8%	62.1%	63.2%	61.5%	240 bps	170 bps
Maintenance, excl. non-cash⁽¹⁾ and legacy storage end-of-service	\$30.8	\$121.4	\$31.1	\$31.6	\$121.2	2.6%	(0.1%)

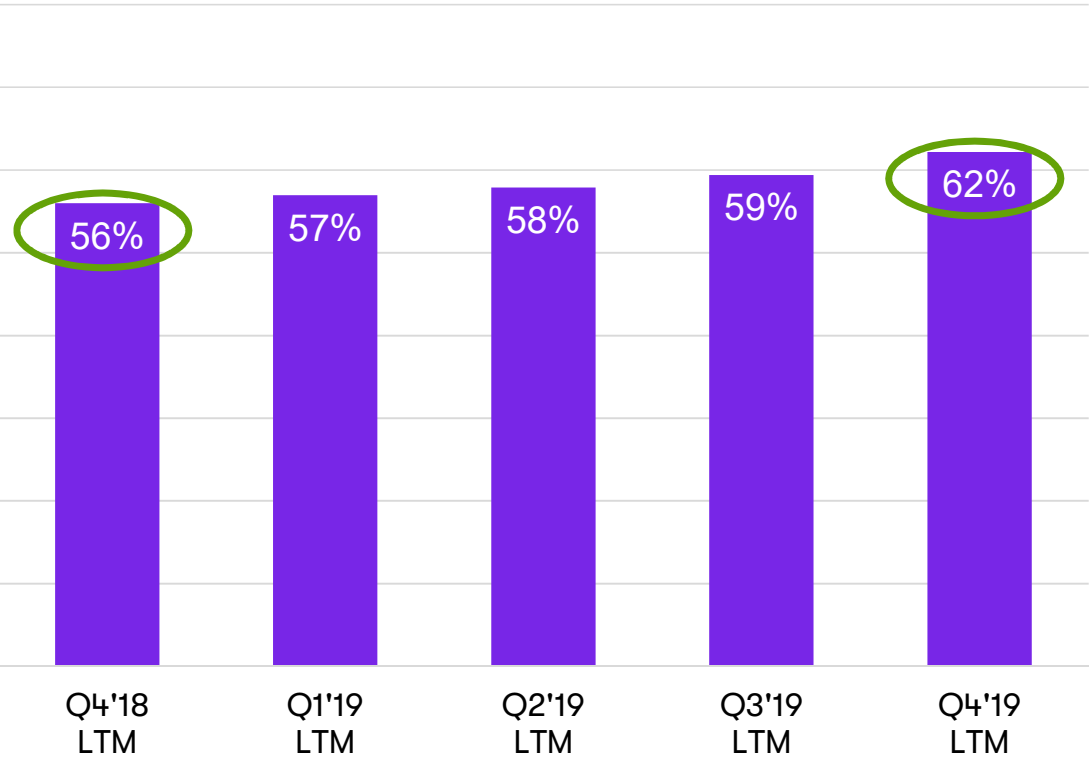
(1) Amortization of IPCS deferred revenue, net of current period deferrals.

- With continued subscription growth and stabilizing maintenance revenue, **Subscription + Maintenance** revenue grew 10.3% in Q4'19
- **Hardware/Integrated Solutions** revenue recovered from the Q3'19 supply chain challenges, returning to YoY growth
- **Professional Services** revenue was down (13.2%) for the year per our plan as we exited lower margin work; Non-GAAP Gross Margin for Professional Services expanded by 610bps



