

**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): March 1, 2022

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

1-36254

(Commission File Number)

Delaware
(State or Other Jurisdiction
of Incorporation)

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 March 1, 2022, Avid Technology, Inc. (the “Company”) issued a press release announcing its financial results for the fourth quarter and fiscal year ended December 31, 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 Earnings 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, transformation costs 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, transformation costs 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, gain on forgiveness of PPP loan, tax impact of Non-GAAP adjustments, as well as other unusual items such as costs related to M&A related activity, efficiency program, transformation costs and COVID-19 related costs.
- Non-GAAP Earnings 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 Earnings 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 or references the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue %, Annual Contract Value and Revenue Backlog. Definitions of these operational metrics appear below and are also 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. Starting in the third quarter of 2021, subscription counts include all paid and active seats under multi-seat licenses. For comparison purposes only, subscription counts for the quarters starting in the third quarter of 2020 were adjusted from previously published counts to reflect the addition of these seats under multi-seat 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.

In the third quarter of 2021, the Company adjusted its presentation of the operational metric Cloud-enabled software subscriptions when the Company discovered that certain multi-seat licenses had been counted as one subscription instead of the actual number of active and paid seats under the multi-seat license. There was no revenue impact due to this change to the operational metric.

For comparative purposes, the impact of this change on the number of Cloud-enabled software subscriptions was approximately 23,100 in the third quarter of 2021, 23,100 for the second quarter of 2021, 20,600 for the first quarter of 2021, 22,700 for the fourth quarter of 2020 and 18,800 for the third quarter of 2020. This change did not materially alter the trends or growth rates in Cloud-enabled software subscriptions because each quarter was understated by a similar amount relative to the total number of Cloud-enabled software subscriptions.

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 March 1, 2022
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: March 1, 2022

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

Avid Technology Announces Q4 and FY 2021 Results

\$119.1 Million Q4 Revenue and Year-Over-Year Growth of 14.2% in Q4 and 13.7% in FY 2021

\$34.1 Million Q4 Subscription Revenue and Year-Over-Year Growth of 38.8% in Q4 and 48.9% in FY 2021

\$0.33 Q4 Net Income per Common Share and Year-Over-Year Growth of 106.3% in Q4 and 256.0% in FY 2021

\$0.46 Q4 Non-GAAP Earnings per Share and Year-Over-Year Growth of 39.4% in Q4 and 92.3% in FY 2021

BURLINGTON, Mass., March 1, 2022 -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its financial results for the fourth quarter and full year ended December 31, 2021.

Total revenue increased 14.2% year-over-year in the fourth quarter, led by enterprise and creative subscription growth as well as favorable demand for integrated solutions, continuing the sustained growth trend with four consecutive quarters of year over year revenue growth. During the fourth quarter, the recurring revenue components of the Company's business remained strong with subscription revenue of \$34.1 million, up 38.8% year-over-year, and subscription & maintenance revenue of \$65.5 million, up 17.9% year-over-year.

The revenue growth, combined with an increased mix of higher-gross margin software subscription revenue and improving integrated solutions gross margin, resulted in fourth quarter Non-GAAP Earnings per Share of \$0.46. This strong profitability resulted in net cash provided by operating activities of \$27.1 million, and Free Cash Flow of \$25.0 million in the fourth quarter.

For the full year 2021, Avid's total revenue increased 13.7% to \$409.9 million. Subscription revenue grew 48.9%, to \$108.4 million, surpassing 26% of total revenue, up from 20% of total revenue in 2020. During 2021, the Company drove a 150 basis point increase in gross margin to 64.8%. The higher gross margin resulted in continued strong trends in profitability with net income per common share of \$0.89 and Non-GAAP Earnings per Share of \$1.25, an increase of 92.3% year-over-year. The strong profitability resulted in favorable cash generation with net cash provided by operating activities of \$62.5 million and Free Cash Flow of \$55.7 million, an increase of 64.4% year-over-year.

