

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended June 30, 2023
OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-36254

Avid Technology, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

04-2977748

(I.R.S. Employer Identification No.)

75 Blue Sky Drive

Burlington Massachusetts 01803

Address of Principal Executive Offices, Including Zip Code

(978) 640-6789

Registrant's Telephone Number, Including Area Code

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: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 under the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 under the Exchange Act).
Yes No

The number of shares outstanding of the registrant's Common Stock, as of August 4, 2023, was 44,037,720.

AVID TECHNOLOGY, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED June 30, 2023

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained in this Form 10-Q that relate to future results or events are forward-looking statements. Forward-looking statements may be identified by use of forward-looking words, such as “anticipate,” “believe,” “confidence,” “could,” “estimate,” “expect,” “feel,” “intend,” “may,” “plan,” “should,” “seek,” “will,” and “would,” or similar expressions.

Forward-looking statements may involve subjects relating to, among others, the following:

- the proposed acquisition by STG may disrupt or could adversely affect our business, prospects, financial condition and results of operations;
 - we have incurred and will continue to incur substantial transaction fees and costs in connection with the Merger (as defined below);
 - the Merger (as defined below) may not be completed within the expected timeframe, or at all, and significant delay or the failure to complete the Merger could adversely affect our business and the market price of our common stock;
 - the Merger Agreement (as defined below) contains provisions that could discourage a potential competing acquirer of or could result in a competing proposal being at a lower price than it might otherwise be;
 - 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 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;
 - our ability to successfully implement our strategy, including our cost saving measures and other actions implemented in response to market volatility and other adverse economic and commercial conditions;
 - the anticipated trends and developments in our markets and the success of our products in these markets;
 - our ability to maintain adequate supplies of products and components, including through sole-source supply arrangements;
 - our ability to develop, market, and sell new products and services;
 - our business strategies and market positioning;
 - our ability to expand our market positions;
 - our ability to grow of our cloud-enabled platform;
 - anticipated trends relating to our sales, financial condition or results of operations, including our ongoing shift to a recurring revenue model and complex enterprise sales with long sales cycles;
 - the expected timing of recognition of revenue backlog as revenue, and the timing of recognition of revenues from subscription offerings;
 - our ability to mitigate and remediate effectively the material weakness in our internal control over financial reporting, and the expected timing thereof;
 - our ability to successfully consummate acquisitions and investment transactions and to successfully integrate acquired businesses;
 - the anticipated performance of our products;
 - our plans regarding repatriation of foreign earnings;
 - the outcome, impact, costs, and expenses of pending litigation or any new litigation or government inquiries to which we may become subject;
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- our compliance with covenants contained in the agreements governing our indebtedness;
- our ability to service our debt and meet the obligations thereunder;
- the effect of seasonal changes in demand for our products and services;
- estimated asset and liability values;
- our ability to protect and enforce our intellectual property rights; and
- the expected availability of cash to fund our business and our ability to maintain adequate liquidity and capital resources, generally and in the wake of continuing worldwide macroeconomic uncertainty described above.

Actual results and events in future periods may differ materially from those expressed or implied by forward-looking statements in this Form 10-Q. There are a number of factors that could cause actual events or results to differ materially from those indicated or implied by forward-looking statements, many of which are beyond our control, including the risk factors discussed herein and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, in Part II, Item 1A of this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the U.S. Securities and Exchange Commission (“SEC”). In addition, the forward-looking statements contained in this Form 10-Q represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements, or otherwise.

We own or have rights to trademarks and service marks that we use in connection with the operation of our business. “Avid” is a trademark of Avid Technology, Inc. Other trademarks, logos, and slogans registered or used by us and our subsidiaries in the United States and other countries include, but are not limited to, the following: Avid, Avid NEXIS, AirSpeed, FastServe, MediaCentral, Media Composer, Pro Tools, and Sibelius. Other trademarks appearing in this Form 10-Q are the property of their respective owners.

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data, unaudited)

	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 income (loss)	(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	\$(0.10)	\$0.16	\$(0.11)	\$0.40
Net (loss) income per common share – diluted	\$(0.10)	\$0.16	\$(0.11)	\$0.40
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

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net (loss) income	\$ (4,596)	\$ 7,373	\$ (4,977)	\$ 17,959
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(365)	(1,735)	229	(1,936)
Comprehensive (loss) income	<u>\$ (4,961)</u>	<u>\$ 5,638</u>	<u>\$ (4,748)</u>	<u>\$ 16,023</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, unaudited)

	June 30, 2023	December 31, 2022
ASSETS		
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
LIABILITIES AND STOCKHOLDERS' DEFICIT		
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
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Common stock, par value \$0.01; authorized: 100,000 shares; issued: 46,935 shares at June 30, 2023 and 46,551 shares at December 31, 2022; outstanding: 44,009 shares at June 30, 2023 and 43,771 shares at December 31, 2022	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

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(in thousands, unaudited)

Three and Six Months Ended June 30, 2023

	Shares of Common Stock		Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Issued	In Treasury						
Balances at January 1, 2023	46,551	(2,911)	\$ 462	\$ (77,933)	\$ 1,036,287	\$ (1,071,718)	\$ (5,880)	\$ (118,782)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	212	—	2	—	(4,842)	—	—	(4,840)
Repurchase of common stock	—	(15)	—	(420)	—	—	—	(420)
Stock-based compensation	—	—	—	—	5,093	—	—	5,093
Net loss	—	—	—	—	—	(381)	—	(381)
Other comprehensive income	—	—	—	—	—	—	594	594
Balances at March 31, 2023	46,763	(2,926)	\$ 464	\$ (78,353)	\$ 1,036,538	\$ (1,072,099)	\$ (5,286)	\$ (118,736)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	172	—	1	—	(1,200)	—	—	(1,199)
Stock-based compensation	—	—	—	—	5,942	—	—	5,942
Net loss	—	—	—	—	—	(4,596)	—	(4,596)
Other comprehensive loss	—	—	—	—	—	—	(365)	(365)
Balances at June 30, 2023	46,935	(2,926)	\$ 465	\$ (78,353)	\$ 1,041,280	\$ (1,076,695)	\$ (5,651)	\$ (118,954)

Three and Six Months Ended June 30, 2022

	Shares of Common Stock		Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Issued	In Treasury						
Balances at January 1, 2022	45,828	(874)	\$ 455	\$ (25,090)	\$ 1,031,633	\$ (1,126,959)	\$ (4,113)	\$ (124,074)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	391	—	4	—	(8,940)	—	—	(8,936)
Repurchase of common stock	—	(354)	—	(10,816)	—	—	—	(10,816)
Stock-based compensation	—	—	—	—	3,422	—	—	3,422
Net income	—	—	—	—	—	10,586	—	10,586
Other comprehensive loss	—	—	—	—	—	—	(201)	(201)
Balances at March 31, 2022	<u>46,219</u>	<u>(1,228)</u>	<u>\$ 459</u>	<u>\$ (35,906)</u>	<u>\$ 1,026,115</u>	<u>\$ (1,116,373)</u>	<u>\$ (4,314)</u>	<u>\$ (130,019)</u>
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	189	—	2	—	(1,483)	—	—	(1,481)
Repurchase of common stock	—	(560)	—	(14,143)	—	—	—	(14,143)
Stock-based compensation	—	—	—	—	3,645	—	—	3,645
Net income	—	—	—	—	—	7,373	—	7,373
Other comprehensive loss	—	—	—	—	—	—	(1,735)	(1,735)
Balances at June 30, 2022	<u>46,408</u>	<u>(1,788)</u>	<u>\$ 461</u>	<u>\$ (50,049)</u>	<u>\$ 1,028,277</u>	<u>\$ (1,109,000)</u>	<u>\$ (6,049)</u>	<u>\$ (136,360)</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	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 losses (gains)	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 line of credit	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)
Payments for credit facility issuance costs	—	(440)
Net cash provided by (used in) 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
Cash paid for income taxes	\$ 847	\$ 1,293
Cash paid for interest	\$ 6,809	\$ 1,542

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. FINANCIAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Avid Technology, Inc. and its wholly owned subsidiaries (collectively, “we” or “our”). These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for their fair statement. Interim results are not necessarily indicative of results expected for any other interim period or a full year. We prepared the accompanying unaudited condensed consolidated financial statements in accordance with the instructions for Form 10-Q and, therefore, include all information and footnotes necessary for a complete presentation of operations, comprehensive income, financial position, changes in stockholders’ deficit, and cash flows in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The accompanying condensed consolidated balance sheet as of December 31, 2022 was derived from our audited consolidated financial statements and does not include all disclosures required by U.S. GAAP for annual financial statements. We filed audited consolidated financial statements as of and for the year ended December 31, 2022 in our Annual Report on Form 10-K for the year ended December 31, 2022, which included information and footnotes necessary for such presentation. The financial statements contained in this Form 10-Q should be read in conjunction with the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022.

The consolidated results of operations for the three months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023. The Company’s results of operations are affected by economic conditions, including macroeconomic conditions and levels of business and consumer confidence.

Our preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from our estimates.

Significant Accounting Policies

There have been no material changes to our significant accounting policies as compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2022.

2. NET (LOSS) INCOME PER SHARE

Net income per common share is presented for both basic income per share (“Basic EPS”) and diluted income per share (“Diluted EPS”). Basic EPS is based on the weighted-average number of common shares outstanding during the period. Diluted EPS is based on the weighted-average number of common shares and common share equivalents outstanding during the period.

The potential common shares that were considered anti-dilutive securities were excluded from the diluted earnings per share calculations for the relevant periods either because the sum of the exercise price per share and the unrecognized compensation cost per share was greater than the average market price of our common stock for the relevant periods, or because they were considered contingently issuable. The contingently issuable potential common shares result from certain restricted stock units granted to our employees that vest based on performance conditions, market conditions, or a combination of performance and market conditions.

The following table sets forth (in thousands) potential common shares that were considered anti-dilutive securities at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Non-vested restricted stock units	1,291	826

The following table sets forth (in thousands) the basic and diluted weighted common shares outstanding for the three months ended June 30, 2023 and 2022:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Weighted common shares outstanding - basic	44,099	44,740	43,957	44,778
Net effect of common stock equivalents	—	370	—	502
Weighted common shares outstanding - diluted	44,099	45,110	43,957	45,280

3. FAIR VALUE MEASUREMENTS

Assets Measured at Fair Value on a Recurring Basis

We measure deferred compensation investments on a recurring basis. As of June 30, 2023 and December 31, 2022, our deferred compensation investments were classified as either Level 1 or Level 2 in the fair value hierarchy. Assets valued using quoted market prices in active markets and classified as Level 1 are money market and mutual funds. Assets valued based on other observable inputs and classified as Level 2 are insurance contracts. The assets held at fair value are included in “Other current assets” and “Other long-term assets” on our consolidated balance sheet as of June 30, 2023 and 2022.

