
**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): August 9, 2023

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-36254
(Commission File Number)

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

75 Blue Sky 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 August 9, 2023, Avid Technology, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2023 (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 Subscription & Maintenance Gross Margin, Non-GAAP Integrated Solutions 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 stock-based compensation expense.
- Non-GAAP Subscription & Maintenance Gross Margin is defined as Subscription & Maintenance GAAP gross margin, excluding stock-based compensation expense.
- Non-GAAP Integrated Solutions Gross Margin is defined as Integrated Solutions GAAP gross margin, excluding 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, transformation costs and early retirement 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, transformation costs and early retirement 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 (loss) income excluding restructuring costs, stock-based compensation, amortization of intangible assets, Non-GAAP tax adjustments, as well as other unusual items such as costs related to M&A related activity, transformation costs and early retirement related costs.
- Non-GAAP tax adjustments are defined as the tax impact on non-GAAP adjustments
- Non-GAAP Earnings Per Share is defined as Non-GAAP Net (loss) 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 Active Paid 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.

- Active Paid Software Subscriptions as of a date 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. Active Paid Software Subscriptions were previously referred to as Cloud-enabled software subscriptions.
- 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 Recurring Revenue (ARR) is an operating metric that represents the contracted value of all subscription, cloud and maintenance customer support agreements normalized to a one-year period. Total ARR includes only active contractually committed agreements and is the sum of Subscription ARR and Maintenance ARR. Subscription ARR represents the contracted value of our term subscription offerings and our cloud offerings normalized to a one-year period. Subscription ARR is calculated at the end of a period as the sum of (1) the total contract value of each active term subscription agreement divided by the term of the agreement plus (2) the annualized value of active recurring cloud subscription and services agreements. Maintenance ARR represents the contracted value of all term maintenance customer support agreements normalized to a one-year period. Maintenance ARR is calculated at the end of a period by dividing the total contract value of each active maintenance customer support agreement by the term of the agreement.
- 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.

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 August 9, 2023
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: August 9, 2023

By: /s/ Kenneth Gayron

Name: Kenneth Gayron

Title: Executive Vice President and Chief Financial Officer

Avid Technology Announces Q2 2023 Results

Total revenue of \$108.5 million, an increase of 11.1% year-over-year or 13.0% at constant currency

Subscription Annual Recurring Revenue (ARR) of \$154 million at quarter end, an increase of 27.0% year-over-year, and total ARR of \$248 million, an increase of 7.1% year-over-year

Subscription revenue of \$44.4M, an increase of 30.2% year-over-year, driven by a net increase of 17,700 Active Paid Software Subscriptions in the quarter, including continued growth in enterprise subscriptions

BURLINGTON, Mass., August 9, 2023 -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its financial results for the second quarter of 2023, which ended on June 30, 2023.

Total revenue increased 11.1% year-over-year in the second quarter, or 13.0% at constant currency, driven by strong growth in enterprise subscription revenue. Active Paid Software Subscriptions reached approximately 544,400 as of June 30, 2023, an increase of 20.9% year-over-year. At June 30, 2023, Subscription ARR was \$154 million, an increase of 27.0% year-over-year, and total ARR was \$248 million, an increase of 7.1% year-over-year. At constant currency, Subscription ARR increased 25.6% year-over-year and total ARR increased 4.6% year-over-year.

In the second quarter, subscription revenue was \$44.4 million, up 30.2% year-over-year, or 30.5% at constant currency, and subscription & maintenance revenue was \$67.9 million, up 9.7% year-over-year, or 11.8% at constant currency. Maintenance revenue was \$23.5 million in the second quarter, down 15.5% year-over-year, primarily driven by enterprise customers continuing to transition to subscription. Maintenance revenue increased 3.6% sequentially from the first quarter. Maintenance revenue is currently expected to be stable through the second half of 2023, due primarily to increases in maintenance contract pricing that were implemented in the second quarter, and the sequential increase in integrated solutions shipments which generally include attached maintenance contracts. Integrated solutions revenue was \$33.7 million in the second quarter, up 20.4% year-over-year, as demand continued to be healthy and the Company was able to reduce the unshipped contractually committed backlog in the quarter. At the end of the second quarter, the Company had approximately \$11 million of unshipped contractually committed backlog for integrated solutions, as improved production volumes reduced the backlog by approximately \$9 million from the prior quarter.