Fourth Quarter 2021 Financial and Business Highlights

- Subscription revenue was \$34.1 million, an increase of 38.8% year-over-year.
- Paid Cloud-enabled software subscriptions increased by 28.3% year-over-year to approximately 410,600 at December 31, 2021 and increased by approximately 21,700 during the fourth quarter.
- Subscription and Maintenance revenue was \$65.5 million, up 17.9% year-over-year.
- Total revenue was \$119.1 million, an increase of 14.2% year-over-year.
- Gross margin was 65.8%, an increase of 310 basis points year-over-year. Non-GAAP Gross Margin was 66.2%, an increase of 310 basis points year-over-year.
- Operating expenses were \$61.2 million, an increase of 12.2% year-over-year. Non-GAAP Operating Expenses were \$55.8 million, an increase of 20.4% year-over-year.
- Net income was \$15.2 million, an increase of 114.7% year-over-year. Non-GAAP Net Income was \$20.9 million, an increase of 37.0% year-over-year.
- Adjusted EBITDA was \$25.0 million, an increase of 15.3% year-over-year. Adjusted EBITDA Margin was 21.0%, an increase of 30 basis points year-over-year.
- Net income per common share was \$0.33, an increase of 106.3% year-over-year. Non-GAAP Earnings per Share was \$0.46, an increase of 39.4% year-over-year.

- Net cash provided by operating activities was \$27.1 million in the quarter, an increase of \$10.6 million compared to the prior quarter, but a decrease of (\$3.6) million compared to the prior year period.
- Free Cash Flow was \$25.0 million in the quarter, an increase of \$11.0 million compared to the prior quarter, but a decrease of (\$5.6) million compared to the prior year period.
- Repurchased 461,910 shares for \$13.9 million during the fourth quarter, under the \$115 million share repurchase authorization announced on September 9, 2021.

FY 2021 Financial and Business Highlights

- Subscription revenue was \$108.4 million, an increase of 48.9% year-over-year.
- Subscription and Maintenance revenue was \$230.9 million, an increase of 17.2% year-over-year.
- Total revenue was \$409.9 million, an increase of 13.7% year-over-year.
- LTM Recurring Revenue represented 78.0% of the Company's revenue for the year ended December 31, 2021, an increase of 380 basis points year-over-year.
- Gross margin was 64.8%, an increase of 150 basis points year-over-year. Non-GAAP Gross Margin was 65.3%, an increase of 160 basis points year-over-year.
- Operating expenses were \$219.5 million, an increase of 11.6% year-over-year. Non-GAAP Operating Expenses were \$200.4 million, an increase of 11.6% year-over-year.
- Net income was \$41.4 million, an increase of 274.1% year-over-year. Non-GAAP Net Income was \$57.9 million, an increase of 98.8% year-over-year.
- Adjusted EBITDA was \$75.5 million, an increase of 28.7% year-over-year. Adjusted EBITDA Margin was 18.4%, an increase of 210 basis points year-over-year.
- Net income per common share was \$0.89, an increase of 256.0% year-over-year. Non-GAAP Earnings per Share was \$1.25, an increase of 92.3% year-over-year.
- Net cash provided by operating activities was \$62.5 million in 2021, an increase of 58.0% year-over-year.
- Free Cash Flow was \$55.7 million in 2021, an increase of 64.4% year-over-year.
- Annual Contract Value was \$352.1 million at December 31, 2021, an increase of 17.1% year-over-year.
- Repurchased 874,085 shares for \$25.1 million during 2021, under the \$115 million share repurchase authorization announced on September 9, 2021.

Jeff Rosica, Avid's CEO and President, stated, "We ended 2021 with strong fourth quarter performance and good momentum heading into 2022. During the fourth quarter, we continued to exceed our expectations for adoption of subscription solutions by our enterprise customers and we continued to see solid growth in subscriptions for our creative tools. This strength in our subscription business, combined with growing storage and audio integrated solutions revenue and stable maintenance revenue, allowed us to deliver continued improvement in profitability and strong Free Cash Flow." Mr. Rosica added, "As we begin 2022, we continue to see strength across the end markets for our solutions, and we will continue to make selective investments in new products and innovation to enable Avid to continue delivering the industry-leading solutions that our customers depend on and to achieve our company strategy and our long-term growth and profitability targets."

Ken Gayron, Executive Vice President and Chief Financial Officer of Avid, said, "We continued to make substantial progress in driving our higher gross margin subscription and maintenance revenue during the fourth quarter, which together accounted for 55% of our total revenue in the quarter. This growth, combined with improving integrated solutions gross margin, enabled us to deliver strong profitability and Free Cash Flow in the fourth quarter and positions us well as we enter 2022." Mr. Gayron continued, "Additionally, given our strong Free Cash Flow and high confidence in our strategy and long-term model, and with the goal of enhancing shareholder returns, we continued to repurchase shares in the fourth quarter under the Company's share repurchase program."

First Quarter and Full Year 2022 Guidance

For the first quarter of 2022, Avid is providing guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Earnings per Share, and Adjusted EBITDA. For the full year 2022, Avid is providing guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Earnings per Share, Adjusted EBITDA, and Free Cash Flow.