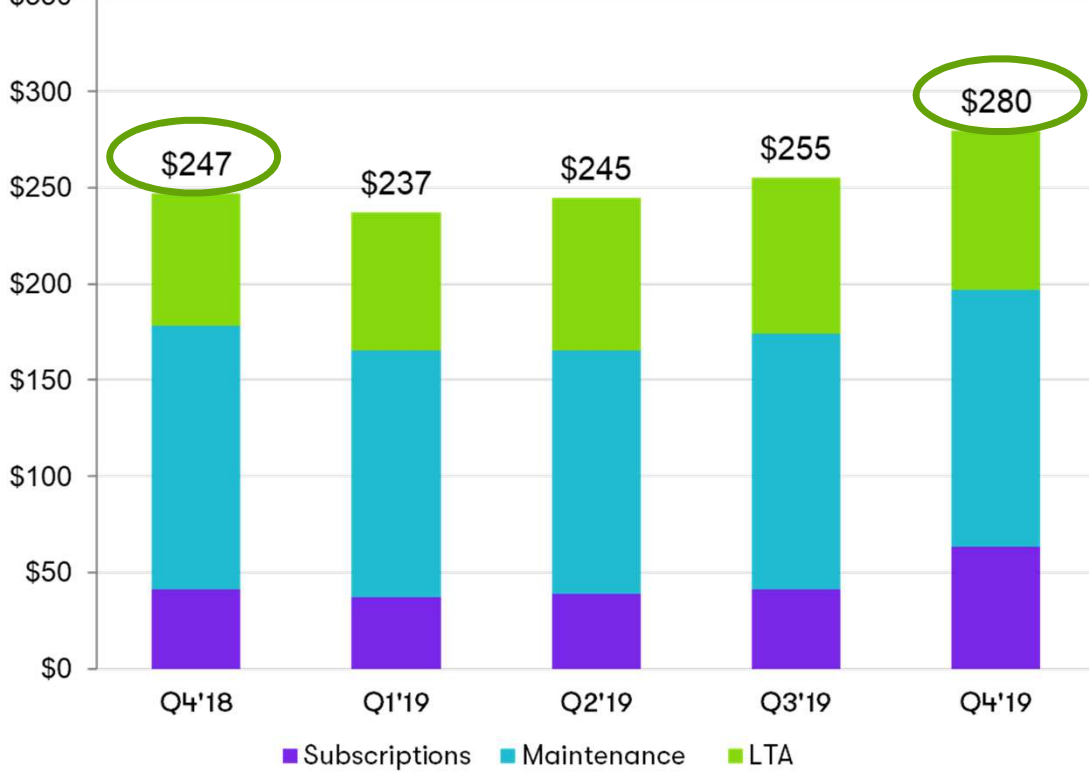
LTM RECURRING REVENUE % AND ANNUAL CONTRACT VALUE

LTM Recurring Revenue %



LTM Recurring Revenue % increased 6% YoY from growth in subscriptions and Long-Term Agreements

Annual Contract Value (\$M)



ACV up \$33M YoY (+13%) from increased subscription revenue and growth of Long-Term Agreements



BALANCE SHEET AS OF DECEMBER 31, 2019

(\$M)	<u>12/31/18</u>	<u>9/30/19</u>	<u>12/31/19</u>
Cash and Cash Equivalents*	\$56.1	\$52.3	\$69.1
Accounts Receivable	67.8	53.7	73.8
DSO	55	53	58
Contract Assets	\$16.5	\$14.4	\$19.5
Net Inventory	33.0	32.2	29.2
Accounts Payable	39.2	35.6	39.9
Deferred Revenue	99.6	85.0	97.9
Long-Term Debt	220.6	199.6	199.0

- Cash balance up \$13.0M YoY from Free Cash Flow and reduction in restricted cash, offset in part by debt repurchases, restructuring and refinancing costs
- Accounts Receivable up \$6.0M YoY due to timing of billings in Q4'19
- Inventory down (\$3.8M) YoY from initial benefits from supply chain transition
- Deferred revenue down (\$1.7M) YoY from recognition of IPCS non-cash revenue of \$4.5M, offset in part by increase in maintenance and subscription deferred revenue
- Long Term Debt of \$199M, does not include \$28M convertible notes due in June 2020

