

Q2 2022 EARNINGS CALL

Avid Technology (Nasdaq: AVID)

August 2, 2022

Media Composer with
Secure Reliable Transport

› Faster editing workflows through seamless
“over the shoulder” collaboration





NON-GAAP MEASURES & OPERATIONAL METRICS

The following non-GAAP measures & operational metrics 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 Net Income
- Non-GAAP Earnings Per Share
- LTM Adjusted EBITDA

Operational Metrics

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

Reconciliations of all non-GAAP measures used in this presentation that are required to be reconciled to their comparable GAAP measures are included in this presentation and in our press release announcing Q2 2022 results published today and filed as an exhibit to our 8-K filed with the SEC today, and definitions of the operational metrics used in this presentation are included in the supplemental financial information datasheet available on ir.avid.com. Avid believes the non-GAAP measures and the operational metrics provided in this presentation provide helpful information to investors with respect to evaluating the Company’s performance. However, these non-GAAP measures and operational metrics 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 expectations for future Adjusted EBITDA, Non-GAAP Earnings 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 presentation 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, 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 information provided in this presentation 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 presentation 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 and its variants on our business, suppliers, consumers, customers and employees; economic, social, and political instability, security concerns, and the risk of war or armed conflict, particularly in areas of heightened geopolitical tension and open conflict such as Ukraine where we have outsourced research and development activities; 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, armed conflict and related sanctions, weather conditions, or health pandemics; disruptions or inefficiencies in our supply chain and/or operations, including from armed conflict and related sanctions and 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 presentation which speak only as to the date of this presentation. We undertake no responsibility to update or revise any forward-looking statements, except as required by law.



BUSINESS UPDATE

Jeff Rosica

Chief Executive Officer & President

Avid NEXIS | Flex
and Avid NEXIS | VFS (Virtual File System)

> Next-gen subscription storage for anywhere,
anytime media availability



Q2 2022 EXECUTIVE SUMMARY



1

Strong subscription revenue growth driven by ongoing success with both enterprises and creatives

2

While market demand remained robust, supply chain constraints continued to limit integrated solutions shipments and revenue

3

Business fundamentals remain solid and profitability continues year-over-year improvement

Continued strong market conditions and higher-than-normal unshipped orders give us confidence in the trajectory of our business.



1

STRONG SUBSCRIPTION REVENUE GROWTH



- Healthy subscription net adds driving continued growth of subscriber base
- Expanded portfolio of higher-value enterprise subscription offerings contributing to revenue growth
- Solid subscription net adds across all creative tools

+21.8% yoy

CLOUD-ENABLED
SOFTWARE
SUBSCRIPTIONS

+58.7% yoy

Q2 SUBSCRIPTION
REVENUE

+18,500

CLOUD-ENABLED
SOFTWARE
SUBSCRIPTIONS
ADDED IN Q2



2

MARKET DEMAND REMAINED ROBUST, SUPPLY CHAIN LIMITED UPSIDE

- Healthy market conditions with strong demand for Avid solutions
- Ongoing global supply chain constraints continued to materially impact integrated solutions shipments
- Unshipped orders more than \$20 million higher than normal at the end of Q2, impacting H1 2022 results

\$97.7M

Q2 TOTAL REVENUE
+3.0% YoY

\$28.0M

Q2 INTEGRATED
SOLUTIONS REVENUE
-10.6% YoY

>\$20M

EXCESS UNSHIPPED
ORDERS DUE TO
SUPPLY CHAIN
CONSTRAINTS



3

SOLID BUSINESS FUNDAMENTALS AND YOY PROFITABILITY IMPROVEMENT

- Strong growth of higher-margin subscription and maintenance
- Continued focus on execution and managing cost base
- Improving YoY profitability while continuing to invest in innovation for future growth

+14.1% YoY
TOTAL ARR

+45.8% YoY
SUBSCRIPTION
ARR

\$61.9M
Q2 SUBSCRIPTION
& MAINTENANCE
REVENUE
+19.2% YoY

16.9%
Q2 ADJUSTED
EBITDA MARGIN
+20bps YoY

\$0.26
Q2 NON-GAAP
EPS
+4.0% YoY

LOOKING FORWARD



Expect continued healthy market conditions and customer demand for Avid solutions

Recent innovations and planned new product introductions expected to contribute towards growth in H2 2022

Global supply chain conditions impacting certain parts of the business today are expected to moderate over time