During the second quarter, Gross Margin was 61.1% and Non-GAAP Gross Margin was 62.0%. Subscription and maintenance gross margin remained strong at 84.4% during the second quarter, up 300 bps year-over-year. Integrated solutions gross margin was 25.8% in the second quarter, below the target gross margin due primarily to what are expected to be temporary higher production costs. These challenges in integrated solutions gross margin, which are expected to be temporary, had a flow through impact on net income (loss), Adjusted EBITDA Margin, net cash used in operating activities and Free Cash Flow in the quarter.

Second Quarter 2023 Financial and Business Highlights

- Paid Cloud-enabled software subscriptions increased by approximately 17,700 during the quarter to approximately 544,400 as of June 30, 2023, an increase of 20.9% year-over-year.
- Subscription ARR was \$154 million at June 30, an increase of 27.0% year-over-year. At constant currency, Subscription ARR increased 25.6% year-over-year.
- Total ARR was \$248 million at June 30, an increase of 7.1% year-over-year. At constant currency, total ARR increased 4.6% year-over-year.
- Subscription revenue for the quarter was \$44.4 million, an increase of 30.2% year-over-year. At constant currency, subscription revenue increased 30.5% year-over-year.

- Subscription and maintenance revenue was \$67.9 million, an increase of 9.7% year-over-year. At constant currency, subscription and maintenance revenue increased 11.8% year-over-year.
- Total revenue was \$108.5 million, an increase of 11.1% year-over-year. At constant-currency, total revenue increased 13.0% year-over-year.
- Gross margin was 61.1%, a decrease of (380 basis points) year-over-year and Non-GAAP Gross Margin was 62.0%, a decrease of (350 basis points) year-over-year.
- Subscription and maintenance gross margin was 84.4%, an increase of 300 basis points year-over-year. Non-GAAP Subscription and Maintenance Gross Margin was 85.5%, an increase of 340 basis points year-over-year.
- Integrated solutions gross margin was 25.8%, a decrease of (1310 basis points) year-over-year. Non-GAAP Integrated Solutions Gross Margin was 26.4%, a decrease of (1300 basis points) year-over-year.
- Operating expenses were \$66.9 million, an increase of 25.2% year-over-year. Operating expenses included \$6.9 million in restructuring charges, primarily related to a reduction in employee headcount during the second quarter, and early retirement costs. Non-GAAP Operating Expenses were \$53.0 million, an increase of 7.0% year-over-year.
- Net loss was (\$4.6 million) which included \$6.9 million in restructuring charges and early retirement costs. Net loss was (4.2%) of revenue. Non-GAAP Net Income was \$9.8 million and was 9.0% of revenue.
- Adjusted EBITDA was \$16.9 million, an increase of 2.4% year-over-year. At constant-currency, Adjusted EBITDA increased 14.2% year-over-year. Adjusted EBITDA Margin was 15.5%, a decrease of (140 basis points) year-over-year.
- Net loss per common share was (\$0.10), which included \$0.16 in restructuring charges and early retirement costs. Non-GAAP Earnings per Share was \$0.22.
- Net cash (used in) operating activities was (\$13.6) million, a decrease of (\$20.9) million compared to the second quarter of 2022 due primarily to a greater use of cash in working capital in the second quarter of 2023 of \$17.6 million compared to the prior year period.
- Free Cash Flow was (\$19.7) million, a decrease of (\$22.9) million compared to the second quarter of 2022 due primarily to higher use of cash in working capital in the second quarter of 2023 compared to the prior year period.
- LTM Recurring Revenue % was 83.3% of the Company's revenue for the 12 months ended June 30, 2023, up from 79.7% for the 12 months ended June 30, 2022.
- The Company did not repurchase any shares during the second quarter. Through June 30, 2023, the Company has repurchased 2.9 million shares for \$78.4 million under the \$115 million share repurchase authorization announced on September 9, 2021.