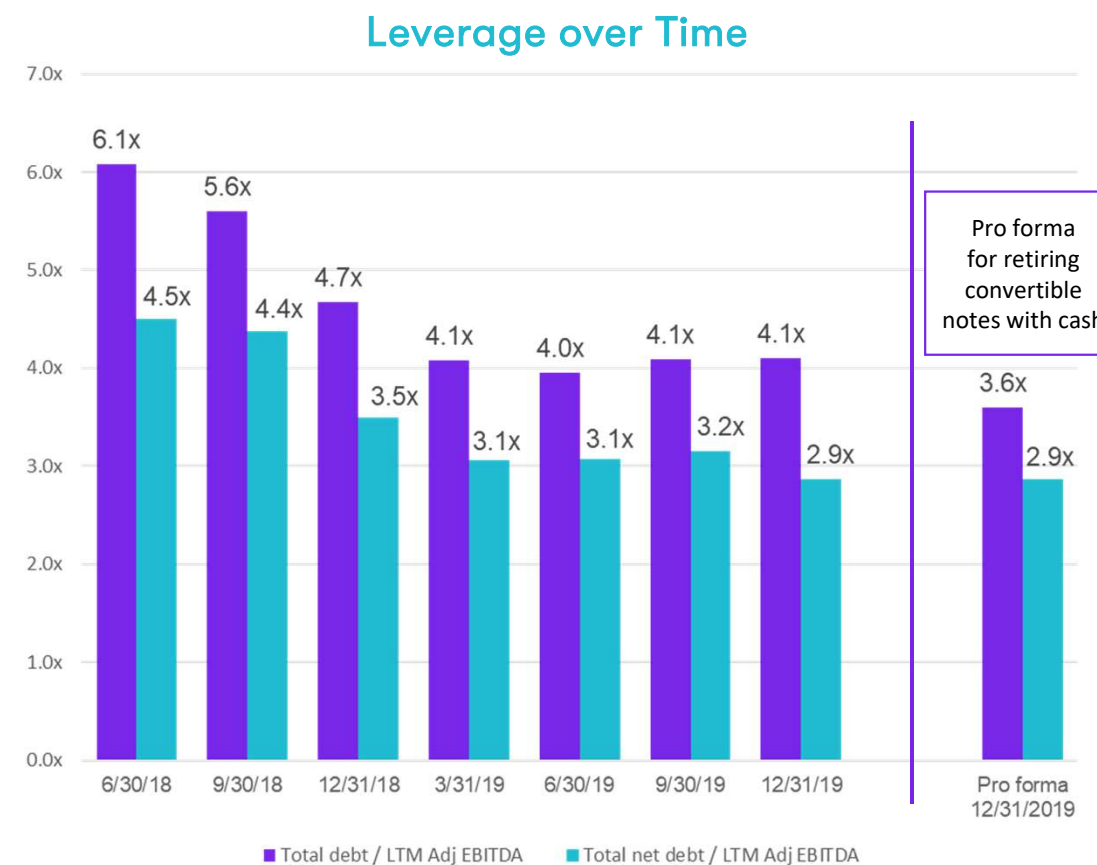


*Cash balance excludes restricted cash of for all periods - \$8.5M, \$1.7M, and \$1.7M for 12/31/18, 9/30/19 and 12/31/19, respectively.

IMPROVING BALANCE SHEET AND CREDIT METRICS

- Plan to retire remaining convertible notes in June 2020 using cash on hand
- Continue to improve balance sheet, reduce leverage and lower interest expense

(\$M)	12/31/2019	Maturity / Rate
Cash & Cash Equivalents	\$69.1	
Revolver (\$22.5M, undrawn)	-	May 2023 LIBOR +625
Term Loan (including current portion)	200.1	May 2023 LIBOR +625
Convertible Notes	28.2	June 2020 2.00%
Total Debt	229.6	
Total Debt / LTM Adjusted EBITDA	4.1x	
Net Debt / LTM Adjusted EBITDA	2.9x	





Q1 AND FULL-YEAR 2020 GUIDANCE

(\$M, except per share)	Q1 2020 Guidance		Full-Year 2020 Guidance	
	Low	High	Low	High
Revenue	\$95	\$105	\$417	\$437
Subscription & Maintenance Revenue	\$44.0 ⁽²⁾	\$45.5 ⁽²⁾	\$180	\$190
Adjusted EBITDA	\$10	\$16	\$66	\$74
Free Cash Flow			\$27	\$35
Non-GAAP Net Income per Share ⁽¹⁾			\$0.84	\$0.93

(1) Assumes 43.9M shares in 2020

(2) Corrected



Q&A





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GREATER
CREATORS