Q4 2017 Earnings Call
Avid Technology

(Nasdaq: AVID)

March 15, 2018

Introduction

Dean Ridlon
Vice President, Investor Relations

Non-GAAP & Operational Measures

The following Non-GAAP (Adjusted) Measures & Operational Measures will be used in the presentation:

Non-GAAP Measures
Adjusted EBITDA
Free Cash Flow
Adjusted Free Cash Flow
Non-GAAP Revenue
Non-GAAP Gross Margin
Non-GAAP Operating Expenses

Operational Measures
Bookings, Recurring Revenue Bookings
Revenue Backlog

These non-GAAP measures are defined in our Form 8-K filed today, and the historical non-GAAP measures are reconciled with their comparable GAAP measures in our press release tables as well as in the supplemental financial information available on ir.avid.com, which also includes definitions of our operational measures. Avid believes the non-GAAP financial measures and operational metrics provided in this presentation provide helpful information to investors with respect to evaluating the Company’s performance.

The presentation also includes forward-looking non-GAAP financial measures, including non-GAAP Revenue, Adjusted EBITDA, and Free Cash Flow. Reconciliations of these forward-looking non-GAAP financial measures are not included in this presentation or our press release issued today, 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.

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 that involve risks and uncertainties, including projections and statements about our anticipated plans, objectives, expectations and intentions. Among other things, this presentation includes projected results of operations for 2018 which are based on a variety of assumptions about key factors and metrics that will determine our future results of operations, including, for example, anticipated market update of new products, realization of identified efficiency programs and market based cost inflation. 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; bookings; backlog; product mix and free cash flow; 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. 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 2016 Annual Report on Form 10-K filed with the SEC. Copies of these filings are available from the SEC, the Avid Technology 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 and President

Avid Management Transition | Executive Team

Jeff Rosica

Chief Executive Officer and President

- 30+ year media and entertainment technology industry veteran
- Since 2016 served as company president, leading sales, marketing and services
- Started with company in 2013; previously worked for other top industry companies

✓ Experienced executive team that led the company's successful transformation and shaped the strategy

✓ Deep experience and proven talent throughout the extended leadership team across the organization

Avid Management Transition | Board of Directors

Nancy Hawthorne

Chair of the Board of Directors

- Highly experienced financial executive
- Member of the Avid board since 1997
- Partner at Hawthorne Financial Advisors
- Previously EVP & CFO at Continental Cablevision, later EVP at MediaOne

✓ Separated Chair and CEO roles for better governance

✓ Board increased by one with election of Daniel Silvers

✓ Deep amount of financial and media industry experience across a diverse board of independent directors

ROBERT BAKISH

PAULA BOGGS

DR. ELIZABETH DALEY

JOHN PARK

JEFF ROSICA

DANIEL SILVERS

JOHN WALLACE

PETER WESTLEY

Q4 2017 Business Highlights

- Bookings were strong, up 15% year-over-year and 37% sequentially excluding Greater China, and above guidance
- Operational revenue and adjusted free cash flow grew both sequentially and year-over-year
- Continued momentum in the quarter with Enterprises driven by major strategic wins and several multi-year commercial agreements
- Individuals segment continuing to contribute strong growth from Digital and Subscription strategies
- Successful transition to new partners in Greater China

Q4 Strategic Metrics

- ❖ Total MediaCentral platform licenses were ~53,700, up 26% YOY
- ❖ Digital sales up 24% YOY, continuing upward trend
- ❖ Cloud-enabled subscriptions for individuals stood at over 93,500, up 54% YOY
- ❖ Total revenue backlog of $536M at year end, an increase of $107M YOY and $48M sequentially

Full Year 2017 Business Highlights

- Four consecutive quarters of meeting or exceeding guidance and generating positive adjusted free cash flow, as well as improved earnings (operational Adjusted EBITDA up 19% vs. prior year)
- Strong overall bookings performance, delivering 12% YOY growth
- Number of large strategic commercial agreements increased 5x vs. 2016, helping drive growth and further build a strong revenue backlog position for 2018 and beyond
- Digital sales and cloud-enabled software subscriptions for individuals drove YOY growth each quarter during the year, and are making a meaningful earnings contribution
- Signed strategic alliance with Microsoft to develop and market cloud-based solutions and services, a key strategy for the company in the medium term