Expect to deliver continued revenue growth and healthy profitability



Q2 2022 FINANCIAL RESULTS

Ken Gayron

Executive Vice President
& Chief Financial Officer

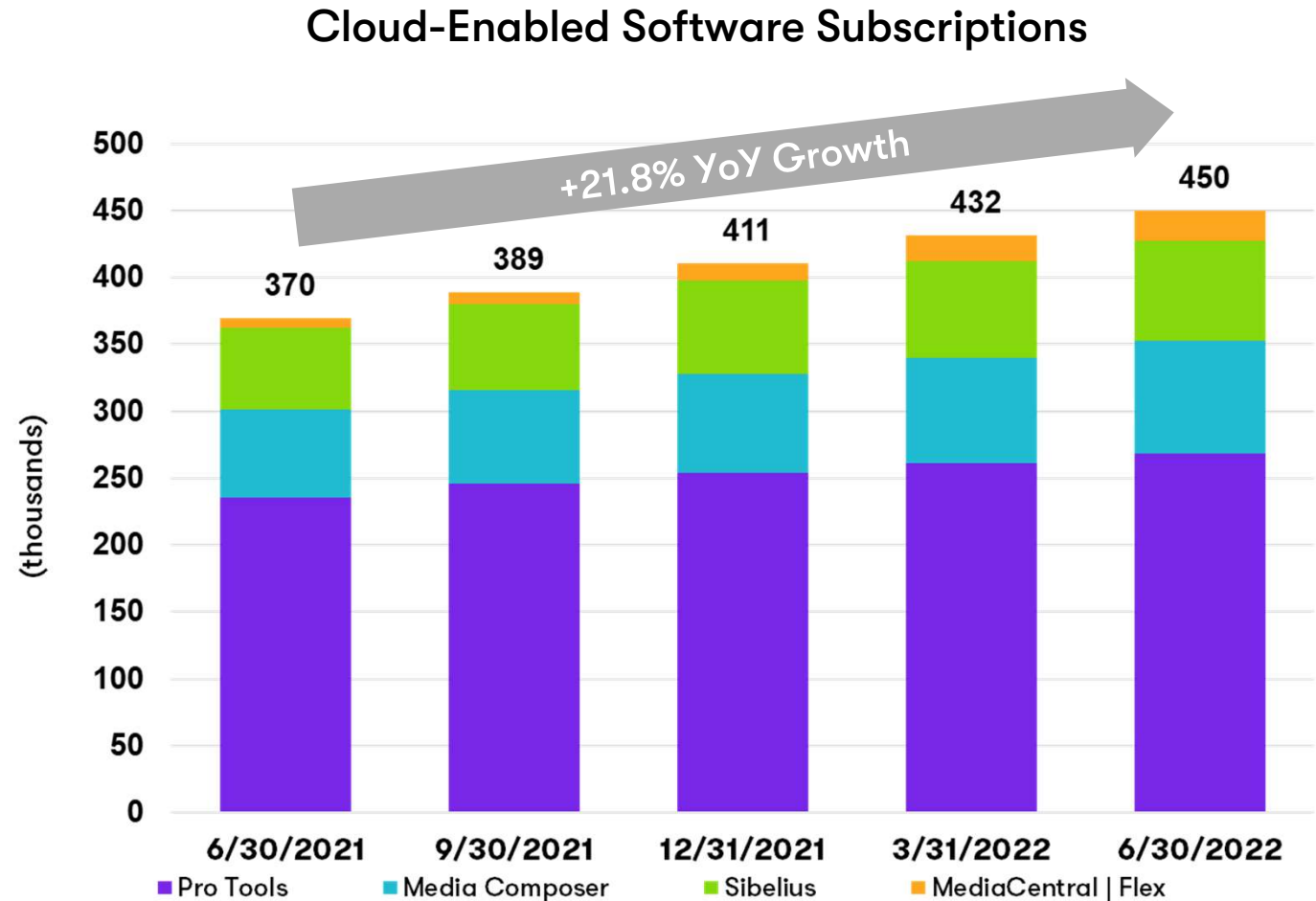
Pro Tools Artist

› Aspiring music creators now have a professional
yet affordable solution to create any style of music



SUBSCRIPTION GROWTH PROGRESSES

- Net increase of approx. 18,500 paid Cloud-Enabled Software Subscriptions in the second quarter
- Strong performance of enterprise MediaCentral | Flex subscriptions, which grew approx. 3,800 to approx. 23,100
- Solid growth of creative software subscriptions, an increase of approx. 14,600