The following tables summarize our deferred compensation investments measured at fair value on a recurring basis (in thousands):

	June 30, 2023	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Deferred compensation assets	\$ 281	\$ 87	\$ 194	\$ —
	December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Deferred compensation assets	\$ 376	\$ 85	\$ 291	\$ —

Financial Instruments Not Recorded at Fair Value

The carrying amounts of our other financial assets and liabilities including cash, accounts receivable, accounts payable, and accrued liabilities approximate their respective fair values because of the relatively short period of time between their origination and their expected realization or settlement. The carrying value of the term loan is net of debt issuance costs and approximates its fair value. Cash and equivalents were classified as Level 1 and all other financial instruments were classified as Level 2 within the fair value hierarchy.

4. INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	\$ 6,964	\$ 7,984
Work in process	288	288
Finished goods	20,776	12,709
Total	<u>\$ 28,028</u>	<u>\$ 20,981</u>

As of June 30, 2023 and December 31, 2022, finished goods inventory included \$2.4 million and \$1.4 million, respectively, associated with products shipped to customers and deferred labor costs for arrangements where revenue recognition had not yet commenced.

5. LEASES

We have entered into a number of facility leases to support our research and development activities, sales operations, and other corporate and administrative functions in North America, Europe, and Asia, which qualify as operating leases under U.S. GAAP. We also have a limited number of equipment leases that qualify as either operating or finance leases. We determine if contracts with vendors represent a lease or have a lease component under U.S. GAAP at contract inception. Our leases have remaining terms ranging from less than one year to five years. Some of our leases include options to extend or terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Operating lease right of use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. As our leases generally do not provide an implicit rate, we use an estimated incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular location and currency environment. As of June 30, 2023, the weighted average incremental borrowing rate was 6.0% and the weighted average remaining lease term was 4.7 years.

Finance lease right of use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. Each lease agreement provides an implicit discount rate used to determine the present value of future payments. As of June 30, 2023, the weighted-average discount rate was 1.2% and the weighted average remaining lease term was less than one year.

Lease costs for minimum lease payments is recognized on a straight-line basis over the lease term. Our total operating lease costs were \$1.5 million and \$1.4 million for the three months ended June 30, 2023 and June 30, 2022, respectively and \$3.0 million and \$2.9 million for the six months ended June 30, 2023 and June 30, 2022, respectively. Related cash payments were \$1.5 million and \$1.5 million for the three months ended June 30, 2023 and June 30, 2022, respectively, and \$3.2 million and \$3.1 million for the six months ended June 30, 2023 and June 30, 2022, respectively. Short term lease costs were \$0.5 million and \$0.6 million for the three months ended June 30, 2023 and June 30, 2022, respectively, and \$1.1 million and \$1.2 million for the six months ended June 30, 2023 and June 30, 2022, respectively. Operating lease costs are included within costs of revenue, research and development, marketing and selling, and general and administrative lines on the condensed consolidated statements of operations, and the related cash payments are included in the operating cash flows on the condensed consolidated statements of cash flows. Finance lease costs, variable lease costs, and sublease income are not material.

The table below reconciles the undiscounted future minimum lease payments for operating and finance leases under non-cancelable leases with terms of more than one year to the total lease liabilities recognized on the condensed consolidated balance sheets as of June 30, 2023 (in thousands):

Year Ending December 31,	Operating Leases		Finance Leases
2023 (excluding six months ended June 30, 2023)	\$	3,125	\$ 94
2024		5,840	41
2025		5,898	—
2026		5,958	—
2027		5,500	—
Thereafter		2,067	—
Total future minimum lease payments	\$	28,388	\$ 135
Less effects of discounting		(3,822)	—
Total lease liabilities	\$	24,566	\$ 135

Supplemental balance sheet information related to leases was as follows (in thousands):

Operating Leases	June 30, 2023	
Right of use assets	\$	20,756
Accrued expenses and other current liabilities		(4,682)
Long-term lease liabilities		(19,884)
Total lease liabilities	\$	(24,566)

Finance Leases	June 30, 2023	
Other assets	\$	132
Accrued expenses and other current liabilities		135
Total lease liabilities	\$	135

6. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2023		December 31, 2022	
Deferred compensation	\$	3,493	\$	3,715
Finance lease liabilities		—		46
Other long-term liabilities		551		587
Total	\$	4,044	\$	4,348

7. COMMITMENTS AND CONTINGENCIES

Commitments

We entered into a long-term agreement to purchase a variety of information technology solutions from a third party in the second quarter of 2020, which included an unconditional commitment to purchase a minimum of \$32.2 million of products and services over the initial five years of the agreement. We have purchased \$23.5 million of products and services pursuant to this agreement as of June 30, 2023.

We have letters of credit that are used as security deposits in connection with our leased Burlington, Massachusetts office space. In the event of default on the underlying leases, the landlords would, at June 30, 2023, be eligible to draw against the letters of credit to a maximum of \$0.7 million.

We also have letters of credit in connection with security deposits for other facility leases totaling \$0.4 million in the aggregate, as well as letters of credit totaling \$3.4 million that otherwise support our ongoing operations. These letters of credit have various terms and expire during 2023 and beyond, while some of the letters of credit may automatically renew based on the terms of the underlying agreements.

Letters of credit that are collateralized by restricted cash are included in the caption "Restricted cash" and "Other long-term assets" on our condensed consolidated balance sheets as of June 30, 2023.

Contingencies

Our industry is characterized by the existence of a large number of patents and frequent claims and litigation regarding patent and other intellectual property rights. In addition to the legal proceedings described below, we are involved in legal proceedings from time to time arising from the normal course of business activities, including claims of alleged infringement of intellectual property rights and contractual, commercial, employee relations, product or service performance, or other matters. We do not believe these matters will have a material adverse effect on our financial position or results of operations. However, the outcome of legal proceedings and claims brought against us is subject to significant uncertainty. Therefore, our financial position or results of operations may be negatively affected by the unfavorable resolution of one or more of these proceedings for the period in which a matter is resolved. Our results could be materially adversely affected if we are accused of, or found to be, infringing third parties' intellectual property rights.

Following the termination of our former Chairman and Chief Executive Officer on February 25, 2018, we received a notice alleging that we breached the former employee's employment agreement. On April 16, 2019, we received an additional notice again alleging we breached the former employee's employment agreement. We have since been in communications with our former Chairman and Chief Executive Officer's counsel. While we intend to defend any claim vigorously, when and if a claim is actually filed, we are currently unable to estimate an amount or range of any reasonably possible losses that could occur as a result of this matter.

On July 14, 2020, we sent a notice to a customer demanding sums that we believe are due to Avid pursuant to a contract. On October 7, 2020, the customer sent a notice to us denying any legal liability and demanding payment for breach of contract resulting from various alleged delays by us. While we intend to defend any claim vigorously when and if a claim is actually filed, we are currently unable to estimate an amount or range of any reasonably possible losses that could occur related to this matter.

We consider all claims on a quarterly basis and based on known facts assess whether potential losses are considered reasonably possible, probable, and estimable. Based upon this assessment, we then evaluate disclosure requirements and whether to accrue for such claims in our condensed consolidated financial statements. We record a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated and such amount is material. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

At June 30, 2023 and as of the date of filing of these condensed consolidated financial statements, we believe that, other than as set forth in this note, no provision for liability nor disclosure is required related to any claims because: (a) there is

no reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim, (b) a reasonably possible loss or range of loss cannot be estimated, or (c) such estimate is immaterial.

Additionally, we provide indemnification to certain customers for losses incurred in connection with intellectual property infringement claims brought by third parties with respect to our products. These indemnification provisions generally offer perpetual coverage for infringement claims based upon the products covered by the agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions is theoretically unlimited. To date, we have not incurred material costs related to these indemnification provisions; accordingly, we believe the estimated fair value of these indemnification provisions is immaterial. Further, certain arrangements with customers include clauses whereby we may be subject to penalties for failure to meet certain performance obligations; however, we have not recorded any related material penalties to date.

We provide warranties on externally sourced and internally developed hardware. For internally developed hardware, and in cases where the warranty granted to customers for externally sourced hardware is greater than that provided by the manufacturer, we record an accrual for the related liability based on historical trends and actual material and labor costs. The following table sets forth the activity in the product warranty accrual account for the six months ended June 30, 2023 and 2022 (in thousands):

	<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Accrual balance at beginning of period	\$ 941	\$ 1,219
Accruals for product warranties	354	305
Costs of warranty claims	(423)	(551)
Accrual balance at end of period	<u>\$ 872</u>	<u>\$ 973</u>

The warranty accrual is included in the caption “accrued expenses and other current liabilities” in our condensed consolidated balance sheet.

8. RESTRUCTURING COSTS AND ACCRUALS

In May 2023, we committed to a restructuring plan focused on reducing our overall workforce, and as a result we recorded restructuring charges of \$5.5 million for employee severance costs related to 101 positions eliminated during the second quarter of 2023. The restructuring plan is expected to be substantially completed in 2023.

The following table sets forth the activity in the restructuring accrual for the six months ended June 30, 2023 (in thousands):

	<u>Employee</u>
Accrual balance as of December 31, 2022	\$ 205
Restructuring charges and revisions	5,472
Cash payments	(1,029)
Foreign exchange impact on ending balance	5
Accrual balance as of June 30, 2023	<u>\$ 4,653</u>

9. REVENUE

Disaggregated Revenue and Geography Information

Through the evaluation of the discrete financial information that is regularly reviewed by the chief operating decision makers (our chief executive officer and chief financial officer), we have determined that we have one reporting unit and operating segment.