2018 Business Outlook & Priorities

Business outlook for 2018*

- Solid market opportunity; it's all about timing and execution
- Year-on-year revenue growth profile (up 3% YOY)
- Meaningful increase in profitability (Adj. EBITDA up 22% YOY)
- Substantial increase in free cash flow (FCF up 700% YOY)

Key focus areas and business priorities

- Improve gross margins; continued focus on costs and cash
- Intensify execution of platform and enterprise strategy
- Accelerate digital programs targeted at individuals/creatives
- Continued execution of Cloud strategy
- Improve hardware supply chain
- Ensure success with partners in Greater China

***Based on mid-point of 2018 guidance as adjusted to ASC 605 comparison. Metrics exclude impact for pre-2011 and elim. of PCS revenue.**

Financial Results and Guidance

Brian E. Agle
Senior Vice President and
Chief Financial Officer

Q4 2017 Results Compared to Guidance

($M)	Q4 '17	Guidance Low	Guidance High
Bookings - Constant $	$165.0	$118	$132
Excluding Gr China	145.9	118	132
Bookings	159.9	112	126
Excluding Gr China	140.8	112	126
Revenue	107.3	103	113
Revenue excl. Pre-2011 & Elim PCS	107.2	102.9	112.9
Pre-2011 & Elim PCS	0.1	0.1	0.1
Non-GAAP Operating Expenses	48.2	48	52
Adjusted EBITDA	15.0	14	20
Adj EBITDA excl. Pre-2011 & Elim PCS	14.9	13.9	19.9
Adjusted Free Cash Flow	$4.8	($4)	$4

- Favorable to Guidance Range
  - Bookings
  - Adjusted Free Cash Flow
- Within Guidance Range
  - Revenue
  - Operating Expenses
  - Adjusted EBITDA
- Q4 guidance included $5 million operating expense benefit related to Harmonic settlement

A GAAP to Non-GAAP reconciliation is available in the earnings press release issued on March 15, 2018

Q4 2017 – Growth Across Most Categories

($M)	Q4 '16	Q3'17	Q4'17	Change % Fav/(Unfav) Seq	YoY
Bookings	**125.4**	**102.8**	**159.9**	**57%**	**28%**
Excl. Greater China	*122.2*	*102.8*	*140.8*	*37%*	*15%*
Revenue	**115.3**	**105.3**	**107.3**	**2%**	**(7%)**
Revenue excl. Pre-2011 & Elim PCS	*104.9*	*105.1*	*107.2*	*2%*	*2%*
Pre-2011 & Elim PCS	*10.4*	*0.2*	*0.1*		
Non-GAAP Gross Margin	**71.4**	**62.4**	**60.1**	**(4%)**	**(16%)**
G.M. excl. Pre-2011 & Elim PCS	*61.0*	*62.2*	*60.0*	*(4%)*	*(2%)*
% Revenue excl. Pre-2011 & Elim PCS	*58%*	*59%*	*56%*		
Non-GAAP Operating Expenses	**50.1**	**53.9**	**48.2**	**11%**	**4%**
Adjusted EBITDA	**25.2**	**11.5**	**15.0**	**30%**	**(41%)**
Adj. EBITDA excl. Pre-2011 & Elim PCS	*14.9*	*11.4*	*14.9*	*31%*	*0%*
Adjusted Free Cash Flow	**$2.0**	**$0.5**	**$4.8**	**785%**	**143%**

- Strong bookings growth (excl. Greater China) driven by large multi-year commercial agreements
- Lower gross margin impacted by:
  - Product mix
  - Low margin professional services deals
- Positive free cash flow of $1 million in Q4'17 and for full year 2017

A GAAP to Non-GAAP reconciliation is available in the earnings press release issued on March 15, 2018