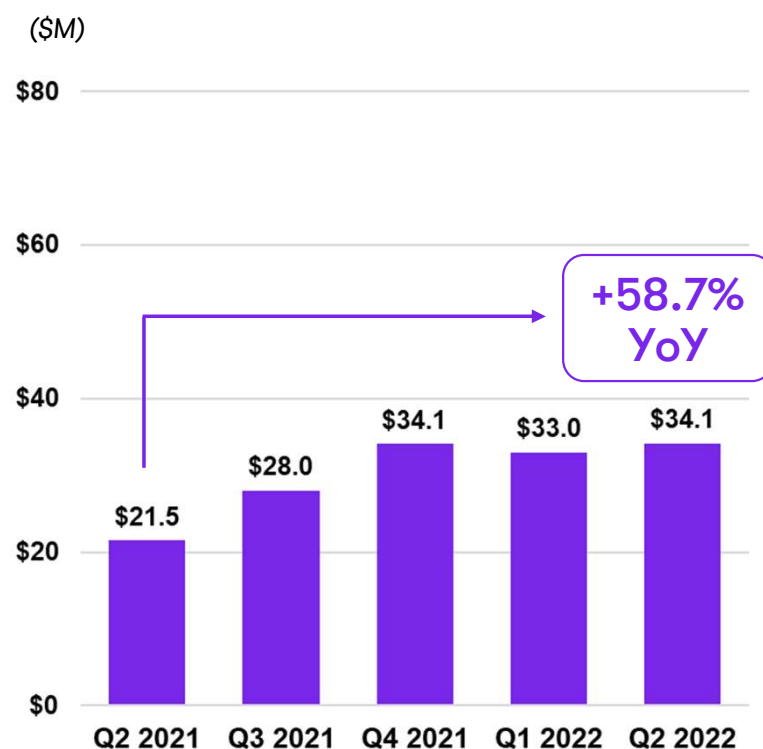


(1) Avid NEXIS | FLEX subscriptions are not reflected in the count

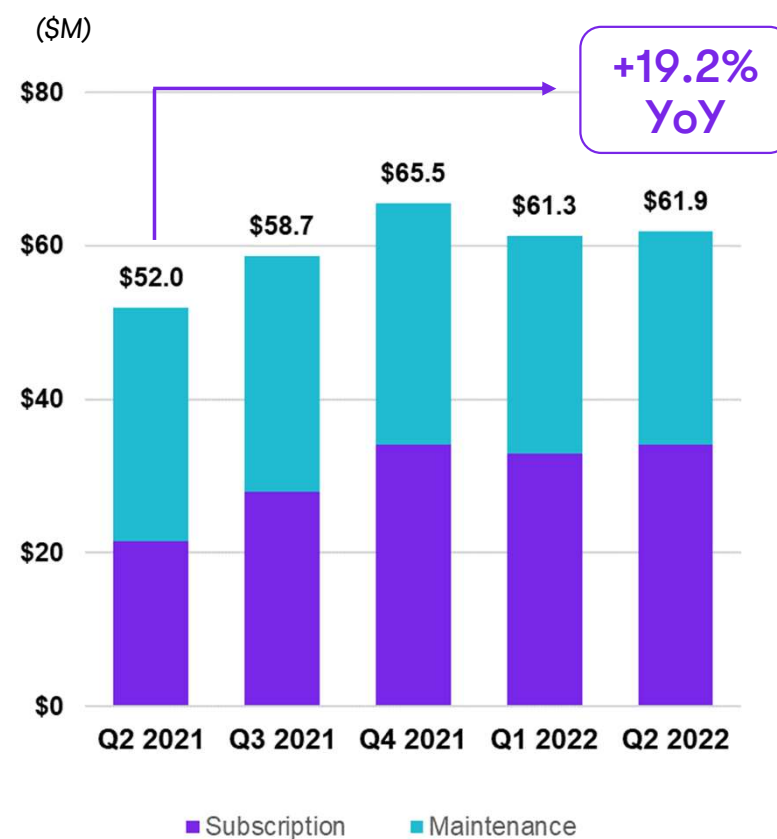
REVENUE BY TYPE

Strong growth in subscription driving YoY increase in revenue and profitability

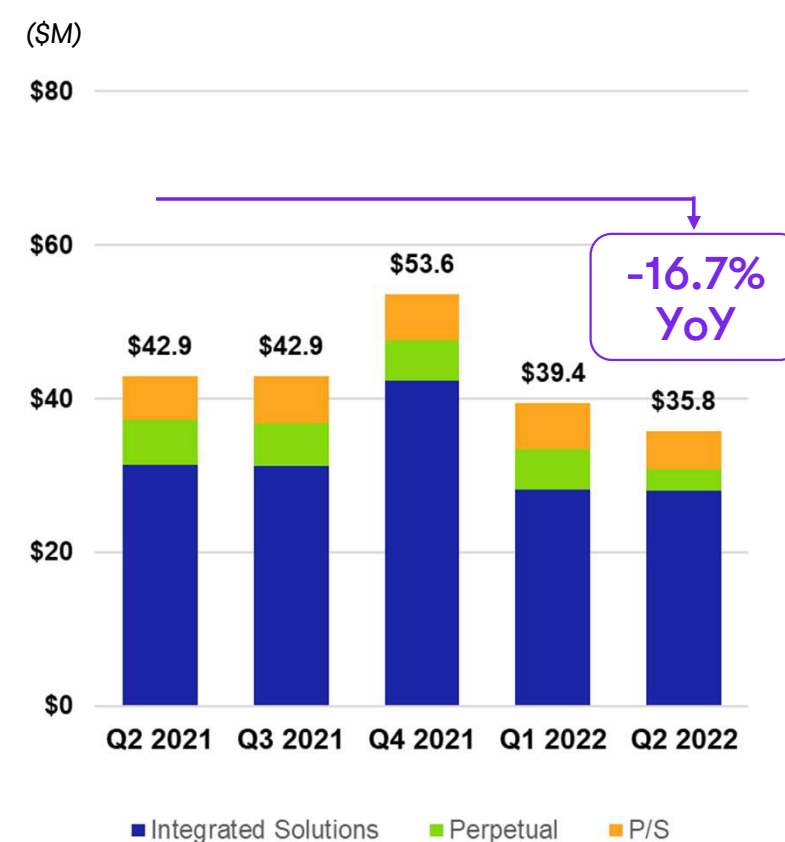
Subscription