Avid Enters into Definitive Agreement to Be Acquired by an Affiliate of STG for \$1.4 Billion

Avid today also announced a definitive agreement to be acquired by an affiliate of STG for \$27.05 per share in an all-cash transaction valuing Avid at approximately \$1.4 billion, inclusive of Avid's net debt. The cash purchase price represents a premium of 32.1% over the Company's unaffected closing stock price on May 23, 2023, the last full trading day prior to media speculation regarding a potential sale of the Company.

The transaction is expected to close during the fourth quarter of 2023, subject to Avid stockholder approval, regulatory approvals and other customary closing conditions. A copy of the press release can be found by visiting the Investor Relations section of the Avid website: <https://ir.Avid.com/>.

In light of the announced transaction with STG, Avid is withdrawing the guidance for full year 2023 that it provided on May 4, 2023, and the Company is cancelling its previously scheduled conference call to discuss its second quarter earnings.

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 Subscription and Maintenance Gross Margin, Non-

GAAP Integrated Solutions Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Net Income, and Non-GAAP Earnings per Share. The Company also includes the operational metrics of Active Paid Software Subscriptions, Annual Recurring Revenue (or ARR), Subscription ARR, Recurring Revenue, and LTM Recurring Revenue % 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. Constant currency growth rates are calculated using the current period budget exchange rates as of January 2023 for both the historical and current periods. 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.

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, the anticipated timing of the closing of the acquisition of the Company by an affiliate of STG, expected duration of challenges to audio gross margin, anticipated effects of cost management and pricing initiatives 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: the risk that the proposed transaction may not be completed in a timely manner, or at all; the effect of the continuing worldwide macroeconomic uncertainty and its impacts, including inflation, market volatility, including the impact of the ongoing Writers Guild or Screen Actors Guild - American Federation of Television and Radio Artists strikes, and fluctuations in foreign currency exchange and interest rates on our business and results of operations, including impacts related to acts of war, armed conflict and cyber conflict, such as for example, the Russian invasion of Ukraine, and related international sanctions and reprisals; 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, inefficiencies, and/or complications in our operations and/or dynamic and unpredictable global supply chain, including cost increases, interruptions, delays, complications and other impacts related to armed conflict and/or cyber conflict and related international sanctions and reprisals; economic, social and political instability, security concerns and the risk of war, armed conflict and/or cyber conflict, particularly originating in, and complicated by, areas of heightened geopolitical tension and open conflict such as Ukraine, where we have outsourced research and development activities, Russia and bordering territories; 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; the impact of changes in accounting treatment interpretations over time; our higher indebtedness and ability to service it and meet the obligations thereunder; our ability to mitigate and remediate material weaknesses in our internal controls; 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; seasonal factors; other adverse changes in external economic conditions; variances in our revenue backlog and the realization thereof; the costs, disruption and diversion of management's attention due to armed