The following table sets forth our revenues by geographic region for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues:				
United States	\$ 46,601	\$ 40,160	\$ 87,029	\$ 84,549
Other Americas	5,097	8,406	15,298	13,300
Europe, Middle East and Africa	41,006	36,316	73,927	75,161
Asia-Pacific	15,838	12,798	30,099	25,319
Total net revenues	<u>\$ 108,542</u>	<u>\$ 97,680</u>	<u>\$ 206,353</u>	<u>\$ 198,329</u>

Contract Asset

Contract asset activity for the six months ended June 30, 2023 and 2022 was as follows (in thousands):

	June 30, 2023	June 30, 2022
Contract asset at beginning of period	\$ 37,765	\$ 25,397
Revenue in excess of billings	47,651	19,735
Customer billings	(39,092)	(14,858)
Contract asset at end of period	\$ 46,324	\$ 30,274
Less: long-term portion (recorded in other long-term assets)	7,837	9,324
Contract asset, current portion	<u>\$ 38,487</u>	<u>\$ 20,950</u>

Deferred Revenue

Deferred revenue activity for the six months ended June 30, 2023 and 2022 was as follows (in thousands):

	June 30, 2023	June 30, 2022
Deferred revenue at beginning of period	\$ 94,150	\$ 98,082
Billings deferred	40,831	45,192
Recognition of prior deferred revenue	(70,500)	(62,341)
Deferred revenue at end of period	<u>\$ 64,481</u>	<u>\$ 80,933</u>

A summary of the significant performance obligations included in deferred revenue is as follows (in thousands):

	June 30, 2023
Product	\$ 1,672
Subscription	14,926
Maintenance contracts	42,885
Implied PCS	3,233
Professional services, training and other	1,765
Deferred revenue at June 30, 2023	<u>\$ 64,481</u>

Remaining Performance Obligations

For transaction prices allocated to remaining performance obligations, we apply practical expedients and do not disclose quantitative or qualitative information for remaining performance obligations (i) that have original expected durations of one year or less and (ii) where we recognize revenue equal to what we have the right to invoice and that amount corresponds directly with the value to the customer of our performance to date.

Historically, for many of our products, we had an ongoing practice of making when-and-if-available software updates available to customers free of charge for a period of time after initial sales to customers. The expectation created by this practice of providing free Software Updates represents an implied obligation of a form of post-contract customer support (“Implied PCS”) which represents a performance obligation. While we have ceased providing Implied PCS on new product offerings, we continue to provide Implied PCS for older products that were predominately sold in prior years. Revenue attributable to Implied PCS performance obligations is recognized over time on a ratable basis over the period that Implied PCS is expected to be provided, which is typically six years. We have remaining performance obligations of \$3.2 million attributable to Implied PCS recorded in deferred revenue as of June 30, 2023. We expect to recognize revenue for these remaining performance obligations of \$0.7 million for the remainder of 2023 and \$1.1 million, \$0.7 million, \$0.4 million and \$0.2 million for the years ending December 31, 2024, 2025, 2026, and 2027, respectively, and an immaterial amount thereafter.

As of June 30, 2023, we had approximately \$14.7 million of transaction price allocated to remaining performance obligations for certain enterprise agreements that have not yet been fully invoiced. Approximately \$13.4 million of these performance obligations were unbilled as of June 30, 2023. Remaining performance obligations represent obligations we must deliver for specific products and services in the future where there is not yet an enforceable right to invoice the customer. Our remaining performance obligations do not include contractually committed minimum purchases that are common in our strategic purchase agreements with resellers since our specific obligations to deliver products or services is not yet known, as customers may satisfy such commitments by purchasing an unknown combination of current or future product offerings. While the timing of fulfilling individual performance obligations under the contracts can vary dramatically based on customer requirements, we expect to recognize the \$14.7 million in roughly equal installments through 2028.

Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations due to contract breach, contract amendments, and changes in the expected timing of delivery.

10. LONG-TERM DEBT AND CREDIT AGREEMENT

Long-term debt consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Term Loan, net of unamortized issuance costs and debt discount of \$2,187 and \$2,485 at June 30, 2023 and December 31, 2022, respectively	\$ 177,375	\$ 181,853
Credit Facility	35,000	—
Other long-term debt	750	815
Total debt	\$ 213,125	\$ 182,668
Less: current portion	10,912	9,710
Total long-term debt	\$ 202,213	\$ 172,958

The following table summarizes the contractual maturities of our borrowing obligations as of June 30, 2023 (in thousands):

Fiscal Year	Term Loan	Credit Facility	Other Long-Term Debt	Total
2023 (excluding six months ended June 30, 2023)	\$ 4,775	—	83	\$ 4,858
2024	13,131	—	174	13,305
2025	17,906	—	187	18,093
2026	19,100	—	200	19,300
2027	124,650	35,000	106	159,756
Total before unamortized discount	179,562	35,000	750	215,312
Less: unamortized discount and issuance costs	(2,187)	—	—	(2,187)
Less: current portion of long-term debt	(10,744)	—	(168)	(10,912)
Total long-term debt	\$ 166,631	35,000	\$ 582	\$ 202,213

Credit Agreement

On January 5, 2021, the Company entered into a Credit Agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A. as collateral and administrative agent, and a syndicate of banks, as lenders thereunder (the “Lenders”). Pursuant to the Credit Agreement, the Lenders agreed to provide the Company with (a) a term loan in the aggregate principal amount of \$180.0 million (the “Term Loan”) and (b) a revolving credit facility (the “Revolving Credit Facility”) of up to a maximum of \$70.0 million in borrowings outstanding at any time. The Revolving Credit Facility can be used for working capital, other general corporate purposes and for other permitted uses. The proceeds from the Term Loan, plus available cash on hand, were used to repay outstanding borrowings in the principal amount of \$201 million under the Company’s prior financing agreement, which was then terminated. In connection with this termination, the Company incurred a loss on extinguishment of debt of \$3.7 million as a result of writing off \$2.6 million of remaining unamortized issuance costs as well as a \$1.1 million prepayment penalty.

In connection with the Credit Agreement, the Company incurred \$2.5 million of issuance discounts and an immaterial amount of issuance costs. The Term Loan discount and issuance costs are being amortized over the remaining life of the Second A&R Credit Agreement (as defined below).

On February 25, 2022, the Company executed an Amended and Restated Credit Agreement (the “A&R Credit Agreement”) with JPMorgan Chase Bank, N.A. and the Lenders. The A&R Credit Agreement extended the term of the Term Loan to February 25, 2027, reduced the applicable interest rate margins by 0.25%, removed the LIBOR floor, moved the reference rate from LIBOR to the Secured Overnight Financing Rate (“SOFR”), reset the principal amortization schedule, and eliminated the fixed charge coverage ratio.

In connection with the A&R Credit Agreement, the Company accounted for the amendment as a modification and incurred an additional \$0.4 million of issuance costs during the three months ended March 31, 2022. These additional costs and the remaining unamortized Term Loan discount and issuance costs are being amortized jointly over the amended remaining life of the Second A&R Credit Agreement.

On October 6, 2022, the Company executed a Second Amended and Restated Credit Agreement (the “Second A&R Credit Agreement”) with JPMorgan Chase Bank, N.A. and the Lenders. Pursuant to the Second A&R Credit Agreement, the Lenders agreed to provide the Company with (a) an additional term loan in the aggregate principal amount of \$20 million (of which approximately \$19 million was used to pay off the Company’s then outstanding drawings under the Revolving Credit Facility), and (b) an additional \$50 million of available borrowing capacity under the Revolving Credit Facility, increasing the aggregate amount available to \$120.0 million. The Second A&R Credit Agreement includes substantially similar terms as the A&R Credit Agreement and does not result in any changes to financial covenants, pricing or the maturity date of February 25, 2027.

In connection with the Second A&R Credit Agreement, the Company accounted for the amendment as a modification and incurred an additional \$0.5 million of issuance costs during the three months ended December 31, 2022. These additional

costs and the remaining unamortized Term Loan discount and issuance costs are being amortized jointly over the amended remaining life of the Second A&R Credit Agreement.

We recorded \$3.8 million and \$7.1 million of interest expense on the Term Loan and Revolving Credit Facility for the three and six months ended June 30, 2023. The effective interest rate for the six months ended June 30, 2023 was 7.05%. As of June 30, 2023, there was \$35 million outstanding under the Revolving Credit Facility. We were in compliance with the Second A&R Credit Agreement covenants as of June 30, 2023.

11. STOCKHOLDERS' EQUITY

Stock-Based Compensation

Information with respect to the Company's non-vested time-based restricted stock units for the six months ended June 30, 2023 was as follows:

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)	Shares Retained to Cover Statutory Minimum Withholding Taxes
Non-vested at January 1, 2023	788,217	\$28.24			—
Granted	597,436	30.05			—
Vested	(332,078)	25.00			(109,740)
Forfeited	(42,805)	32.22			—
Non-vested at June 30, 2023	<u>1,010,770</u>	<u>\$30.21</u>	<u>1.10</u>	<u>\$32,314</u>	

Information with respect to the Company's non-vested performance-based restricted stock units for the six months ended June 30, 2023 was as follows:

	Number of Performance-based Restricted Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)	Shares Retained to Cover Statutory Minimum Withholding Taxes
Non-vested at January 1, 2023	294,011	\$23.20			—
Granted	240,598	26.12			—
Vested	(254,320)	15.34			(114,881)
Forfeited	—	—			—
Non-vested at June 30, 2023	<u>280,289</u>	<u>\$32.85</u>	<u>1.43</u>	<u>\$8,961</u>	

The following table sets forth stock-based compensation expense by award type for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Share-based compensation expense by type:				
Time-based Restricted Stock Units	\$ 4,748	\$ 2,952	\$ 8,913	\$ 5,380
Performance-based Restricted Stock Units	1,140	643	2,022	1,591
ESPP	54	50	100	96
Total share-based compensation expense	<u>\$ 5,942</u>	<u>\$ 3,645</u>	<u>\$ 11,035</u>	<u>\$ 7,067</u>

Stock-based compensation was included in the following captions in the Company’s condensed consolidated statements of operations for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenues	\$ 984	\$ 589	\$ 1,413	\$ 1,015
Research and development expenses	1,216	515	1,684	865
Marketing and selling expenses	1,036	800	1,845	1,398
General and administrative expenses	2,706	1,741	6,093	3,789
Total share-based compensation expense	\$ 5,942	\$ 3,645	\$ 11,035	\$ 7,067

On September 9, 2021, our Board of Directors approved the repurchase of up to \$115.0 million of our outstanding shares. This authorization does not have a prescribed expiration date. As of June 30, 2023, approximately \$36.6 million of the \$115.0 million share repurchase authorization remained available. The Company has no obligation to repurchase any amount of its common stock, and the program may be suspended or discontinued at any time. For the three months ended June 30, 2023, the Company did not repurchase any shares of its common stock.

12. SUBSEQUENT EVENTS

On August 9, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Artisan Bidco, Inc., a Delaware corporation (“Parent”), and Artisan Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (“Merger Sub”), each an affiliate of STG, pursuant to which, and on the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (the “Merger”). Pursuant to the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (other than Excluded Shares (as defined in the Merger Agreement)) will be converted into the right to receive \$27.05 in cash, without interest and less required tax withholdings. The consummation of the Merger is subject to approval by our stockholders, regulatory approvals and other customary closing conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Business Overview

We develop, market, sell, and support software and integrated solutions for video and audio content creation, management and distribution. We are a leading technology provider that powers the media and entertainment industry. We do this by providing an open and efficient platform for digital media, along with a comprehensive set of tools and workflow solutions. Our solutions are used in production and post-production facilities; film studios; network, affiliate, independent and cable television stations; recording studios; live-sound performance venues; advertising agencies; government and educational institutions; corporate communications departments; and by independent video and audio creative professionals, as well as aspiring professionals. Projects produced using our tools, platform, and ecosystem include feature films, television programming, live events, news broadcasts, sports productions, commercials, music, video, and other digital media content. With over one million creative users and thousands of enterprise clients relying on our technology platforms and solutions around the world, Avid enables the industry to thrive in today's connected media and entertainment world.