Subscription + Maintenance

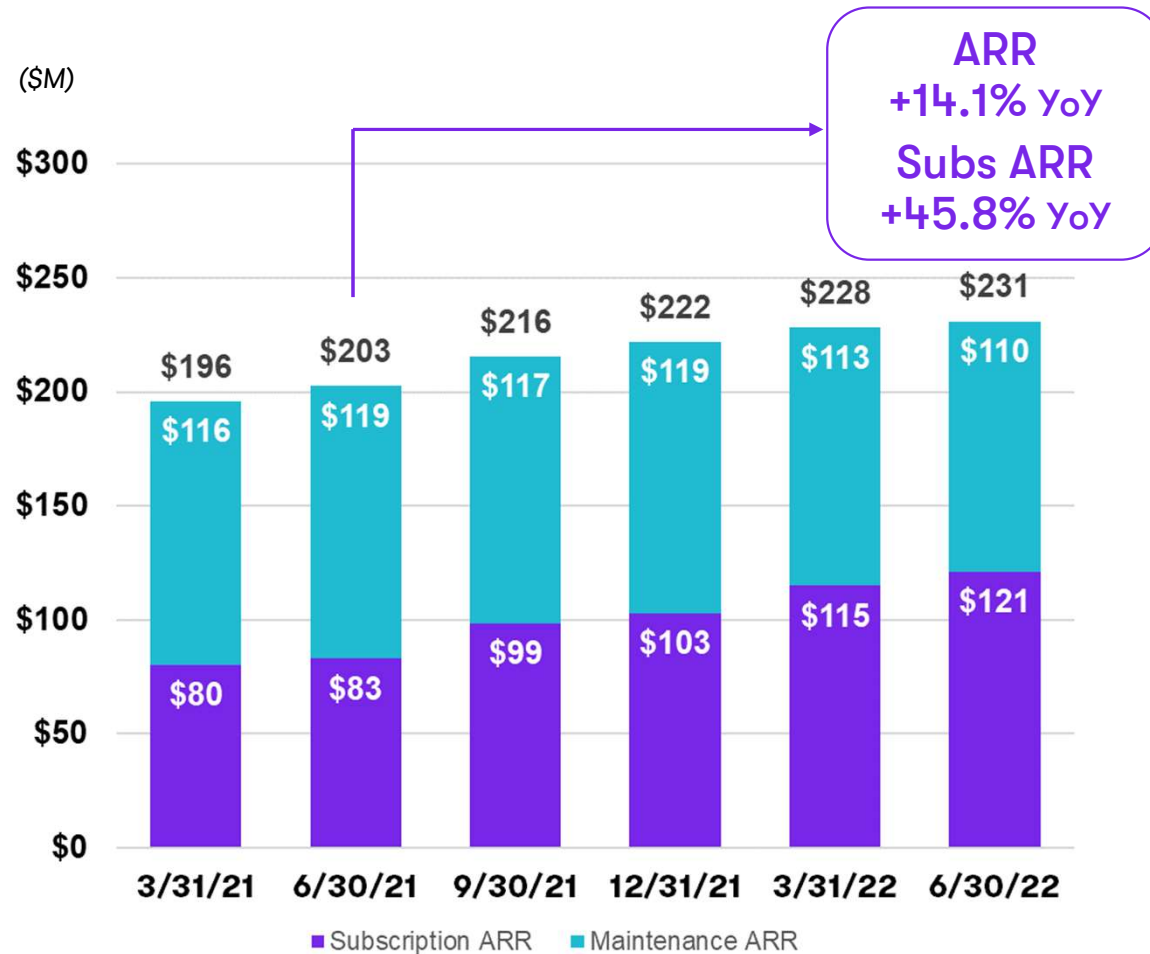


Integrated Solutions, Perpetual, P/S

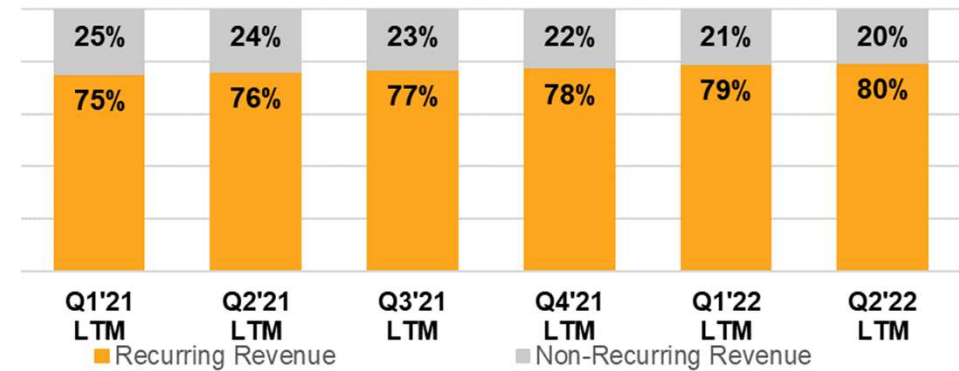


ANNUAL RECURRING REVENUE (ARR), LTM RECURRING REVENUE % AND ACV

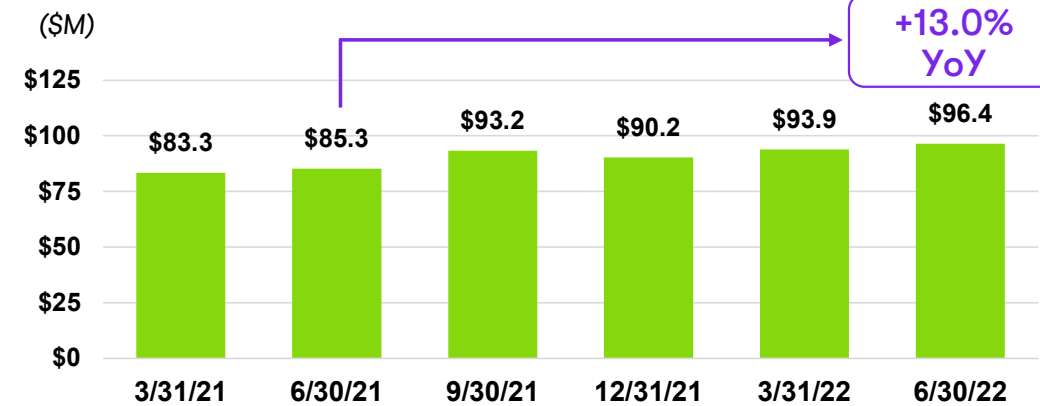
Annual Recurring Revenue (ARR)