conflict and/or cyber conflict and related international sanctions and reprisals; 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 35 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues:				
Subscription	\$ 44,439	\$ 34,142	\$ 83,824	\$ 67,096
Maintenance	23,468	27,775	46,118	56,102
Integrated solutions & other	40,635	35,763	76,411	75,131
Total net revenues	108,542	97,680	206,353	198,329
Cost of revenues:				
Subscription	5,522	6,292	9,786	11,894
Maintenance	5,064	5,253	9,811	10,530
Integrated solutions & other	31,611	22,769	58,218	45,775
Total cost of revenues	42,197	34,314	77,815	68,199
Gross profit	66,345	63,366	128,538	130,130
Operating expenses:				
Research and development	20,000	16,023	39,426	32,759
Marketing and selling	25,391	23,673	48,048	45,600
General and administrative	16,020	13,364	32,634	28,175
Restructuring costs, net	5,462	342	5,462	357
Total operating expenses	66,873	53,402	125,570	106,891
Operating (loss) income	(528)	9,964	2,968	23,239
Interest expense, net	(4,214)	(1,944)	(7,929)	(3,420)
Other income (expense), net	20	79	167	(8)
(Loss) income before income taxes	(4,722)	8,099	(4,794)	19,811
(Benefit from) Provision for income taxes	(126)	726	183	1,852
Net (loss) income	\$ (4,596)	\$ 7,373	\$ (4,977)	\$ 17,959
Net (loss) income per common share – basic	<u><u>\$ (0.10)</u></u>	<u><u>\$ 0.16</u></u>	<u><u>\$ (0.11)</u></u>	<u><u>\$ 0.40</u></u>
Net (loss) income per common share – diluted	<u><u>\$ (0.10)</u></u>	<u><u>\$ 0.16</u></u>	<u><u>\$ (0.11)</u></u>	<u><u>\$ 0.40</u></u>
Weighted-average common shares outstanding – basic	44,099	44,740	43,957	44,778
Weighted-average common shares outstanding – diluted	44,099	45,110	43,957	45,280

AVID TECHNOLOGY, INC.
Reconciliations of GAAP financial measures to Non-GAAP financial measures

(unaudited - in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<u>GAAP revenue</u>				
GAAP revenue	\$ 108,542	\$ 97,680	\$ 206,353	\$ 198,329
<u>Non-GAAP Gross Profit</u>				
GAAP gross profit	\$ 66,345	\$ 63,366	\$ 128,538	\$ 130,130
Stock-based compensation	984	589	1,413	1,015
Non-GAAP Gross Profit	\$ 67,329	\$ 63,955	\$ 129,951	\$ 131,145
GAAP Gross Margin	61.1 %	64.9 %	62.3 %	65.6 %
Non-GAAP Gross Margin	62.0 %	65.5 %	63.0 %	66.1 %
<u>Non-GAAP Operating Expenses</u>				
GAAP operating expenses	\$ 66,873	\$ 53,402	\$ 125,570	\$ 106,891
Less Amortization of intangible assets	—	(57)	(37)	(115)
Less Stock-based compensation	(4,958)	(3,056)	(9,622)	(6,052)
Less Restructuring costs, net	(5,462)	(342)	(5,462)	(357)
Less Early Retirement Program	(1,473)	—	(2,675)	(409)
Less Acquisition, integration and other costs	(1,597)	50	(1,912)	—
Less Digital Transformation costs	(363)	(445)	(660)	(688)
Non-GAAP Operating Expenses	\$ 53,020	\$ 49,552	\$ 105,202	\$ 99,270
<u>Non-GAAP Operating Income and Adjusted EBITDA</u>				
GAAP net (loss) income	\$ (4,596)	\$ 7,373	\$ (4,977)	\$ 17,959
Interest and other expense	4,194	1,865	7,762	3,428
Provision for income taxes	(126)	726	183	1,852
GAAP operating (loss) income	\$ (528)	\$ 9,964	\$ 2,968	\$ 23,239
Amortization of intangible assets	—	57	37	115
Stock-based compensation	5,942	3,645	11,035	7,067
Restructuring costs, net	5,462	342	5,462	357
Early Retirement Program	1,473	—	2,675	409
Acquisition, integration and other costs	1,597	(50)	1,912	—
Digital Transformation costs	363	445	660	688
Non-GAAP Operating Income	\$ 14,309	\$ 14,403	\$ 24,749	\$ 31,875
Depreciation	2,555	2,066	4,852	3,869
Adjusted EBITDA	\$ 16,864	\$ 16,469	\$ 29,601	\$ 35,744
GAAP net (loss) income margin	(4.2)%	7.5 %	(2.4)%	9.1 %
Adjusted EBITDA Margin	15.5 %	16.9 %	14.3 %	18.0 %