(\$ in millions, except per share amounts) Q1 2022 Guidance

Revenue \$100 – \$106

Subscription & Maintenance Revenue \$60 – \$64

Non-GAAP Earnings per Share \$0.30 – \$0.38

Adjusted EBITDA \$18.5 – \$22.5

Q1 Non-GAAP Earnings per Share assumes 46.0 million shares outstanding

Full Year 2022 Guidance

Revenue \$430 – \$450

Subscription & Maintenance Revenue \$266 – \$274

Non-GAAP Earnings per Share \$1.40 – \$1.51

Adjusted EBITDA \$84 – \$94

Free Cash Flow \$60 – \$67

2022 Non-GAAP Earnings per Share assumes 46.2 million shares outstanding

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 Q4 and Full-Year 2021 Business Update presentation posted on Avid's Investor Relations website at ir.avid.com.

Conference Call to Discuss Fourth Quarter and FY 2021 Results on March 1, 2022

Avid will host a conference call to discuss its financial results for the fourth quarter and FY 2021 on Tuesday, March 1, 2022 at 5:30 p.m. ET. 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 & Presentations tab at ir.avid.com. Participants who would like to ask a question can access the call by dialing +1 646-828-8193 and referencing confirmation code 7636999. Please connect at least 15 minutes in advance to ensure a timely connection to the call. A replay of the call will also be available for a limited time and can be accessed on the Events & Presentations tab of 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 Earnings 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 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 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; 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 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.

Avid Powers Greater Creators

People who create media for a living become greater creators with Avid's award-winning technology solutions to make, manage and monetize today's most celebrated video and audio content—from iconic movies and binge-worthy TV series, to network news and sports, to recorded music and the live stage. What began more than 30 years ago with our invention of nonlinear digital video editing has led to individual artists, creative teams and organizations everywhere subscribing to our powerful tools and collaborating securely in the cloud. We continue to re-imagine the many ways editors, musicians, producers, journalists and other content creators will bring their stories to life. Discover the possibilities at avid.com and join the conversation on social media with the multitude of brilliant creative people who choose Avid for a lifetime of success.

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Contacts

Investor contact: PR contact:
Whit Rappole Jim Sheehan
Avid Avid
ir@Avid.com jim.sheehan@Avid.com

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Net revenues:				
Subscriptions	\$ 34,059	\$ 24,539	\$ 108,443	\$ 72,831
Maintenance	31,414	30,985	122,411	124,175
Integrated solutions & other	53,591	48,777	179,090	163,460
Total net revenues	<u>119,064</u>	<u>104,301</u>	<u>409,944</u>	<u>360,466</u>
Cost of revenues:				
Subscriptions	4,753	2,413	14,963	6,870
Maintenance	5,846	6,190	22,981	21,651
Integrated solutions & other	30,118	30,348	106,196	103,625
Total cost of revenues	<u>40,717</u>	<u>38,951</u>	<u>144,140</u>	<u>132,146</u>
Gross profit	<u>78,347</u>	<u>65,350</u>	<u>265,804</u>	<u>228,320</u>
Operating expenses:				
Research and development	16,920	14,902	65,559	57,018
Marketing and selling	28,983	22,660	95,494	87,637
General and administrative	15,158	12,908	57,372	47,052
Restructuring costs, net	115	4,038	1,116	5,046
Total operating expenses	<u>61,176</u>	<u>54,508</u>	<u>219,541</u>	<u>196,753</u>
Operating income	17,171	10,842	46,263	31,567
Interest expense, net	(1,609)	(4,565)	(7,149)	(20,001)
Other income, net	389	636	4,841	868
Income before income taxes	<u>15,951</u>	<u>6,913</u>	<u>43,955</u>	<u>12,434</u>
Provision for income taxes	735	(174)	2,567	1,372
Net income	<u>\$ 15,216</u>	<u>\$ 7,087</u>	<u>\$ 41,388</u>	<u>\$ 11,062</u>
Net income per common share – basic	<u>\$0.34</u>	<u>\$0.16</u>	<u>\$0.92</u>	<u>\$0.25</u>
Net income per common share – diluted	<u>\$0.33</u>	<u>\$0.16</u>	<u>\$0.89</u>	<u>\$0.25</u>
Weighted-average common shares outstanding – basic	45,061	44,288	45,101	43,822
Weighted-average common shares outstanding – diluted	45,773	45,541	46,303	44,878

AVID TECHNOLOGY, INC.