2017 – A Year of Progress

($M)	2016	2017	Fav (Unfav) YoY
Bookings	**410**	**533**	**30%**
Excl. Greater China	*393*	*438*	*12%*
Revenue	**513**	**419**	**(18%)**
Revenue excl. Pre-2011 & Elim PCS	*435*	*416*	*(4%)*
Pre-2011 & Elim PCS	*78*	*3*	
Non-GAAP Gross Margin	**342**	**250**	**(27%)**
G.M. excl. Pre-2011 & Elim PCS	*264*	*247*	*(6%)*
% Revenue excl. Pre-2011 & Elim PCS	*61%*	*59%*	
Non-GAAP Operating Expenses	**241**	**215**	**11%**
Adjusted EBITDA	**116**	**48**	**(58%)**
Adj. EBITDA excl. Pre-2011 & Elim PCS	*38*	*46*	*19%*
Adjusted Free Cash Flow	**($40)**	**$18**	**145%**

- Bookings excluding Greater China up year-over-year 12%
- Year on year growth of H2'17 revenue (excl. pre-2011 and elim. PCS)
- Lower gross margin impacted by decline in Q4'17
- Excluding $5 million benefit related to Harmonic settlement, expect non-GAAP operating expenses to remain flat in 2018

A GAAP to Non-GAAP reconciliation is available in the earnings press release issued on March 15, 2018

Bookings Detail for China Partners Transition

Bookings ($M)	Q1'16	Q2'16	Q3'16	Q4'16	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017
Greater China	$3.9	$5.4	$4.3	$3.2	$16.8	$75.8	-	-	$19.1	$94.9
Rest of World	88.6	96.7	85.2	122.2	392.7	96.5	98.0	102.8	140.8	438.2
Total	$92.5	$102.2	$89.5	$125.4	$409.5	$172.3	$98.0	$102.8	$159.9	$533.1

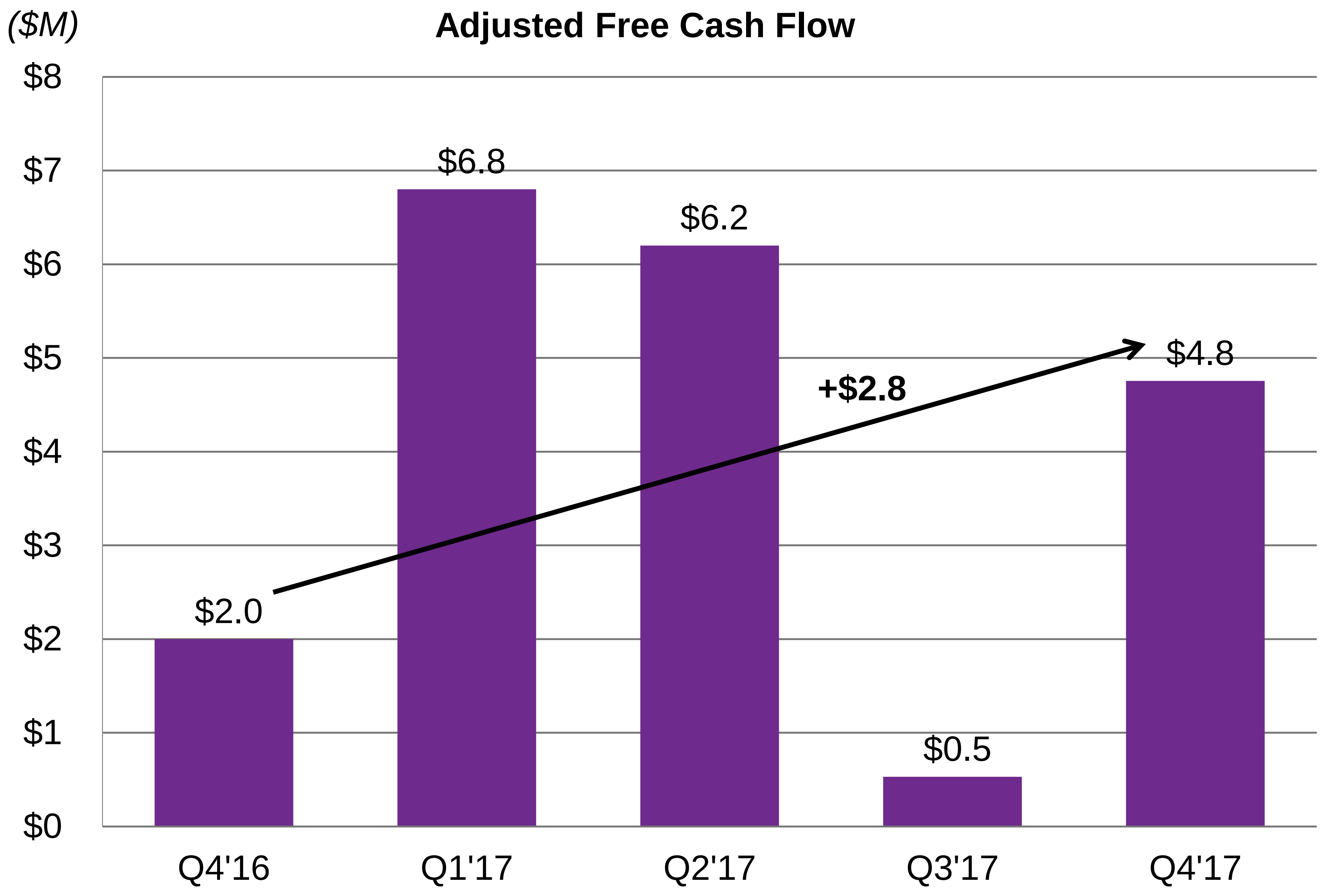
- Greater China bookings of $19 million in Q4'17 includes the net impact of:
  - De-booking of remaining value of Jetsen contract ($66 million)
  - New five-year bookings commitment with the two new China partners ($85 million)