LTM Recurring Revenue %



Annual Contract Value from Long-Term Agreements¹

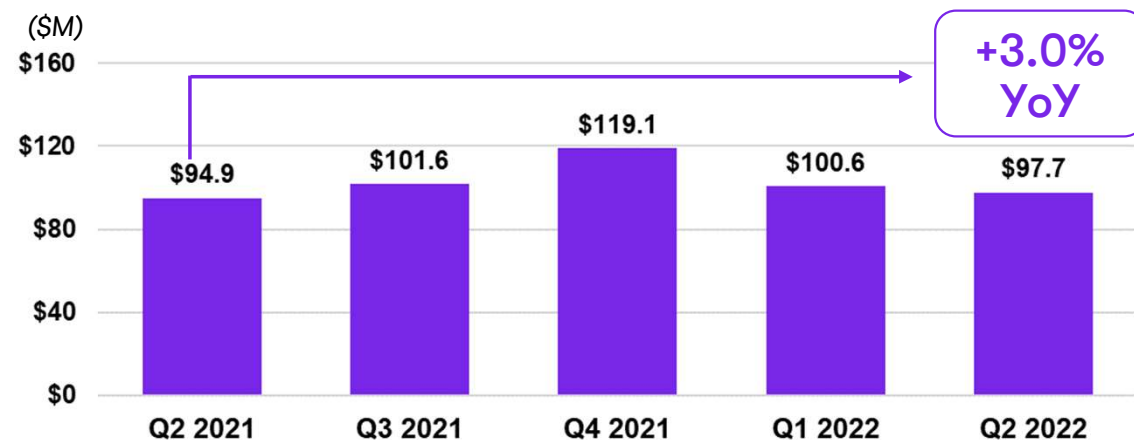


(1) Annual Contract Value from Long-Term Agreements excludes the subscription and maintenance portion, which is included in ARR