Reconciliations of GAAP financial measures to Non-GAAP financial measures

(unaudited - in thousands except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
GAAP revenue				
GAAP revenue	\$ 119,064	\$ 104,301	\$ 409,944	\$ 360,466
Non-GAAP Gross Profit				
GAAP gross profit	\$ 78,347	\$ 65,350	\$ 265,804	\$ 228,320
Stock-based compensation	439	431	1,801	1,339
Non-GAAP Gross Profit	\$ 78,786	\$ 65,781	\$ 267,605	\$ 229,659
GAAP Gross Margin	65.8 %	62.7 %	64.8 %	63.3 %
Non-GAAP Gross Margin	66.2 %	63.1 %	65.3 %	63.7 %
Non-GAAP Operating Expenses				
GAAP operating expenses	\$ 61,176	\$ 54,508	\$ 219,541	\$ 196,753
Less Amortization of intangible assets	(73)	(105)	(388)	(411)
Less Stock-based compensation	(3,208)	(2,101)	(12,681)	(9,325)
Less Restructuring costs, net	(115)	(4,038)	(1,116)	(5,046)
Less Acquisition, integration and other costs	(985)	(1,015)	(3,068)	(832)
Less Efficiency program costs	—	(886)	(48)	(1,331)
Less Digital Transformation costs	(1,028)	—	(1,836)	—
Less COVID-19 related expenses	—	(27)	(22)	(278)
Non-GAAP Operating Expenses	\$ 55,767	\$ 46,336	\$ 200,382	\$ 179,530
Non-GAAP Operating Income and Adjusted EBITDA				
GAAP net income	\$ 15,216	\$ 7,087	\$ 41,388	\$ 11,062
Interest and other expense	1,220	3,929	2,308	19,133
Provision for income taxes	735	(174)	2,567	1,372
GAAP operating income	\$ 17,171	\$ 10,842	\$ 46,263	\$ 31,567
Amortization of intangible assets	73	105	388	411
Stock-based compensation	3,647	2,532	14,482	10,664
Restructuring costs, net	115	4,038	1,116	5,046
Acquisition, integration and other costs	985	1,015	3,068	832
Efficiency program costs	—	886	48	1,331
Digital Transformation costs	1,028	—	1,836	—
COVID-19 related expenses	—	27	22	278
Non-GAAP Operating Income	\$ 23,019	\$ 19,445	\$ 67,223	\$ 50,129
Depreciation	1,932	2,188	8,255	8,505
Adjusted EBITDA	\$ 24,951	\$ 21,633	\$ 75,478	\$ 58,634
GAAP net income margin	12.8 %	6.8 %	10.1 %	3.1 %
Adjusted EBITDA Margin	21.0 %	20.7 %	18.4 %	16.3 %

Non-GAAP Net Income

GAAP net income	\$	15,216	\$	7,087	\$	41,388	\$	11,062
Amortization of intangible assets		73		105		388		411
Stock-based compensation		3,647		2,532		14,482		10,664
Restructuring costs, net		115		4,038		1,116		5,046
Acquisition, integration and other costs		985		1,015		3,068		832
Efficiency program costs		—		886		48		1,331
Digital Transformation costs		1,028		—		1,836		—
Gain on forgiveness of PPP Loan		—		—		(7,800)		—
COVID-19 related expenses		—		27		22		278
Loss on extinguishment of debt		—		—		3,748		—
Tax impact of non-GAAP adjustments		(198)		(461)		(382)		(496)
Non-GAAP Net Income	\$	20,866	\$	15,229	\$	57,914	\$	29,128
Weighted-average common shares outstanding - basic		45,061		44,288		45,101		43,822
Weighted-average common shares outstanding - diluted		45,773		45,541		46,303		44,878
Non-GAAP Earnings Per Share - basic	\$	0.46	\$	0.34	\$	1.28	\$	0.66
Non-GAAP Earnings Per Share - diluted	\$	0.46	\$	0.33	\$	1.25	\$	0.65

Free Cash Flow

GAAP net cash provided by operating activities	\$	27,071	\$	30,704	\$	62,489	\$	39,555
Capital expenditures		(2,069)		(73)		(6,819)		(5,692)
Free Cash Flow	\$	25,002	\$	30,631	\$	55,670	\$	33,863
Free Cash Flow conversion of Adjusted EBITDA		100.2 %		141.6 %		73.8 %		57.8 %

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)