Our mission is to empower media creators with innovative technology and collaborative tools to entertain, inform, educate, and enlighten the world. Our clients rely on Avid's products and solutions to create prestigious and award-winning feature films, music recordings, television shows, live concerts, sporting events, and news broadcasts. Avid has been honored for technological innovation with 18 Emmy Awards, one Grammy Award, two Oscars, and the first ever America Cinema Editors Technical Excellence Award.

Operations Overview

Our strategy for connecting creative professionals and media enterprises with audiences in a powerful, efficient, collaborative, and profitable way leverages our creative software tools, including Pro Tools for audio and Media Composer for video, and our MediaCentral Platform - the open, extensible, and customizable foundation that streamlines and simplifies content workflows by integrating all Avid or third-party products and services that run on top of it. The platform provides secure and protected access, and enables fast and easy creation, delivery, and monetization of content.

A key element of our strategy is our transition to a recurring revenue-based model through a combination of subscription offerings and long-term agreements. As of June 30, 2023, we had approximately 540,000 paid subscriptions. The subscription count includes all paid and active seats under multi-seat licenses. These licensing options offer choices in pricing and deployment to suit our customers' needs. Our subscription offerings to date have been sold to creative professionals and media enterprises. We expect to increase subscription sales to media enterprises going forward as we expand offerings and move through customer upgrade cycles, which we expect will further increase recurring revenue on a longer-term basis. Our long-term agreements are comprised of multi-year agreements with large media enterprise customers to provide specified products and services, including SaaS offerings, and channel partners and resellers to purchase minimum amounts of products and service over a specified period of time.

We continued to invest in our Digital Transformation Initiative through the second quarter of 2023, which focuses on optimizing systems, processes, and back-office functions with the objective of improving our operations related to our digital and subscription business. The project started in the third quarter of 2021, and continuing through 2023-2025, we plan to significantly invest in transforming our enterprise-wide infrastructure and technologies to benefit customers and drive enhanced performance across the company.

A summary of our revenue sources for the three and six months ended June 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Subscriptions	\$ 44,439	\$ 34,142	\$ 83,824	\$ 67,096
Maintenance	23,468	27,775	46,118	56,102
Subscriptions and Maintenance	67,907	61,917	129,942	123,198
Perpetual Licenses	1,110	2,742	1,658	7,939
Software Licenses and Maintenance	69,017	64,659	131,600	131,137
Integrated solutions	33,735	28,013	62,445	56,225
Professional services & training	5,790	5,008	12,308	10,967
Total revenue	\$ 108,542	\$ 97,680	\$ 206,353	\$ 198,329

Recent Developments Affecting on Our Business

Our business and financial performance depends significantly on worldwide economic conditions. We face global macroeconomic challenges, particularly in light of the effects of the ongoing geopolitical conflicts in Ukraine, uncertainty in the markets, volatility in exchange rates, inflationary trends and evolving dynamics in the global trade environment. Throughout 2022 and the first half of 2023, we observed significant market uncertainty, increasing inflationary pressures, supply constraints and a strong U.S. dollar. We continue to manage through industry-wide supply constraints due to component shortages, and for which the duration of such constraints is uncertain. These shortages have resulted in increased costs (i.e., component and other commodity costs, freight, expedite fees, etc.) which have had a negative impact on our product gross margin and resulted in extended lead times for us and our customers.

As a company with an extensive global footprint, we are subject to risks and exposures from foreign currency exchange rate fluctuations caused by significant events with macroeconomic impacts. We monitor the direct and indirect impacts of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape.

Although our revenue and earnings are relatively predictable as a result of our subscription-based business model, the broader implications of these macroeconomic events on our business, results of operations and overall financial position, particularly in the long term, remain uncertain. See the section titled “Risk Factors” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 for further discussion of the possible impact of these macroeconomic issues on our business.

On August 9, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Artisan Bidco, Inc., a Delaware corporation (“Parent”), and Artisan Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (“Merger Sub”), each an affiliate of STG, pursuant to which, and on the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (the “Merger”). Pursuant to the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (other than Excluded Shares (as defined in the Merger Agreement)) will be converted into the right to receive \$27.05 in cash, without interest and less required tax withholdings. The consummation of the Merger is subject to approval by our stockholders, regulatory approvals and other customary closing conditions.

CRITICAL ACCOUNTING ESTIMATES

Our condensed consolidated financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We base our estimates and judgments on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses. Actual results may differ from these estimates.

We believe that our critical accounting estimates are those related to revenue recognition and allowances for sales returns and exchanges and income tax assets and liabilities. We believe these policies and estimates are critical because they most significantly affect the portrayal of our financial condition and results of operations and involve our most complex and subjective estimates and judgments. A discussion of our critical accounting policies and estimates may be found in our Annual Report on

Form 10-K for the year ended December 31, 2022 in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Estimates”. There have been no significant changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

RESULTS OF OPERATIONS

The following table sets forth certain items from our condensed consolidated statements of operations as a percentage of net revenues for the three and six months ended June 30, 2023 and 2022. During the three and six months ended June 30, 2023 we incurred increased component costs on our integrated solutions due to the supply chain constraints noted above. The increases in operating expenses year over year was a result of increased personnel costs due to increased headcount as well as increased stock based compensation expense. With the restructuring plan executed during May 2023, we expect to see cost savings from that initiative in the second half of the year:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenues:				
Subscriptions	40.9 %	35.0 %	40.6 %	33.8 %
Maintenance	21.6 %	28.4 %	22.4 %	28.3 %
Integrated solutions & other	37.5 %	36.6 %	37.0 %	37.9 %
Total net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	38.9 %	35.1 %	37.7 %	34.4 %
Gross margin	61.1 %	64.9 %	62.3 %	65.6 %
Operating expenses:				
Research and development	18.4 %	16.4 %	19.1 %	16.5 %
Marketing and selling	23.4 %	24.2 %	23.3 %	23.0 %
General and administrative	14.8 %	13.7 %	15.8 %	14.2 %
Restructuring costs, net	5.0 %	0.4 %	2.7 %	0.2 %
Total operating expenses	61.6 %	54.7 %	60.9 %	53.9 %
Operating (loss) income	(0.5)%	10.2 %	1.4 %	11.7 %
Interest expense, net	(3.9)%	(2.0)%	(3.8)%	(1.7)%
Other income (loss), net	— %	0.1 %	0.1 %	— %
(Loss) income before income taxes	(4.4)%	8.3 %	(2.3)%	10.0 %
(Benefit from) Provision for income taxes	(0.2)%	0.7 %	0.1 %	0.9 %
Net (loss) income	(4.2)%	7.5 %	(2.4)%	9.1 %

Net Revenues

Our net revenues are derived mainly from sales of subscription software solutions, maintenance contracts, and integrated solutions for digital media content production, management and distribution, and related professional services. We commonly sell large, complex solutions to our customers that, due to their strategic nature, have long lead times where the timing of order execution and fulfillment can be difficult to predict. In addition, the rapid evolution of the media industry is changing our customers' needs, businesses, and revenue models, which is influencing their short-term and long-term purchasing decisions. As a result of these factors, the timing and amount of product revenue recognized related to orders for large, complex solutions, as well as the services associated with them, can fluctuate from quarter to quarter and cause significant volatility in our quarterly operating results. For a discussion of these factors, see the risk factors discussed in Part I, Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended, December 31, 2022.

Net Revenues for the Three Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
	Net Revenues	\$	%	Net Revenues
Subscriptions	\$ 44,439	\$ 10,297	30.2%	\$ 34,142
Maintenance	23,468	(4,307)	(15.5)%	27,775
Integrated solutions & other	40,635	4,872	13.6%	35,763
Total net revenues	<u>\$ 108,542</u>	<u>\$ 10,862</u>	11.1%	<u>\$ 97,680</u>

Net Revenues for the Six Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
	Net Revenues	\$	%	Net Revenues
Subscriptions	\$ 83,824	\$ 16,728	24.9%	\$ 67,096
Maintenance	46,118	(9,984)	(17.8)%	56,102
Integrated solutions & other	\$ 76,411	\$ 1,280	1.7%	\$ 75,131
Total net revenues	<u>\$ 206,353</u>	<u>\$ 8,024</u>	4.0%	<u>\$ 198,329</u>

The following table sets forth the percentage of our net revenues attributable to geographic regions for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
United States	43%	41%	42%	43%
Other Americas	5%	9%	7%	7%
Europe, Middle East and Africa	38%	37%	36%	38%
Asia-Pacific	14%	13%	15%	13%

Subscription Revenues

Our subscription revenues are derived primarily from sales of our Media Composer, MediaCentral, Pro Tools, and Sibelius offerings. Subscription revenues increased \$10.3 million, or 30.2%, for the three months ended June 30, 2023, and \$16.7 million or 24.9%, for the six months ended June 30, 2023, compared to the same periods in 2022. The increase for the three and six months ended June 30, 2023 was primarily a result of new customers adopting our subscription solutions and customers transitioning from our perpetual product licenses to our subscription-based model.

Maintenance Revenues

Our maintenance revenues are derived from a variety of maintenance contracts for our software and integrated solutions. Maintenance contracts allow each customer to select the level of technical and operational support that it needs to maintain their operational effectiveness. Maintenance contracts typically include the right to the latest software updates, call support, and, in some cases, hardware maintenance. Maintenance revenues decreased \$4.3 million, or 15.5%, for the three months ended June 30, 2023, and \$10.0 million or 17.8%, for the six months ended June 30, 2023, compared to the same periods in 2022. The decrease for the three and six months ended June 30, 2023 was primarily due to customers transitioning from our perpetual based licenses to our subscription licenses.

Integrated Solutions and Other Revenues

Our integrated solutions and other revenues are derived primarily from sales of our storage and workflow solutions, media management solutions, video creative tools, digital audio software and workstation solutions, and our control surfaces, consoles, and live-sound systems as well as professional and learning services. Integrated solutions and other revenues increased \$4.9

million or 13.6%, for the three months ended June 30, 2023, and \$1.3 million or 1.7%, for the six months ended June 30, 2023, compared to the same periods in 2022. In both comparative periods, we saw a decrease in perpetual licenses revenue as the result of customers transitioning away from our perpetual based software licenses, which was offset by an increase in our integrated solutions sales.