Key Balance Sheet Metrics

($M)		Q4'16	Q3'17	Q4'17
Cash		$44.9	$44.1	$57.2
Accounts Receivable		43.5	40.8	40.1
DSO		*34*	36	*34*
Net Inventory		50.7	41.2	38.4
Turns		*3.3*	4.0	*4.4*
Long Term Debt		188.8	191.3	204.5
Deferred Revenue	a	225.7	194.6	194.6
Contractually Committed Backlog	b	203.6	293.4	341.5
Total Revenue Backlog	a + b	429.3	488.0	536.1

- Cash balance of $57 million includes net proceeds of $14 million from recent credit facility expansion, of which $2 million was used to retire convertible debt
- Estimate deferred revenue of $194.6 million will be reduced by approximately $105 million as a result of ASC 606

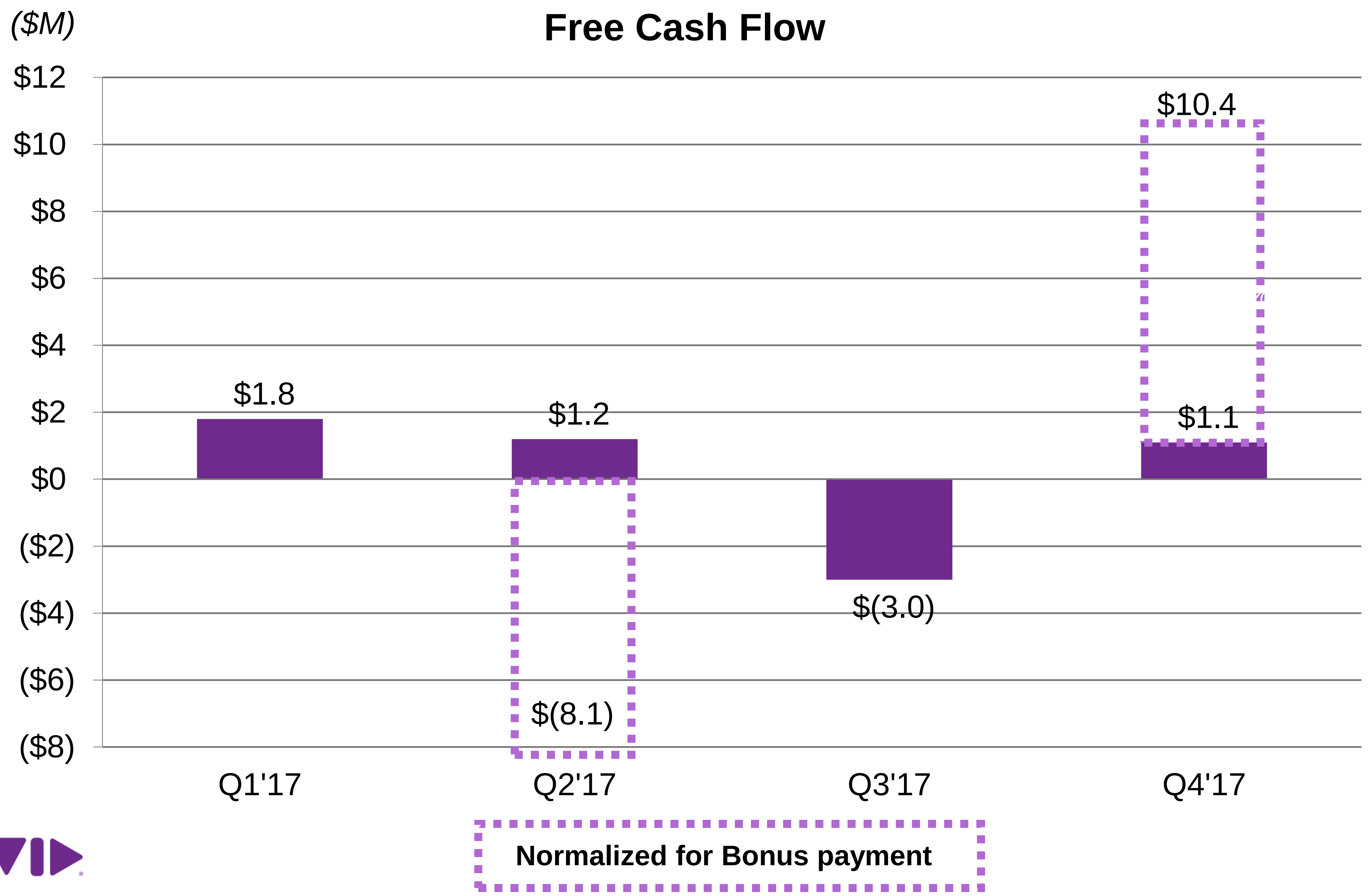
Improvement in Adjusted Free Cash Flow



- Adjusted free cash flow excludes $17 million of non-recurring expenses in 2017
- 2016 bonus payment of $9.3 million was paid in Q4’17
- Traditional timing of the bonus payout in Q2’17 would have yielded $14.1M of Adjusted Free Cash Flow in Q4’17

A GAAP to Non-GAAP reconciliation of Q4 2017 is available in the earnings press release issued on March 15, 2018

Free Cash Flow Normalized for Bonus Payment



- In 2018, Free Cash Flow rather than Adjusted Free Cash Flow will be the primary reported cash flow metric
- Expect to pay 2017 bonus in April 2018
- 2018 seasonal trending is expected to largely follow this view normalized for the bonus payment

Free Cash Flow Details