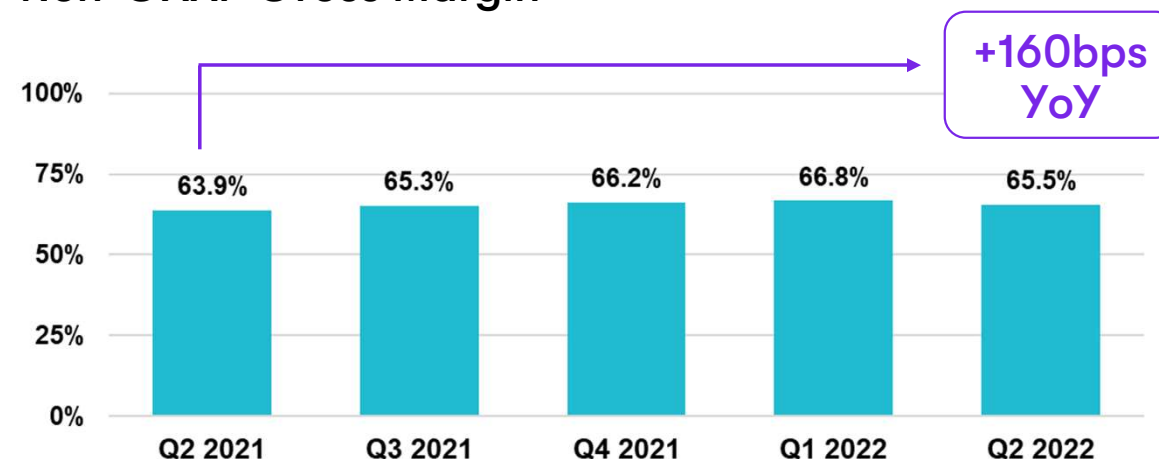
OPERATING RESULTS

Growth in revenue and gross margin yielded continued healthy profitability

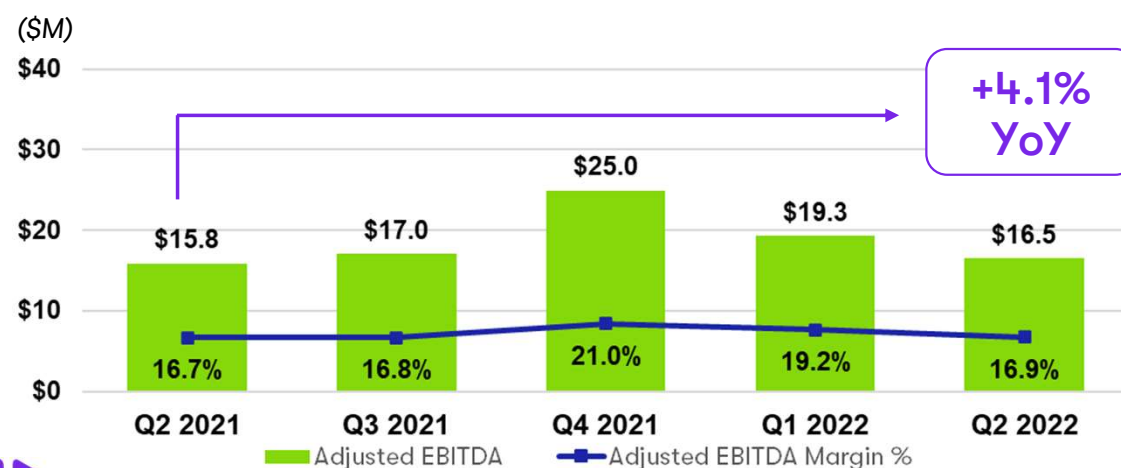
Total Revenue



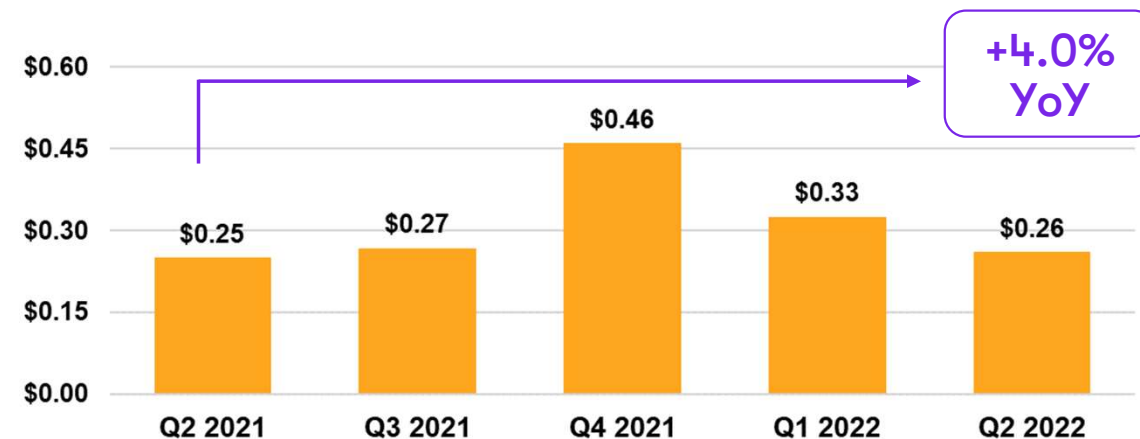
Non-GAAP Gross Margin



Adjusted EBITDA



Non-GAAP Earnings per Share





Q2 2022 FINANCIAL RESULTS

Growth in revenue and strong business fundamentals yielded continued healthy profitability

(\$M, except per share)

	<u>Q2'21</u>	<u>Q1'22</u>	<u>Q2'22</u>	<u>YoY change Fav/(Unfav)</u>
Revenue	\$94.9	\$100.6	\$97.7	3.0%
Subscription & Maintenance Revenue	52.0	61.3	61.9	19.2%
Non-GAAP Gross Profit	60.6	67.2	64.0	5.5%
<i>Non-GAAP Gross Margin</i>	63.9%	66.8%	65.5%	160 bps
Non-GAAP Operating Expenses	\$47.0	\$49.7	\$49.6	(5.4%)
<i>Non-GAAP Operating Expenses Margin %</i>	49.5%	49.4%	50.7%	(120 bps)
Non-GAAP Net Income	11.6	14.8	11.8	1.7%
<i>Non-GAAP Earnings per Share</i>	\$0.25	\$0.33	\$0.26	\$0.01
Adjusted EBITDA	15.8	19.3	16.5	4.1%
<i>Adjusted EBITDA Margin %</i>	16.7%	19.2%	16.9%	20 bps
Free Cash Flow	\$5.6	\$4.7	\$3.2	(\$2.4)
Change in Working Capital¹	(\$6.5)	(\$9.4)	(\$5.5)	\$1.0
Capital Expenditures	(\$1.0)	(\$3.2)	(\$4.1)	(\$3.1)



(1) (Increase) decrease in working capital during a period is the change in operating assets and liabilities, as shown on the consolidated statement of cash flows.

Q3 AND FULL YEAR 2022 GUIDANCE

(\$M, except per share)	Q3 2022		Full-Year 2022	
	Low	High	Low	High
Revenue	\$100	\$112	\$425	\$455
Subscription & Maintenance Revenue	\$67	\$70	\$266	\$274
Non-GAAP Earnings per Share ⁽¹⁾	\$0.27	\$0.39	\$1.37	\$1.53
Adjusted EBITDA	\$17.5	\$23.5	\$83	\$95
Free Cash Flow			\$45	\$59



(1) Assumes 45.0M shares for Q3 2022 and 45.2M shares for FY 2022.