Cost of Revenues, Gross Profit and Gross Margin Percentage

Cost of revenues consists primarily of costs associated with:

- procurement of components and finished goods;
- assembly, testing and distribution of finished products;
- warehousing;
- customer support related to maintenance;
- royalties for third-party software and hardware included in our products; and
- providing professional services and training.

Costs of Revenues and Gross Profit

Costs of Revenues and Gross Profit for the Three Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023 Costs	Change		2022 Costs
		\$	%	
Subscriptions	\$ 5,522	\$ (770)	(12.2)%	\$ 6,292
Maintenance	5,064	(189)	(3.6)%	5,253
Integrated solutions & other	31,611	8,842	38.8%	22,769
Total cost of revenues	\$ 42,197	\$ 7,883	23.0%	\$ 34,314
Gross profit	\$ 66,345	\$ 2,979	4.7%	\$ 63,366

Costs of Revenues and Gross Profit for the Six Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023 Costs	Change		2022 Costs
		\$	%	
Subscriptions	\$ 9,786	\$ (2,108)	(17.7)%	\$ 11,894
Maintenance	9,811	(719)	(6.8)%	10,530
Integrated solutions & other	58,218	12,443	27.2%	45,775
Total cost of revenues	\$ 77,815	\$ 9,616	14.1%	\$ 68,199
Gross profit	\$ 128,538	\$ (1,592)	(1.2)%	\$ 130,130

Gross Margin Percentage

Gross margin percentage, which is net revenues less costs of revenues divided by net revenues, fluctuates based on factors such as the mix of products sold, the cost and proportion of third-party hardware and software included in the systems sold, the offering of product upgrades, price discounts and other sales-promotion programs, the distribution channels through which products are sold, the timing of new product introductions, sales of aftermarket hardware products, and currency exchange-rate fluctuations. For a discussion of these factors, see the risk factors discussed in Part I, Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022.

Our gross margin percentage for the three months ended June 30, 2023 decreased to 61.1% from 64.9% for the three months ended June 30, 2022, and for the six months ended June 30, 2023 decreased to 62.3% from 65.6% for the six months ended June 30, 2022. These decreases were primarily due to increased prices on the components used in some of our integrated solutions products. Given the supply chain disruptions, we made spot purchases at increased prices to ensure we had sufficient components on hand. There was also a change in the mix of integrated solutions and other revenues towards our lower margin hardware, which also negatively impacted margins. These decreases were partially offset by the increase in our subscription margins due to increased volume.

Gross Margin % for the Three Months Ended June 30, 2023 and 2022

	2023 Gross Margin %	Change	2022 Gross Margin %
Subscription	87.6%	6.0%	81.6%
Maintenance	78.4%	(2.7)%	81.1%
Integrated solutions & other	22.2%	(14.1)%	36.3%
Total	61.1%	(3.8)%	64.9%

Gross Margin % for the Six Months Ended June 30, 2023 and 2022

	2023 Gross Margin %	Change	2022 Gross Margin %
Subscription	88.3%	6.0%	82.3%
Maintenance	78.7%	(2.5)%	81.2%
Integrated solutions & other	23.8%	(15.3)%	39.1%
Total	62.3%	(3.3)%	65.6%

Operating Expenses and Operating Income

Operating Expenses and Operating (Loss) Income for the Three Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
	Expenses	\$	%	Expenses
Research and development	\$ 20,000	\$ 3,977	24.8%	\$ 16,023
Marketing and selling	25,391	1,718	7.3%	23,673
General and administrative	16,020	2,656	19.9%	13,364
Restructuring costs, net	5,462	5,120	1,497.1%	342
Total operating expenses	<u>\$ 66,873</u>	<u>\$ 13,471</u>	25.2%	<u>\$ 53,402</u>
Operating (loss) income	\$ (528)	\$ (10,492)	(105.3)%	\$ 9,964

Operating Expenses and Operating Income for the Six Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
	Expenses	\$	%	Expenses
Research and development	\$ 39,426	\$ 6,667	20.4%	\$ 32,759
Marketing and selling	48,048	2,448	5.4%	45,600
General and administrative	32,634	4,459	15.8%	28,175
Restructuring costs, net	5,462	5,105	1,430.0%	357
Total operating expenses	<u>\$ 125,570</u>	<u>\$ 18,679</u>	<u>17.5%</u>	<u>\$ 106,891</u>
Operating income	\$ 2,968	\$ (20,271)	(87.2)%	\$ 23,239

Research and Development Expenses

Research and development (“R&D”) expenses include costs associated with the development of new products and the enhancement of existing products, and consist primarily of employee compensation and benefits, facilities costs, depreciation, costs for consulting and temporary employees, and prototype and other development expenses.

Change in R&D Expenses for the Three Months Ended June 30, 2023 and 2022

	(dollars in thousands)	
	2023 Increase From 2022	
	\$	%
Other	1,559	44.4 %
Consulting and outside services	1,388	42.2 %
Personnel-related	1,030	11.2 %
Total G&A expenses increase	<u>\$ 3,977</u>	<u>24.8 %</u>

Change in R&D Expenses for the Six Months Ended June 30, 2023 and 2022

	(dollars in thousands)	
	2023 Increase From 2022	
	\$	%
Consulting and outside services	2,425	36.5 %
Other	2,308	32.0 %
Personnel-related	1,934	10.2 %
Total research and development expenses increase	<u>\$ 6,667</u>	<u>20.4%</u>

R&D expenses increased \$4.0 million, or 24.8%, for the three months ended June 30, 2023, and \$6.7 million or 20.4%, for the six months ended June 30, 2023, compared to the same periods in 2022. The increase in consulting and outside services was due to both an increase in fees as well as increased usage of contractors to support our ongoing R&D operations. The increase in personnel-related expenses was primarily the result of annual salary increases and increased headcount. The increase in other expenses was related to depreciation.

Marketing and Selling Expenses

Marketing and selling expenses consist primarily of employee compensation and benefits for selling, marketing and pre-sales customer support personnel, commissions, travel expenses, advertising and promotional expenses, web design costs, and facilities costs. The tables below provide further details regarding the changes in components of marketing and selling expenses.

Change in Marketing and Selling Expenses for the Three Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023 Increase From 2022	
	\$	%
Personnel-related	1,479	9.1 %
Other	239	3.2 %
Total marketing and selling expenses increase	\$ 1,718	7.3 %

Change in Marketing and Selling Expenses for the Six Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023 Increase (Decrease) From 2022	
	\$	%
Personnel-related	2,254	7.1 %
Other	1,115	8.6 %
Foreign exchange (gains) and losses	(921)	(82.6)%
Total marketing and selling expenses increase	\$ 2,448	5.4 %

Marketing and selling expenses increased \$1.7 million, or 7.3%, for the three months ended June 30, 2023, and \$2.4 million or 5.4%, for the six months ended June 30, 2023, compared to the same periods in 2022. The increase in personnel-related expenses was primarily the result of annual salary increases and increased headcount. The increase in other is primarily related to the participation in the National Association of Broadcasters (NAB) trade show and higher costs related to marketing and promotional support. The change in foreign exchange translations for the three and six months ended June 30, 2023, compared to the same periods in 2022, was due to foreign exchange gains and losses from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist primarily of employee compensation and benefits for administrative, executive, finance and legal personnel, audit, legal and strategic consulting fees, and insurance, information systems and facilities costs. Information systems and facilities costs reported within general and administrative expenses are net of allocations to other expenses categories. The tables below provide further details regarding the changes in components of G&A expenses.

Change in G&A Expenses for the Three Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023 Increase From 2022	
	\$	%
Other	1,790	28.0 %
Personnel-related	866	12.4 %
Total G&A expenses increase	\$ 2,656	19.9 %

Change in G&A Expenses for the Six Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023 Increase From 2022	
	\$	%
Personnel-related	2,838	19.9 %
Other	1,621	11.6 %
Total G&A expenses increase	\$ 4,459	15.8%

G&A expenses increased \$2.7 million, or 19.9%, for the three months ended June 30, 2023, and \$4.5 million or 15.8%, for the six months ended June 30, 2023, compared to the same periods in 2022. The increase in personnel-related expenses was primarily due to an increase in variable related compensation, specifically stock based compensation, and annual salary increases. The increase in other expenses was primarily due to severance related charges related to individuals who opted in to our early retirement program as well as in increase in our business development related activities.

Restructuring Costs, Net

Restructuring costs increased for the three and six months ended June 30, 2023, due to the restructuring plan that we committed to in May 2023, which focused on reducing our overall workforce, and as a result we recorded restructuring charges of \$5.5 million for employee severance costs related to 101 positions eliminated during the second quarter of 2023. The restructuring plan is expected to be substantially completed in 2023. With the restructuring plan executed during May 2023, we expect to see cost savings from that initiative in the second half of the year.

Interest Expense, Net

Interest Expense, Net for the Three Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023		Change		2022
	\$	%	\$	%	
Interest expense, net	\$ (4,214)		\$ (2,270)	116.8%	\$ (1,944)

Interest Expense, Net for the Six Months Ended June 30, 2023 and 2022

(dollars in thousands)

	2023		Change		2022
	\$	%	\$	%	
Interest expense, net	\$ (7,929)		\$ (4,509)	131.8%	\$ (3,420)

Interest expense increased for the three and six months ended June 30, 2023, due to a higher interest rate as a result of increases in the Secured Overnight Financing Rate (SOFR) on our borrowings and a higher level of borrowings, which included the \$35.0 million outstanding under the Revolving Credit Facility. The effective interest rate was 7.37% and 3.15% for the three ended June 30, 2023 and June 30, 2022, respectively. The effective interest rate was 7.05% and 2.95% for the six months ended June 30, 2023 and June 30, 2022, respectively.