($K)	Three Months Ended December 31, 2016	Three Months Ended December 31, 2017	Fav/ (Unfav)	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2017	Fav/ (Unfav)
Adjusted free cash flow						
GAAP net cash provided by (used in) operations	**$ (270)**	**$ 2,833**	**$ 3,103**	**$(49,195)**	**$ 8,936**	**$ 58,131**
Capital expenditures	(1,322)	(1,752)	(430)	(11,003)	(7,877)	3,126
Free Cash Flow	(1,592)	1,081	2,673	(60,198)	1,059	61,257
Non-Operational / One-time Items						
Restructuring payments	1,959	2,599	(640)	10,940	12,139	(1,199)
Restatement payments	153	455	(302)	153	834	(681)
Acquisition, integration and other payments	24	120	(96)	1,841	313	1,528
Efficiency program payments	1,412	500	912	6,942	3,863	3,079
Sub-Total Non-Operational / One-Time Items	3,548	3,674	(126)	19,876	17,149	2,727
Adjusted Free Cash Flow	**$ 1,956**	**$ 4,755**	**$ 2,799**	**$(40,322)**	**$ 18,208**	**$ 58,530**

Hardware Supply Chain Transition

- During 2018, we will transition from one of our large hardware suppliers. We expect this to be completed by the end of the year
- The products impacted by this transition are primarily audio and not our storage products
- The transition will require additional investment in inventory, adversely impacting 2018 free cash flow by approximately $5 million, which we expect to recoup by no later than 2019
- In Q1 2018, a Letter of Credit for $8.5 million was issued to the supplier to ensure a smooth transition