Non-GAAP Net Income

GAAP net (loss) income	\$ (4,596)	\$ 7,373	\$ (4,977)	\$ 17,959
Amortization of intangible assets	—	57	37	115
Stock-based compensation	5,942	3,645	11,035	7,067
Restructuring costs, net	5,462	342	5,462	357
Early Retirement Program	1,473	—	2,675	409
Acquisition, integration and other costs	1,597	(50)	1,912	—
Digital Transformation costs	363	445	660	688
Tax impact of non-GAAP adjustments	(455)	—	(455)	(3)
Non-GAAP Net Income	\$ 9,786	\$ 11,812	\$ 16,349	\$ 26,592
Weighted-average common shares outstanding - basic	44,099	44,740	43,957	44,778
Weighted-average common shares outstanding - diluted	44,099	45,110	43,957	45,280
GAAP net (loss) income per share - basic	\$(0.10)	\$0.16	\$(0.11)	\$0.40
GAAP net (loss) income per share - diluted	\$(0.10)	\$0.16	\$(0.11)	\$0.40
Non-GAAP Earnings Per Share - basic	\$ 0.22	\$ 0.26	\$ 0.37	\$ 0.59
Non-GAAP Earnings Per Share - diluted	\$ 0.22	\$ 0.26	\$ 0.37	\$ 0.59

Free Cash Flow

GAAP net cash (used in) provided by operating activities	\$ (13,621)	\$ 7,305	\$ (16,177)	\$ 15,221
Capital expenditures	(6,077)	(4,115)	(10,008)	(7,359)
Free Cash Flow	\$ (19,698)	\$ 3,190	\$ (26,185)	\$ 7,862
Free Cash Flow conversion of Adjusted EBITDA	(116.8)%	19.4 %	(88.5)%	22.0 %

Non-GAAP Gross Profit by Revenue Type

Subscription Revenue	44,439	34,142	83,824	67,096
Maintenance Revenue	23,468	27,775	46,118	56,102
Subscription & Maintenance Revenue	67,907	61,917	129,942	123,198
Subscription Cost of Revenues	5,522	6,292	9,786	11,894
Maintenance Cost of Revenues	5,064	5,253	9,811	10,530
Subscription & Maintenance Cost of Revenues	10,586	11,545	19,597	22,424
Subscription & Maintenance Stock-based compensation	773	443	1,067	744
Non-GAAP Subscription & Maintenance Cost of Revenues	9,813	11,102	18,530	21,680
<i>Subscription & Maintenance Gross Margin</i>	84.4 %	81.4 %	84.9 %	81.8 %
<i>Non-GAAP Subscription & Maintenance Gross Margin</i>	85.5 %	82.1 %	85.7 %	82.4 %
Integrated Solutions Revenue	33,735	28,013	62,445	56,223
Integrated Solutions Cost of Revenues	25,046	17,116	45,504	33,744
Integrated Solutions Stock-based compensation	211	146	346	271
Non-GAAP Integrated Solutions Cost of Revenues	24,835	16,970	45,158	33,473
<i>Integrated Solutions Gross Margin</i>	25.8 %	38.9 %	27.1 %	40.0 %

<i>Non-GAAP Integrated Solutions Gross Margin</i>	26.4 %	39.4 %	27.7 %	40.5 %
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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)