(Benefit from) Provision for Income Taxes

(Benefit from) Provision for Income Taxes for the Three Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
		\$	%	
(Benefit from) Provision for Income Taxes	\$ (126)	\$ (852)	(117.4)%	\$ 726

Provision for Income Taxes for the Six Months Ended June 30, 2023 and 2022

	(dollars in thousands)			
	2023	Change		2022
		\$	%	
Provision for Income Taxes	\$ 183	\$ (1,669)	(90.1)%	\$ 1,852

We had a tax provision of 2.7% and (3.8%) as a percentage of income and loss before tax for the three and six months ended June 30, 2023. The decrease in the tax provision for the three and six months ended June 30, 2023, compared to the same periods in 2022, were primarily due to the decrease in worldwide pre-tax income. No benefit was provided for the tax loss generated in the United States due to a full valuation on the deferred tax asset. While we had experienced recent profitability in the U.S. prior to the period ended March 31, 2023, during both periods ended March 31, 2023 and June 30, 2023 we experienced a pre-tax loss in the U.S. We intend to continue maintaining a full valuation allowance on our U.S. deferred tax assets until there is sufficient positive evidence to allow us to reach a conclusion that a significant portion of the valuation allowance will no longer be needed.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Sources of Cash

Our principal sources of liquidity include cash and cash equivalents, which totaled \$33.5 million as of June 30, 2023, as well as the availability of borrowings of up to \$85.0 million under our revolving Credit Facility as of June 30, 2023. We have generally funded operations in recent years through the use of existing cash balances, supplemented from time to time with the proceeds of long-term debt and borrowings under our credit facilities. Our cash requirements vary depending on factors such as the growth of the business, changes in working capital, and capital expenditures. We anticipate that we will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next 12 months as well as for the foreseeable future.

In 2021, we committed to a digital transformation initiative focused around modernizing our enterprise-wide infrastructure and technologies to benefit our customers and drive enhanced performance across the company. Continuing through 2023-2025, we plan to invest significant funds and resources towards implementing these new technologies as part of this initiative. These expenditures will be a mix of capital expenditures which will flow through our investing operations as well as SAAS based software solutions which will increase our use of cash from operations.

On January 5, 2021, we entered into the Credit Agreement with JPMorgan Chase Bank, N.A., as the administrative agent, or the Agent, and the lenders party thereto, or the Lenders. Pursuant to the Credit Agreement, the Lenders agreed to provide us with (a) a term loan in the aggregate principal amount of \$180.0 million (the "Term Loan") and (b) a revolving credit facility of up to a maximum of \$70.0 million in borrowings outstanding at any time, (the "Revolving Credit Facility"). We borrowed the full amount of the \$180.0 million Term Loan on the closing date, but did not borrow any amount under the Revolving Credit Facility on the closing date. The borrowings under the Term Loan and cash on hand were used to repay outstanding borrowings under the Company's prior financing agreement, which was then terminated. Prior to the maturity of the Revolving Credit Facility, any amounts borrowed under the Revolving Credit Facility may be repaid and, subject to the terms and conditions of the Credit Agreement, reborrowed in whole or in part without penalty.

On February 25, 2022, the Company executed an Amended and Restated Credit Agreement (the "A&R Credit Agreement") with JPMorgan Chase Bank, N.A. and the Lenders. The A&R Credit Agreement extended the term of the Term Loan by approximately one year to February 25, 2027, reduced the applicable interest rate margins by 0.25%, removed the LIBOR floor, moved the reference rate from LIBOR to SOFR, reset the principal amortization schedule, and eliminated the fixed charge coverage ratio. The A&R Credit Agreement contained a financial covenant to maintain a total net leverage ratio of no more than 4.00 to 1.00 initially, with step downs thereafter. Other terms of the A&R Credit Agreement remained substantially the same as the Credit Agreement. The Term Loan, as amended, had an initial interest rate of SOFR plus a 0.10% credit spread adjustment plus an applicable margin of 2.25%, with a 0% floor. The applicable margin for SOFR loans under the A&R Credit Agreement ranged from 1.75% to 3.0%, depending on the Company's total net leverage ratio. Both the Term Loan and the Revolving Credit Facility would mature on February 25, 2027 under the A&R Credit Agreement.

On October 6, 2022, the Company executed the Second Amended and Restated Credit Agreement (the "Second A&R Credit Agreement") with JPMorgan Chase Bank, N.A. and the Lenders. Pursuant to the Second A&R Credit Agreement, the Lenders agreed to provide the Company with (a) an additional term loan in the aggregate principal amount of \$20 million (of which approximately \$19 million was used to pay off the Company's then outstanding drawings under the Revolving Credit Facility), and (b) an additional \$50 million of available borrowing capacity under the Revolving Credit Facility, increasing the aggregate amount available to \$120.0 million. The Second A&R Credit Agreement includes substantially similar terms as the A&R Credit Agreement and does not result in any changes to financial covenants, pricing or the maturity date of February 25, 2027.

Our ability to satisfy the maximum total net leverage ratio covenant in the future depends on our ability to maintain profitability and cash flow in line with prior results. This includes our ability to maintain bookings and billings in line with levels experienced over the last 12 months. In recent quarters, we have experienced volatility in bookings and billings resulting from, among other things, (i) our transition towards subscription and recurring revenue streams and the resulting decline in traditional upfront product sales, (ii) the rapid evolution of the media industry resulting in changes to our customers' needs, (iii) the impact of new and anticipated product launches and features, and (iv) volatility in currency rates.

In the event revenues in future quarters are lower than we currently anticipate or operating expenses are higher than we expect, we may be forced to take remedial actions which could include, among other things (and where allowed by the lenders), (i) further cost reductions, (ii) seeking replacement financing, (iii) raising funds through the issuance of additional equity or debt

securities or the incurrence of additional borrowings, or (iv) disposing of certain assets or businesses. Such remedial actions, which may not be available on favorable terms or at all, could have a material adverse impact on our business. If we are not in compliance with the net leverage ratio covenant and are unable to obtain an amendment or waiver, such noncompliance may result in an event of default under the Second A&R Credit Agreement, which could permit acceleration of the outstanding indebtedness under the Second A&R Credit Agreement and require us to repay such indebtedness before the scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, the lenders may be entitled to foreclose on and sell substantially all of our assets, which secure our borrowings under the Second A&R Credit Agreement. We were in compliance with the Second A&R Credit Agreement covenants as of June 30, 2023.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Six Months Ended June 30,	
	2023	2022
Net cash (used in) provided by operating activities	\$ (16,177)	\$ 15,221
Net cash used in investing activities	(10,008)	(7,359)
Net cash provided by (used in) financing activities	23,548	(19,407)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	(645)	(941)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (3,282)</u>	<u>\$ (12,486)</u>

Cash Flows from Operating Activities

Cash used in operating activities aggregated \$16.2 million for the six months ended June 30, 2023. The use of cash in operations compared to net cash provided by operating activities in the six months ended June 30, 2022 was primarily due to a change in working capital and the Company's lower operating profitability.

Cash Flows from Investing Activities

For the six months ended June 30, 2023, net cash flows used in investing activities reflected \$10.0 million used for the purchase of property and equipment. Our purchases of property and equipment largely consist of computer hardware and software to support R&D activities and information systems. In addition, as part of our digital transformation we have increased spending on the development of internal-use software as we upgrade and improve our back-office applications, as well as development of our cloud related infrastructure.

Cash Flows from Financing Activities

For the six months ended June 30, 2023, net cash flows provided by financing activities were primarily the result of drawing down \$35 million on our revolving credit facility, partially offset by our common stock repurchases for tax withholdings for net settlement of equity awards as well as principal payments on our Term Loan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have significant international operations and derive more than half of our revenues from customers outside the United States. This business is, for the most part, transacted through international subsidiaries and generally in the currency of the end-user customers. Therefore, we are exposed to the changes in foreign currency exchange rates that could adversely affect our revenues, net income, and cash flow.

We recorded a \$0.3 million net foreign exchange loss and a \$1.2 million net foreign exchange loss for the six months ended June 30, 2023 and 2022, respectively. The foreign exchange gains and losses resulted from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities.

A hypothetical change of 10% in appreciation or depreciation of foreign currency exchange rates from the quoted foreign currency exchange rates as of June 30, 2023 would not have a significant impact on our results of operations. For this purpose, “significant” means an impact of more than a 20% change.

Interest Rate Risk

The Second A&R Credit Agreement had an initial interest rate of SOFR plus a 0.10% credit spread adjustment plus an applicable margin of 2.5%, with a 0% floor. The applicable margin for SOFR loans under the Second A&R Credit Agreement ranges from 1.75% to 3.0%, depending on the Company’s total net leverage ratio. A hypothetical 10% increase or decrease in interest rates paid on outstanding borrowings under the Second A&R Credit Agreement would not have a material impact on our financial position, results of operations, or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified under SEC rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2023. Based on the evaluation, our management concluded that as of June 30, 2023, these disclosure controls and procedures were not effective at the reasonable assurance level as a result of the material weakness in our internal control over financial reporting, due to the ineffective controls associated with the accounting methodology used to determine the appropriate allocation, amount and timing of relative estimated standalone selling price, or SSP, revenue associated with multiple performance obligations related to term-based subscription contracts, which is described further in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2022. Our internal control over financial reporting is an integral part of our disclosure controls and procedures.

Changes in Internal Control over Financial Reporting

Under applicable SEC rules (Exchange Act Rules 13a-15(c) and 15d-15(c)) management is required to evaluate any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As discussed in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2022, we have undertaken remedial actions to address the material

weakness in our internal control over financial reporting over the accounting methodology used to determine standalone selling price, or SSP, revenue associated with multiple performance obligations related to term-based subscription contracts. We believe necessary remedial actions to our control environment are now in place, however the enhancements to our control environment have not been in place for a sufficient period of time to allow us to conclude that the internal control over financial reporting is effective as of June 30, 2023.

Inherent Limitation on the Effectiveness of Internal Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 7 “Commitments and Contingencies” of our Notes to Unaudited Condensed Consolidated Financial Statements under Part 1, Item 1 of this Form 10-Q regarding our legal proceedings.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I, Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 in addition to the other information included in this Form 10-Q before making an investment decision regarding our common stock. If any of these risks actually occurs, our business, financial condition, or operating results would likely suffer, possibly materially, the trading price of our common stock could decline, and you could lose part or all of your investment.

There has been no material change to the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2022, except as set forth below:

Risks Related to the Merger

The proposed acquisition of the Company by STG may disrupt or could adversely affect our business, prospects, financial condition and results of operations.

On August 9, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Artisan Bidco, Inc., a Delaware corporation (“Parent”), and Artisan Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent (“Merger Sub”), each an affiliate of STG, pursuant to which, and on the terms and subject to the conditions described therein, Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (the “Merger”). Pursuant to the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of our common stock (other than Excluded Shares (as defined in the Merger Agreement)) will be converted into the right to receive \$27.05 in cash, without interest and less required tax withholdings. The consummation of the Merger is subject to approval by our stockholders, regulatory approvals and other customary closing conditions.

The announcement and pendency of the Merger could cause disruptions in and create uncertainty surrounding our business, which could have an adverse effect on our business, prospects, financial condition and results of operations, regardless of whether the Merger is completed. The Merger Agreement generally requires us to use our reasonable best efforts to operate our business in the ordinary course of business pending consummation of the Merger and restricts us, without Parent’s consent, from taking certain specified actions until the Merger is completed. These restrictions may affect our ability to execute our business strategies, respond effectively to competitive pressures and industry developments and attain our financial and other goals, and these restrictions may impact our financial condition, results of operations and cash flows.