Q&A



REVENUE & NON-GAAP GROSS MARGIN BY TYPE

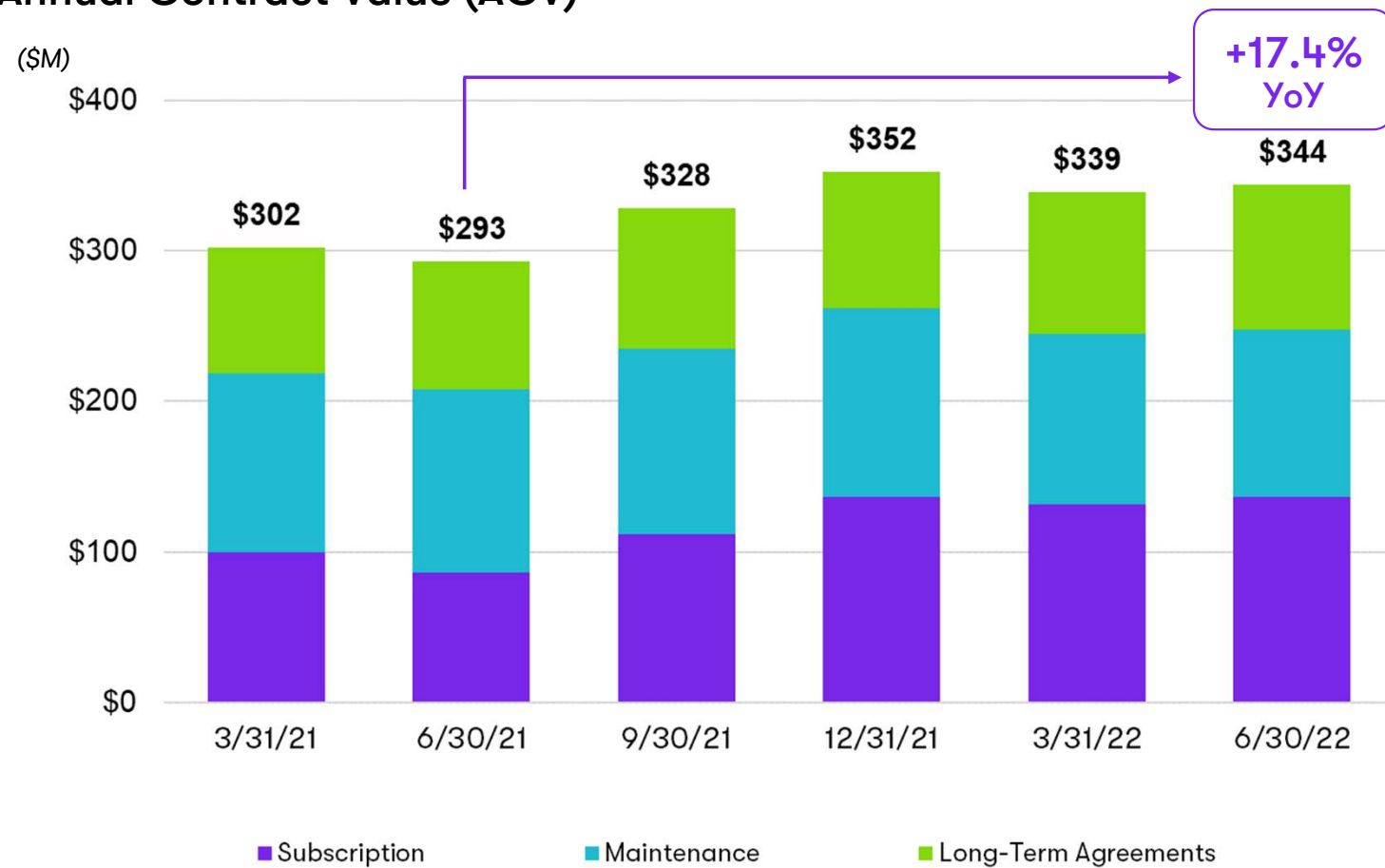
(\$M)	<u>Q2 2021</u>	<u>Q1 2022</u>	<u>Q2 2022</u>	<u>Q2 2022 Q/Q %</u>	<u>Q2 2022 Y/Y %</u>
Revenue					
Subscriptions	\$21.5	\$33.0	\$34.1	3.6%	58.7%
Maintenance	30.4	28.3	27.8	(1.9%)	(8.8%)
Subscriptions and Maintenance	\$52.0	\$61.3	\$61.9	1.0%	19.2%
Perpetual Licenses	5.9	5.2	2.7	(47.3%)	(53.2%)
SW Licenses and Maintenance	\$57.8	\$66.5	64.7	(2.7%)	11.8%
Integrated Solutions	31.3	28.2	28.0	(0.7%)	(10.6%)
Professional Services & Training	5.7	6.0	5.0	(16.0%)	(12.9%)
Total Revenue	\$94.9	\$100.6	\$97.7	(3.0%)	3.0%
Software Revenue (Subscriptions + Perpetual Licenses)	\$27.4	\$38.2	\$36.9	(3.3%)	34.8%
Non-GAAP Gross Margin					
SW Licenses and Maintenance	79.8%	82.0%	82.1%	10 bps	230 bps
Integrated Solutions	44.7%	41.6%	39.6%	(200 bps)	(510 bps)
Professional Services & Training	8.2%	15.4%	(4.5%)	(1990 bps)	(1270 bps)
Total Non-GAAP Gross Margin %	63.9%	66.8%	65.5%	(130 bps)	160 bps



Note: Non-GAAP Gross Margin by revenue type excludes stock-based compensation expense

ANNUAL CONTRACT VALUE

Annual Contract Value (ACV)



Note: Long-Term Agreement contribution to ACV excludes maintenance and subscription portion.



BALANCE SHEET AS OF JUNE 30, 2022

(\$M)

	<u>6/30/21</u>	<u>12/31/21</u>	<u>6/30/22</u>
Cash and Cash Equivalents	\$53.3	\$56.8	\$44.3
Accounts Receivable	58.7	77.0	53.9
Contract Asset	21.8	25.4	30.3
Net Inventory	24.2	19.9	19.2
Accounts Payable	21.8	26.9	32.9
Deferred Revenue	91.6	98.1	80.9
Total Debt	182.1	170.0	186.5
Net Debt ¹	128.8	113.1	142.2
Net Leverage ²	1.7x	1.5x	1.8x
Share Repurchases during the year ending 12/31/21 and six months ending 6/30/22		\$25.1	\$25.0
Cumulative Share Repurchases as of 12/31/21 and 6/30/22		\$25.1	\$50.0



(1) Net Debt = Total Debt – Cash and Cash Equivalents; (2) Net Leverage = Net Debt / LTM Adjusted EBITDA



RECONCILIATION OF NON-GAAP GROSS PROFIT AND NON-GAAP OPERATING EXPENSES

AVID TECHNOLOGY, INC.

Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
GAAP Revenue			
GAAP Revenue	\$ 97,680	\$ 100,649	\$ 94,876
Non-GAAP Gross Profit			
GAAP Gross Profit	63,366	66,764	60,138
Stock-based compensation	589	426	478
Non-GAAP Gross Profit	<u>\$ 63,955</u>	<u>\$ 67,190</u>	<u>\$ 60,616</u>
GAAP Gross Margin	64.9%	66.3%	63.4%
Non-GAAP Gross Margin	65.5%	66.8%	63.9%
Non-GAAP Operating Expenses			
GAAP Operating Expenses	53,402	53,489	51,140
Less Amortization of intangible assets	(57)	(58)	(105)
Less Stock-based compensation	(3,056)	(2,996)	(3,159)
Less Restructuring costs, net	(342)	(15)	(15)
Less Acquisition, integration and other costs	50	(459)	(838)
Less Efficiency program costs	-	-	-
Less Digital Transformation costs	(445)	(243)	-
Less COVID-19 related expenses	-	-	(20)
Non-GAAP Operating Expenses	<u>\$ 49,552</u>	<u>\$ 49,718</u>	<u>\$ 47,003</u>

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.