	June 30, 2023	December 31, 2022
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 33,502	\$ 35,247
Restricted cash	926	2,413
Accounts receivable, net of allowances of \$539 and \$601 at June 30, 2023 and December 31, 2022, respectively	58,679	76,849
Inventories	28,028	20,981
Prepaid expenses	10,696	8,360
Contract assets	38,487	32,295
Other current assets	3,360	2,826
Total current assets	173,678	178,971
Property and equipment, net	29,613	23,684
Goodwill	32,643	32,643
Right of use assets	20,756	21,395
Deferred tax assets, net	16,352	15,859
Other long-term assets	20,775	14,901
Total assets	\$ 293,817	\$ 287,453
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 51,790	\$ 45,904
Accrued compensation and benefits	20,140	22,602
Accrued expenses and other current liabilities	39,165	36,031
Income taxes payable	142	62
Short-term debt	10,912	9,710
Deferred revenue	42,114	76,308
Total current liabilities	164,263	190,617
Long-term debt	202,213	172,958
Long-term deferred revenue	22,367	17,842
Long-term lease liabilities	19,884	20,470
Other long-term liabilities	4,044	4,348
Total liabilities	412,771	406,235
Stockholders' deficit:		
Common stock	465	462
Treasury stock	(78,353)	(77,933)
Additional paid-in capital	1,041,280	1,036,287
Accumulated deficit	(1,076,695)	(1,071,718)
Accumulated other comprehensive loss	(5,651)	(5,880)
Total stockholders' deficit	(118,954)	(118,782)
Total liabilities and stockholders' deficit	\$ 293,817	\$ 287,453

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

	Six Months Ended	
	June 30,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income	\$ (4,977)	\$ 17,959
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	4,852	3,869
(Recovery from) allowance for doubtful accounts	(30)	222
Stock-based compensation expense	11,035	7,067
Non-cash provision for restructuring	5,462	338
Non-cash interest expense	298	247
Loss on disposal of fixed assets	—	548
Unrealized foreign currency transaction gains (losses)	874	(1,729)
(Provision for) Benefit from deferred taxes	(498)	1,610
Changes in operating assets and liabilities:		
Accounts receivable	18,200	22,945
Inventories	(7,047)	672
Prepaid expenses and other assets	(6,525)	(5,664)
Accounts payable	5,886	6,044
Accrued expenses, compensation and benefits and other liabilities	(5,559)	(16,105)
Income taxes payable	80	(776)
Deferred revenue and contract assets	(38,228)	(22,026)
Net cash (used in) provided by operating activities	(16,177)	15,221
Cash flows from investing activities:		
Purchases of property and equipment	(10,008)	(7,359)
Net cash used in investing activities	(10,008)	(7,359)
Cash flows from financing activities:		
Proceeds from revolving credit facility	35,000	19,000
Repayment of debt principal	(4,841)	(2,288)
Payments for repurchase of common stock	(572)	(25,262)
Proceeds from the issuance of common stock under employee stock plans	486	468
Common stock repurchases for tax withholdings for net settlement of equity awards	(6,525)	(10,885)
Prepayment penalty on extinguishment of debt	—	—
Payments for credit facility issuance costs	—	(440)
Net cash (used in) provided by financing activities	23,548	(19,407)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(645)	(941)
Net decrease in cash, cash equivalents and restricted cash	(3,282)	(12,486)
Cash, cash equivalents and restricted cash at beginning of period	38,852	60,556
Cash, cash equivalents and restricted cash at end of period	\$ 35,570	\$ 48,070
Supplemental information:		
Cash and cash equivalents	\$ 33,502	\$ 44,332
Restricted cash	\$ 926	\$ 2,413
Restricted cash included in other long-term assets	\$ 1,142	\$ 1,325
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 35,570	\$ 48,070

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

Backlog Disclosure for Quarter Ended June 30, 2023

	June 30, 2023	March 31, 2023	June 30, 2023 2022
Revenue Backlog*			
Deferred Revenue	\$64.5	\$82.5	\$80.9
Other Backlog	250.7	259.1	285.4
Total Revenue Backlog	\$315.2	\$341.6	\$366.3

The expected timing of recognition of revenue backlog as of June 30, 2023 is as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Revenue	\$25.9	\$23.3	\$9.2	\$6.1	\$64.5
Other Backlog	128.0	42.0	39.7	41.0	250.7
Total Revenue Backlog	\$153.9	\$65.3	\$48.9	\$47.1	\$315.2

*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.