Employee retention and recruitment may be challenging before the completion of the Merger, as employees and prospective employees may experience uncertainty about their future roles at the Company. If, despite our retention and recruiting efforts, key employees depart or prospective key employees fail to accept employment with the Company because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, our business, financial condition and results of operations could be adversely affected.

The announcement and pendency of the Merger could also cause disruptions to our business or business relationships, which could have an adverse impact on our business, financial condition and results of operations. Parties with which we have business relationships, including customers, channel partners, suppliers and other business partners, may experience uncertainty as to the future of such relationships and may delay or defer certain business decisions, seek alternative relationships with third parties or seek to alter their present business relationships with us. Parties with whom we otherwise may have sought to establish business relationships may seek alternative relationships with third parties. The pursuit of the Merger and the preparation for the integration may place a significant burden on management and internal resources. The

diversion of management's attention away from day-to-day business concerns could adversely affect our business, financial condition and results of operations.

We could also be subject to litigation related to the Merger, which could prevent or delay the consummation of the Merger or result in significant costs and expenses. It is possible that stockholders may file lawsuits challenging the Merger or the other transactions contemplated by the Merger Agreement, which may name us or our board of directors as defendants. We cannot assure you as to the outcome of such lawsuits, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the Merger on the agreed-upon terms, such an injunction may delay the consummation of the Merger in the expected timeframe, or may prevent the Merger from being consummated altogether. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect our business, financial condition and results of operations.

We have incurred and will continue to incur substantial transaction fees and costs in connection with the Merger.

We have incurred and expect to continue to incur significant costs, expenses and fees for professional services, such as legal, financial and accounting fees, and other transaction costs in connection with the Merger. A material portion of these expenses are payable by us whether or not the Merger is completed and may relate to activities that we would not have undertaken other than to complete the Merger. If the Merger is not completed, we will have received little or no benefit from such expenses. Further, although we have assumed that a certain amount of transaction expenses will be incurred, factors beyond our control could affect the total amount or the timing of these expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately. These costs could adversely affect our business, financial condition and results of operations.

The Merger may not be completed within the expected timeframe, or at all, and significant delay or the failure to complete the Merger could adversely affect our business and the market price of our common stock.

The consummation of the Merger is subject to customary closing conditions, including, among other things, (i) adoption of the Merger Agreement by the holders of a majority of the outstanding shares of our common stock, (ii) expiration or termination of the required waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) receipt of any waivers, consents, agreements or approvals or the expiration or termination of any required waiting period applicable under certain specified U.S. or foreign competition, antitrust or merger control laws or U.S. or foreign laws intended to screen, prohibit or regulate foreign investment and (iv) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) occurring after the date of the Merger Agreement that is continuing as of the closing date.

Many of the conditions to consummation of the Merger are not within our control or the control of Parent or Merger Sub, and we cannot predict when or if these conditions will be satisfied. There can be no assurance that our business, our relationships or our financial condition will not be adversely affected, as compared to the condition prior to the announcement of the Merger, if the Merger is not consummated within the expected timeframe, or at all. Failure to complete the Merger within the expected timeframe, or at all, could adversely affect our business and the market price of our common stock in a number of ways, including the following:

- if the Merger is not completed within the expected timeframe, or at all, the share price of our common stock will change to the extent that the current market price of our stock reflects assumptions regarding the completion of the Merger;
- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other costs in connection with the Merger, for which we may receive little or no benefit if the Merger is not completed. Many of these fees and costs will be payable by us even if the Merger is not completed and may relate to activities that we would not have undertaken other than to complete the Merger;
- failure to complete the Merger within the expected timeframe, or at all, may result in negative publicity and a negative impression of us in the investment community and may lead to subsequent offers to acquire the Company at a lower price or otherwise on less favorable terms to us and our stockholders than contemplated by the Merger;
- the impairment of our ability to attract, retain and motivate personnel, including our senior management;
- difficulties maintaining relationships with customers, distributors, suppliers and other business partners; and

- upon termination of the Merger Agreement by us or Parent under specified circumstances, we would be required to pay a termination fee of \$39.8 million.

The Merger Agreement contains provisions that could discourage a potential competing acquirer of the Company or could result in a competing proposal being at a lower price than it might otherwise be.

We are subject to certain restrictions on our ability to solicit alternative acquisition proposals from third parties, to provide information to third parties and to enter into or continue discussions or negotiations with third parties regarding alternative acquisition proposals, subject to customary exceptions. In addition, we may be required to pay Parent a termination fee of \$39.8 million in specified circumstances, including if the Merger Agreement is terminated in specified circumstances following our receipt of a Competing Proposal (as defined in the Merger Agreement). These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of the Company from considering or proposing such an acquisition, including, if the Merger Agreement is terminated prior to the consummation of the Merger, after such termination of the Merger Agreement, even if it were prepared to pay a price per share higher than the price per share proposed to be paid in the Merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee that may become payable in specified circumstances under the Merger Agreement, including, in certain circumstances, after a valid termination of the Merger Agreement in accordance with the terms thereof.

If the Merger Agreement is terminated and we decide to seek another similar transaction, we may not be able to negotiate or consummate a transaction with another party on terms comparable to, or better than, the terms of the Merger Agreement.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share repurchase activity during the three months ended June 30, 2023 was as follows:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum approximate dollar value of shares that may yet be purchased under the programs
April 1, 2023 - April 30, 2023	—	\$ —	0	\$ 36,647,369
May 1, 2023 - May 31, 2023	—	\$ —	0	\$ 36,647,369
June 1, 2023 - June 30, 2023	—	\$ —	0	\$ 36,647,369

See Note 11 of Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding our share repurchase program.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2023, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” (as defined in Item 408(c) of Regulation S-K).

ITEM 6. EXHIBITS

The list of exhibits, which are filed or furnished with this Form 10-Q or are incorporated herein by reference, is set forth in the Exhibit Index immediately preceding the exhibits and is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form or Schedule	SEC Filing Date	SEC File Number
3.1	Third Amended and Restated Certificate of Incorporation of the Registrant, as amended	X			
3.3	Amendment to the Company's Third Amended and Restated Certificate of Incorporation, as amended		8-K	June 1, 2023	001-36254
3.4	Amended and Restated By-Laws		8-K	June 1, 2023	001-36254
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*			
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
**101.SCH	XBRL Taxonomy Extension Schema Document	X			
**101.CAL	XBRL Taxonomy Calculation Linkbase Document	X			
**101.DEF	XBRL Taxonomy Definition Linkbase Document	X			
**101.LAB	XBRL Taxonomy Label Linkbase Document	X			
**101.PRE	XBRL Taxonomy Presentation Linkbase Document	X			

* Furnished herewith.

** Pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934 and otherwise is not subject to liability under these sections.

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 thereunto 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

THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION,
AS AMENDED

OF

AVID TECHNOLOGY, INC.
a Delaware corporation

Incorporated September 4, 1987

Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware

The undersigned, Curt A. Rawley and Jonathan Cook are President and Secretary, respectively, of Avid Technology, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"). The Corporation's Certificate of Incorporation was initially filed in the Office of the Secretary of State of the State of Delaware on September 4, 1987. Certificate of Amendment to the Certificate of Incorporation were filed with the Office of the Secretary of State of the State of Delaware on August 25, 1988, May 19, 1989, January 22, 1990, February 22, 1991, May 17, 1991, May 21, 1991, January 6, 1995, July 27, 2005 and June 6, 2023. Restated Certificates of Incorporation were filed with the Office of the Secretary of State of the State of Delaware on September 23, 1992, February 2, 1993 and March 18, 1993. The undersigned, as President and Secretary of the Corporation, do hereby certify that (a) the Board of Directors duly adopted a resolution pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware proposing that this Third Amended Restated Certificate of Incorporation (the "Restated Certificate") be approved and declaring the adoption of such Restated Certificate to be advisable; and (b) the stockholders of the Corporation duly approved this Restated Certificate by written consent in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware, and written notice of such consent has been given to all stockholders who have not consented in writing to this Restated Certificate.

FIRST: The name of the Corporation is: Avid Technology, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Center, 1209 Orange Street, in the city of Wilmington, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 101,000,000 shares, consisting of (i) 100,000,000 shares of Common Stock, \$.01 par value per share (the "Common Stock"), and (ii) 1,000,000 shares of Preferred Stock, \$.01 par value per share (the "Preferred Stock").

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights of the holders of the Preferred Stock of any series as may be designated by the Board of Directors upon any issuance of the Preferred Stock of any series.

2. Voting. The holders of the Common Stock are entitled to one vote for each share held at all meeting of stockholders (and written actions in lieu of meetings). There shall be no cumulative voting.

The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b) (2) of the General Corporation Law of Delaware.

3. Dividends. Dividends may be declared and paid on the Common Stock from funds lawfully available therefore as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

4. Liquidation. Upon the dissolution or liquidation of the Corporation, whether voluntary or involuntary, holders of Common Stock will be entitled to receive all assets of the Corporation available for distribution to its stockholders, subject to any preferential rights of any then outstanding Preferred Stock.

B. PREFERRED STOCK.

Preferred Stock may be issued from time to time in one or more series, each of such series to have such terms as stated or expressed herein and in the resolution or resolutions providing for the issue of such series adopted by the Board of Directors of the Corporation as hereinafter provided. Any shares of Preferred Stock which may be redeemed, purchased or acquired by the Corporation may be reissued except as otherwise provided by law. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes unless expressly provided.

Authority is hereby expressly granted to the Board of Directors from time to time to issue the Preferred Stock in one or more series, and in connection with the creation of any such series, by resolution or resolutions providing for the issue of the shares thereof, to determine and fix such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation thereof, dividend rights, conversion rights, redemption privileges and liquidation preferences, as shall be stated and expressed in such resolutions, all to the full extent now or hereafter permitted by the General Corporation Law of Delaware. Without limiting the generality of the foregoing, the resolutions providing for issuance

of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law. Except as otherwise provided in this Certificate of Incorporation, no vote of the holders of the Preferred Stock or Common Stock shall be a prerequisite to the designation or issuance of any shares of the Preferred Stock authorized by and complying with the conditions of this Certificate of Incorporation, the right to have such vote being expressly waived by all present and future holders of the capital stock of the Corporation.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: To the maximum extent permitted by Section 102(b)(7) of the General Corporation Law of Delaware, as it exists on the date hereof or may hereafter be amended, no director or officer of this Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or officer. For purposes of this Article, "officer" shall have the meaning provided in Section 102(b)(7) of the General Corporation Law of Delaware, as it exists on the date hereof or may hereafter be amended. Any amendment to or repeal of this Article shall not adversely affect any right or protection of a director or officer of the corporation for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal.