RECONCILIATION OF NON-GAAP OPERATING INCOME, ADJUSTED EBITDA, AND ADJUSTED EBITDA MARGIN

AVID TECHNOLOGY, INC.

Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Non-GAAP Operating Income and Adjusted EBITDA			
GAAP net income	7,373	10,586	7,006
Interest and other expense	1,865	1,563	1,633
Provision for income taxes	726	1,126	359
GAAP Operating Income	9,964	13,275	8,998
Amortization of intangible assets	57	58	105
Stock-based compensation	3,645	3,422	3,637
Restructuring costs, net	342	15	15
Acquisition, integration and other costs	(50)	459	838
Efficiency program costs	-	-	-
Digital Transformation costs	445	243	-
COVID-19 related expenses	-	-	20
Non-GAAP Operating Income	<u>\$ 14,403</u>	<u>\$ 17,472</u>	<u>\$ 13,613</u>
Depreciation	2,066	1,803	2,202
Adjusted EBITDA	<u>\$ 16,469</u>	<u>\$ 19,275</u>	<u>\$ 15,815</u>
GAAP net income margin	7.5%	10.5%	7.4%
Adjusted EBITDA Margin	16.9%	19.2%	16.7%

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RECONCILIATION OF NON-GAAP NET INCOME, NON-GAAP EARNINGS PER SHARE AND FREE CASH FLOW

AVID TECHNOLOGY, INC.

Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Three Months Ended		
	June 30, 2022	March 31, 2022	June 30, 2021
Non-GAAP Net Income			
GAAP net income	7,373	10,586	7,006
Amortization of intangible assets	57	58	105
Stock-based compensation	3,645	3,422	3,637
Restructuring costs, net	342	15	15
Acquisition, integration and other costs	(50)	459	838
Efficiency program costs	-	-	-
Digital Transformation costs	445	243	-
COVID-19 related expenses	-	-	20
Tax impact of non-GAAP adjustments	-	(3)	(10)
Non-GAAP Net Income	<u>\$ 11,812</u>	<u>\$ 14,780</u>	<u>\$ 11,611</u>
Weighted-average share count (Basic)	44,740	44,817	45,211
Weighted-average share count (Diluted)	45,110	45,408	46,550
Non-GAAP Earnings per Share (Basic)	\$ 0.26	\$ 0.33	\$ 0.26
Non-GAAP Earnings per Share (Diluted)	\$ 0.26	\$ 0.33	\$ 0.25
Free Cash Flow			
Net cash provided by operating activities	7,305	7,917	6,585
Capital expenditures	(4,115)	(3,244)	(1,021)
Free Cash Flow	<u>\$ 3,190</u>	<u>\$ 4,673</u>	<u>\$ 5,564</u>
Free Cash Flow conversion from Adjusted EBITDA	19.4%	24.2%	35.2%

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RECONCILIATION OF LTM ADJUSTED EBITDA, LTM ADJUSTED EBITDA MARGIN AND NET LEVERAGE

AVID TECHNOLOGY, INC.

Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Six Months Ended June 30,		Year Ended December 31,		Last Twelve Months (LTM)	
	2022	2021	2021		Q2 2022	Q2 2021
	\$	\$	\$		\$	\$
GAAP revenue	\$ 198,329	\$ 189,240	\$ 409,944		\$ 419,033	\$ 383,972
<u>Non-GAAP Operating Income and Adjusted EBITDA</u>						
GAAP net income	17,959	11,397	41,388		47,950	26,471
Interest and other expense	3,428	7,306	2,308		(1,570)	15,658
Provision for income taxes	1,852	841	2,567		3,578	1,374
GAAP operating income	23,239	19,544	46,263		49,958	43,503
Amortization of intangible assets	115	210	388		293	420
Stock-based compensation	7,067	7,054	14,482		14,495	12,883
Restructuring costs, net	357	1,089	1,116		384	5,850
Acquisition, integration and other costs	409	1,207	3,068		2,270	2,222
Efficiency program costs	-	48	48		-	1,013
Digital Transformation	688	-	1,836		2,524	-
COVID-19 related expenses	-	22	22		-	52
Non-GAAP Operating Income	\$ 31,875	\$ 29,174	\$ 67,223		\$ 69,924	\$ 65,943
Depreciation	3,869	4,321	8,255		7,803	8,513
Adjusted EBITDA	\$ 35,744	\$ 33,495	\$ 75,478	LTM Adjusted EBITDA	\$ 77,727	\$ 74,456
GAAP net income margin	9.1%	6.0%	10.1%		11.4%	6.9%
Adjusted EBITDA Margin	18.0%	17.7%	18.4%		18.5%	19.4%
Total Debt			169,964		186,483	182,138
Less Cash and Cash Equivalents			(56,818)		(44,332)	(53,337)
Net Debt			\$ 113,146		\$ 142,151	\$ 128,801
Net Leverage (= Net Debt / LTM Adjusted EBITDA)			1.5x		1.8x	1.7x

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POWERING
GREATER
CREATORS