	December 31,	December 31,
	2021	2020
	<hr/>	<hr/>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 56,818	\$ 79,899
Restricted cash	2,416	1,422
Accounts receivable, net of allowances of \$1,456 and \$1,478 at December 31, 2021 and 2020, respectively	77,046	78,614
Inventories	19,922	26,568
Prepaid expenses	5,464	6,044
Contract assets	18,903	18,579
Other current assets	1,953	2,366
Total current assets	<hr/> 182,522	<hr/> 213,492
Property and equipment, net	16,028	16,814
Goodwill	32,643	32,643
Right of use assets	24,143	29,430
Deferred tax assets, net	5,210	6,801
Other long-term assets	13,454	5,958
Total assets	<hr/> \$ 274,000 <hr/>	<hr/> \$ 305,138 <hr/>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 26,854	\$ 21,823
Accrued compensation and benefits	35,458	29,105
Accrued expenses and other current liabilities	37,552	42,264
Income taxes payable	868	1,664
Short-term debt	9,158	4,941
Deferred revenue	87,475	87,974
Total current liabilities	<hr/> 197,365	<hr/> 187,771
Long-term debt	160,806	202,759
Long-term deferred revenue	10,607	11,284
Long-term lease liabilities	23,379	28,462
Other long-term liabilities	5,917	7,786
Total liabilities	<hr/> 398,074	<hr/> 438,062
Stockholders' deficit:		
Common stock	455	442
Treasury stock	(25,090)	—
Additional paid-in capital	1,031,633	1,036,658
Accumulated deficit	(1,126,959)	(1,168,347)
Accumulated other comprehensive loss	(4,113)	(1,677)
Total stockholders' deficit	<hr/> (124,074)	<hr/> (132,924)
Total liabilities and stockholders' deficit	<hr/> \$ 274,000 <hr/>	<hr/> \$ 305,138 <hr/>

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

	Twelve Months Ended	
	December 31,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 41,388	\$ 11,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,254	8,505
Provision for doubtful accounts	694	1,298
Loss on extinguishment of debt	2,579	—
Stock-based compensation expense	13,737	10,664
Non-cash provision for restructuring	956	5,046
Non-cash interest expense	515	3,651
Gain on forgiveness of PPP loan	(7,800)	—
Unrealized foreign currency transaction (gains) losses	(2,101)	1,570
Provision for deferred taxes	1,591	827
Changes in operating assets and liabilities:		
Accounts receivable	875	(6,124)
Inventories	6,646	2,598
Prepaid expenses and other assets	(1,156)	6,176
Accounts payable	5,032	(18,141)
Accrued expenses, compensation and benefits and other liabilities	69	10,432
Income taxes payable	(796)	(281)
Deferred revenue and contract assets	(7,994)	2,272
Net cash provided by operating activities	62,489	39,555
Cash flows from investing activities:		
Purchases of property and equipment	(6,819)	(5,692)
Net cash used in investing activities	(6,819)	(5,692)
Cash flows from financing activities:		
Proceeds from revolving line of credit	—	22,000
Repayment on revolving line of credit	—	(22,000)
Proceeds from long-term debt	180,000	7,800
Repayment of debt	(210,456)	(2,250)
Payments for repurchase of common stock	(24,787)	—
Payments for repurchase of outstanding notes	—	(28,867)
Proceeds from the issuance of common stock under employee stock plans	808	547
Common stock repurchases for tax withholdings for net settlement of equity awards	(19,557)	(2,365)
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 by financing activities	(77,735)	(24,549)

Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,016)	1,748
Net (decrease) increase in cash, cash equivalents and restricted cash	(23,081)	11,062
Cash, cash equivalents and restricted cash at beginning of period	83,637	72,575
Cash, cash equivalents and restricted cash at end of period	<u>\$ 60,556</u>	<u>\$ 83,637</u>
Supplemental information:		
Cash and cash equivalents	\$ 56,818	\$ 79,899
Restricted cash	\$ 2,416	1,422
Restricted cash included in other long-term assets	\$ 1,322	2,316
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	<u>\$ 60,556</u>	<u>\$ 83,637</u>

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

Backlog Disclosure for Quarter Ended December 31, 2021

	December 31, 2021	September 30, 2021	December 31, 2020
Revenue Backlog*			
Deferred Revenue	\$98.1	\$86.8	\$99.3
Other Backlog	314.7	315.0	336.2
Total Revenue Backlog	\$412.8	\$401.8	\$435.5

The expected timing of recognition of revenue backlog as of December 31, 2021 is as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Revenue	\$87.4	\$5.7	\$2.9	\$2.1	\$98.1
Other Backlog	138.6	83.3	54.9	37.9	314.7
Total Revenue Backlog	\$226.0	\$89.0	\$57.8	\$40	\$412.8

*A definition of Revenue Backlog is included in our Form 10-K and the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.