SEVENTH: In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

A To make, alter or repeal the by-laws of the Corporation.

B To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

C To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

D By a majority of the whole board, to designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The by-laws may provide that in the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such any agent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, or in the by-laws of the Corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Restated Certificate, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the

Corporation; and, unless the resolution or by-laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock.

E When and as authorized by the stockholders in accordance with statute, to sell, lease or exchange all or substantially all of the property and assets of the Corporation, including its goodwill and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, including shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the Corporation.

EIGHTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise as consequences of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

NINTH: Meetings of the stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation. Elections of directors need not be by written ballot unless the by-laws of the Corporation shall so provide.

TENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation; no action by the stockholders may be taken by a written action in lieu of a meeting.

ELEVENTH:

A. Actions, Suits and Proceedings Other than by or in the Right of the Corporation. The Corporation shall indemnify each person who was or is a party or is a threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation,

partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnatee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suite or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea or nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Paragraph F below, the Corporation shall not indemnify an Indemnatee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnatee unless the initiation thereof was approved by the Board of Directors of the Corporation.

B. Actions or Suits by or in the Right of the Corporation. The Corporation shall indemnify any Indemnatee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

C. Indemnification for Expenses of Successful Party. Notwithstanding the other provisions of this Article, to the extent that an Indemnatee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Paragraphs A and B of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonable incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnatee, (ii) an adjudication that the Indemnatee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnatee, (iv) an adjudication that the Indemnatee did not act in good faith and in a manner he reasonably believe to be in or not opposed to the best interests

of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purposes hereof to have been wholly successful with respect thereto.

D. Notification and Defense of Claim. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Paragraph D. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

E. Advance of Expenses. Subject to the provisions of Paragraph F below, in the event that the Corporation does not assume the defense pursuant to Paragraph D of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under the Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses, incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the Indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

F. Procedure for Indemnification. In order to obtain indemnification or advancement of expenses pursuant to Paragraph A, B, C or E of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Paragraph A, B, or E the Corporation

determines within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Paragraph A or B, as the case may be. Such determination shall be made in each instance by (i) a majority vote of a quorum of the directors of the Corporation consisting of persons who are not at that time parties to the action, suit or proceeding in question (“disinterested directors”), (ii) if no such quorum is obtainable, a majority vote of a committee of two or more disinterested directors, (iii) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at the time parties to the action, suit or proceeding in question, (iv) independent legal counsel (who may be regular legal counsel to the Corporation), or (v) a court of competent jurisdiction.

G. Remedies. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Paragraph F. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Paragraph F that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee’s expenses (including attorneys’ fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

H. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

I. Other Rights. The indemnification and advancement of expenses provided by the Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee. Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

J. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

K. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of Delaware.

L. Merger or Consolidation. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

M. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

N. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

O. Subsequent Legislation. If the General Corporation Law of Delaware is amended after adoption of the Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such person to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

TWELFTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

* * *

As Amended:

Amended January 5, 1995

Amended July 27, 2005

Amended May 25, 2023

CERTIFICATE OF CORRECTION FILED TO CORRECT
A CERTAIN ERROR IN THE CERTIFICATE OF
DESIGNATIONS OF AVID TECHNOLOGY, INC.
FILED IN THE OFFICE OF THE SECRETARY OF STATE
OF DELAWARE ON MARCH 6, 1996.

Avid Technology, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

The name of the corporation is Avid Technology, Inc.

That a Certificate of Designations was filed by the Secretary of State of Delaware on March 6, 1996 and that said Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

The inaccuracies or defects of said Certificate to be corrected are as follows:

(1) That the IN WITNESS WHEREOF paragraph incorrectly states that the certificate is executed on behalf of the President.

(2) That Section 6, Paragraph (A) incorrectly states that Series A Preferred Stock is entitled to a minimum preferential liquidation payment of \$10 Per Share.

That the IN WITNESS WHEREOF paragraph is corrected to read as follows:

IN WITNESS WHEREOF, this certificate of Designations is executed on behalf of the Corporation by its Vice Chairman of the Board of Directors and attested by its Assistant Secretary this 4th day of March, 1996.

Section 6, Paragraph (A) of the Certificate is corrected to read as follows:

Section 6. Liquidation Dissolution or Winding Up.

(A) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of the shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregated amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred

Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

IN WITNESS WHEREOF, said Avid Technology, Inc. has caused this Certificate to be signed by Curt A. Rawley, Vice-Chairman of the Board of Directors and attested by Mark G. Borden, its Assistant Secretary, this 28th day of March, 1996.

AVID TECHNOLOGY, INC.

By: /S/ Curt A. Rawley
Its Vice-Chairman of the Board
of Directors

ATTEST:

By: /S/ Mark G. Borden
Assistant Secretary

CERTIFICATE OF DESIGNATIONS

OF

AVID TECHNOLOGY, INC.

Avid Technology, Inc., a corporation organized and existing under the laws of the State of Delaware (hereinafter called the "Corporation"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation at a meeting duly called and held on February 29, 1996:

RESOLVED: That pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Certificate of Incorporation, as amended, the Board of Directors hereby creates a series of Preferred Stock, \$.01 par value (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be Five Hundred Thousand (500,000) . Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds of the Corporation legally available for the payment of dividends, quarterly dividends payable in cash on the last day of each fiscal quarter of the Corporation in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$10 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the

aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Stock payable in shares of Series A Preferred Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Series A Preferred Stock (by reclassification or otherwise than by payment of a dividend in shares of Series A Preferred Stock) into a greater or lesser number of shares of Series A Preferred Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the first sentence of this Section 2 (A) shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series A Preferred Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Series A Preferred Stock outstanding immediately after such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock) and the Corporation shall pay such dividend or distribution on the Series A Preferred Stock before the dividend or distribution declared on the Common Stock is paid or set apart; provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not

bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Stock payable in shares of Series A Preferred Stock, or affect a subdivision, combination or consolidation of the outstanding shares of Series A Preferred Stock (by reclassification or otherwise than by payment of a dividend in shares of Series A Preferred Stock) into a greater or lesser number of shares of Series A Preferred Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series A Preferred Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Series A Preferred Stock outstanding immediately after such event.

(B) Except as otherwise provided herein, in the Certificate of Incorporation or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the holders of the Series A Preferred Stock, voting as a separate series from all other series of Preferred Stock and classes of capital stock, shall be entitled to elect two members of the Board of Directors in addition to any Directors elected by any other series, class or classes of securities and the authorized number of Directors will automatically be increased by two. Promptly thereafter, the Board of Directors of this Corporation shall, as soon as may be practicable, call a special meeting of holders of Series A Preferred Stock for the purpose of electing such members of the Board of Directors. Said special meeting shall in any event be held within 45 days of the occurrence of such arrearage.

(ii) During any period when the holders of Series A Preferred Stock, voting as a separate series, shall be entitled and shall have exercised their right to elect two Directors, then and during such time as such right continues (a) the then authorized number of Directors shall be increased by two, and the holders of Series A Preferred Stock, voting as a separate series, shall be entitled to elect the additional Directors so provided for, and (b) each such additional Director shall not be a member of any existing class of the Board of Directors, but shall serve until the next annual meeting of stockholders of the election of Directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3 (C).

(iii) A Director elected pursuant to the terms hereof may be removed with or without cause by the holders of Series A Preferred Stock entitled to vote in an election of such Director.

(iv) If, during any interval between annual meetings of stockholders for the election of Directors and while the holders of Series A Preferred Stock shall be entitled to elect two Directors, there is no Director in office by reason of resignation, death or removal, then, promptly thereafter, the Board of Directors shall call a special meeting of the holders of Series A Preferred Stock for the purpose of filling such vacancy and such vacancy shall be filled at such special meeting. Such special meeting shall in any event be held within 45 days of the occurrence of such vacancy.

(v) At such time as the arrearage is fully cured, and all dividends accumulated and unpaid on any shares of Series A Preferred Stock outstanding are paid, and, in addition thereto, at least one regular dividend has been paid subsequent to curing such arrearage, the term of office of any Director elected pursuant to this Section 3 (C), or his successor, shall automatically terminate, and the authorized number of Directors shall automatically decrease by two, the rights of the holders of the shares of the Series A Preferred Stock to vote as provided in this Section 3 (C) shall cease, subject to renewal from time to time upon the same terms and conditions, and the holders of shares of the Series A Preferred Stock shall have only the limited voting rights elsewhere herein set forth.

(D) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or (iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. **Reacquired Shares.** Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Certificate of Incorporation, or in any other Certificate of Designations creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. **Liquidation, Dissolution or Winding Up.**

(A) Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$10 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

(B) Neither the consolidation, merger or other business combination of the Corporation with or into any other corporation nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section 6.

(C) In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of paragraph (A) of this Section 6 shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Stock payable in shares of Series A Preferred Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Series A Preferred Stock (by reclassification or otherwise then by payment of a dividend in shares of Series A Preferred Stock) into a greater or lesser number of shares of Series A Preferred Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of paragraph (A) of this Section 4 shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series A Preferred Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Series A Preferred Stock outstanding immediately after such event.

Section 7. Consolidation, Merger, etc. Notwithstanding anything to the contrary contained herein, in case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series A Preferred Stock payable in shares of Series A Preferred Stock, or effect a subdivision, combination or

consolidation of the outstanding shares of Series A Preferred Stock (by reclassification or otherwise than by payment of a dividend in shares of Series A Preferred Stock) into a greater or lesser number of shares of Series A Preferred Stock, then in each such case the amount set forth in the first sentence of this Section 7 with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series A Preferred Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Series A Preferred Stock outstanding immediately after such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Preferred Stock issued either before or after the issuance of the Series A Preferred Stock, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Certificate of Incorporation, as amended, of the Corporation shall be not amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 11. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, this Certificate of Designations is executed on behalf of the Corporation by its President and attested by its Assistant Secretary this 4th day of March, 1996.

AVID TECHNOLOGY, INC.

By: /s/ Curt A. Rawley

Vice Chairman

ATTEST:

By: /s/ Mark G. Borden

Assistant Secretary

CERTIFICATION

I, Jeff Rosica, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Jeff Rosica

Jeff Rosica
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Kenneth Gayron, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

/s/ Kenneth Gayron

Kenneth Gayron

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Avid Technology, Inc. (the "Company") for the quarter ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeff Rosica, President and Chief Executive Officer of the Company, and Kenneth Gayron, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

/s/ Jeff Rosica

Jeff Rosica
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2023

/s/ Kenneth Gayron

Kenneth Gayron
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

A certification furnished pursuant to this item will not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.