Material Weakness Remediated

- As of December 31, 2017, the company concluded that internal controls over financial reporting were effective
- As of December 31, 2016, a material weakness in the internal control over financial reporting had been identified
- As a result of additional control enhancements implemented during 2017, the previously identified material control weakness has now been fully remediated

ASC 606 (New Revenue Recognition Standard)

- In General
  - Effective in 2018 for all public companies – we are all going through the change
  - GAAP and IFRS revenue recognition standards converging
  - <u>No impact to cash</u>, bookings and billings

- Specific to Avid
  - The anticipated reduction in deferred revenue at 12/31/17 for adoption of ASC 606 is estimated at $105 million
  - Revenue recognition for software products and professional services will be accelerated
  - The November 2017 term loan amendment changed the EBITDA definition for covenant purposes to include the 606 deferred revenue reduction (haircut) as an add-back
  - The net unfavorable impact to revenue in 2018 is estimated to be $11 million

ASC 606 Impact – Illustrative / Estimated

($M)	Illustrative/Estimated Deferred Revenue Impact		
	Dec 31, 2017	ASC 606 Adj	Jan 1, 2018
Assets*	235		235
Liability			
Deferred Revenue	195	(105)	90
Other Liabilities	309	-	309
Total Liabilities	503	(105)	399
Equity	(269)	105	(164)
Total Liability & Equity	235	-	235

Illustrative/Estimated Revenue Impact - Fav(Unfav)	2018	2019	2020>	Total
Revenue - ASC 605**	430			
ASC 606 Deferred Revenue "Haircut"	(42)	(15)	(48)	(105)
ASC 606 Revenue Recognition Acceleration	31			
Net Impact	(11)			
Revenue - ASC 606	419			

* Minor impact to Assets may occur related to the adoption of ASC 606

** Assumes mid-point of the 2018 revenue guidance range

2018 Annual Guidance

($M)	2018 Guidance Low	2018 Guidance High	ASC 606 Add Back	ASC 605 2018 Comparison Low	ASC 605 2018 Comparison High	Actual 2017
Revenue	$404	$434	$11	$415	$445	$419
Revenue excl. Pre-2011 & Elim PCS	404	434	11	415	445	416
Pre-2011 & Elim	0	0	0	0	0	3
Adjusted EBITDA	39	51	11	50	62	48
Adj EBITDA excl. Pre-2011 & Elim PCS	39	51	11	50	62	46
Free Cash Flow	$2	$14	$0	$2	$14	$1

Q1 2018 Guidance

($M)	Q1 2018 Guidance Low	Q1 2018 Guidance High	ASC 606 Add Back	ASC 605 Q1'18 Comparison Low	ASC 605 Q1'18 Comparison High	Actual Q1 2017	Actual Q4 2017
Revenue	$95	$105	$2	$97	$107	$104	$107
Revenue excl. Pre-2011 & Elim PCS	95	105	2	97	107	102	107
Pre-2011 & Elim	0	0	0	0	0	2	0
Adjusted EBITDA	3	9	2	5	11	13	15
Adj EBITDA excl. Pre-2011 & Elim PCS	$3	$9	$2	$5	$11	$11	$15

Closing Remarks

Jeff Rosica

Chief Executive Officer and President

Closing Remarks

- Avid has become stronger in 2017 with our aligned cost structure, faster product innovation, and better execution
- We're confident in our strategy for the year ahead, which is well aligned with the market opportunities
- During 2018 we'll be intensely focused on driving business performance, specifically profitability and cash generation

Q&A

Reminder on Upcoming Avid Connect & NAB Show

- Avid Customer Association's (ACA) fifth-annual Avid Connect (April 6 – 8) will bring a powerful line-up of presenters at the forefront media & entertainment
- Results of the annual ACA Vote will be disclosed, helping to steer Avid's product and service development in the year ahead
- Avid will reveal **numerous product innovations** for audio and video at Avid Connect and many will be shown at Avid's NAB Show (April 7 – 12) booth

Avid invites the investor community to join us for Avid Connect by registering at
http://www.avidconnect2018.com/register

and to schedule time with us during NAB by contacting
Dean.Ridlon@avid.com