

# Q2 2021 EARNINGS CALL

Avid Technology (Nasdaq: AVID)

August 3, 2021

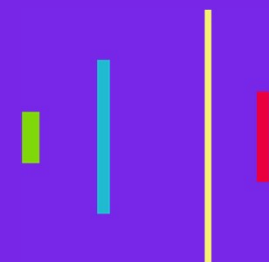


SIBELIUS FOR MOBILE

> Write anywhere inspiration strikes.

Sibelius brings professional music notation to iPad.





# NON-GAAP MEASURES & OPERATIONAL METRICS

The following non-GAAP measures & operational metrics will be used in the presentation:

**Non-GAAP Measures**

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Free Cash Flow
- Non-GAAP Gross Profit
- Non-GAAP Gross Margin
- Non-GAAP Operating Expenses
- Non-GAAP Net Income
- Non-GAAP Net Income Per Share
- LTM Adjusted EBITDA

**Operational Metrics**

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

Reconciliations of all non-GAAP measures used in this presentation that are required to be reconciled to their comparable GAAP measures are included in this presentation and in our press release announcing Q2 2021 results published today and filed as an exhibit to our 8-K filed with the SEC today, and definitions of the operational metrics used in this presentation are included in the supplemental financial information datasheet available on [ir.avid.com](http://ir.avid.com). Avid believes the non-GAAP measures and the operational metrics provided in this presentation provide helpful information to investors with respect to evaluating the Company’s performance. However, these non-GAAP measures and operational metrics may vary from how other companies present such measures. Non-GAAP measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

The presentation also includes expectations for future Adjusted EBITDA, Non-GAAP Net Income per Share and Free Cash Flow, which are forward-looking non-GAAP financial measures. Reconciliations of these forward-looking non-GAAP measures are not included in this presentation or elsewhere, due to the high variability and difficulty in making accurate forecasts and projections of some of the information excluded from the estimation of the non-GAAP results, together with some of the excluded information not being ascertainable or accessible at this time. As a result, the Company is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measure without unreasonable efforts.





# SAFE HARBOR STATEMENT

Certain information provided in this presentation includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include statements regarding our future financial performance or position, results of operations, business strategy, plans and objectives of management for future operations, and other statements that are not historical fact. You can identify forward-looking statements by their use of forward-looking words such as “may”, “will”, “anticipate”, “expect”, “believe”, “estimate”, “intend”, “plan”, “should”, “seek”, or other comparable terms.

Readers of this presentation should understand that these forward-looking statements are not guarantees of performance or results. Forward-looking statements provide our current expectations and beliefs concerning future events and are subject to risks, uncertainties, and factors relating to our business and operations, all of which are difficult to predict and could cause our actual results to differ materially from the expectations expressed in or implied by such forward-looking statements.

These risks, uncertainties, and factors include, but are not limited to: risks related to the impact of the coronavirus (COVID-19) outbreak on our business, suppliers, consumers, customers and employees; our liquidity; our ability to execute our strategic plan including our cost saving strategies, and to meet customer needs; our ability to retain and hire key personnel; our ability to produce innovative products in response to changing market demand, particularly in the media industry; our ability to successfully accomplish our product development plans; competitive factors; history of losses; fluctuations in our revenue based on, among other things, our performance and risks in particular geographies or markets; our higher indebtedness and ability to service it and meet the obligations thereunder; restrictions in our credit facilities; our move to a subscription model and related effect on our revenues and ability to predict future revenues; fluctuations in subscription and maintenance renewal rates; elongated sales cycles; fluctuations in foreign currency exchange rates; seasonal factors; adverse changes in economic conditions; variances in our revenue backlog and the realization thereof; risks related to the availability and prices of raw materials, including any negative effects caused by inflation, weather conditions, or health pandemics; disruptions or inefficiencies in our supply chain and/or operations, including from the COVID-19 outbreak; the costs, disruption, and diversion of management's attention due to the COVID-19 outbreak; the possibility of legal proceedings adverse to our Company; and other risks described in our reports filed from time to time with the U.S. Securities and Exchange Commission. Moreover, the business may be adversely affected by future legislative, regulatory or other changes, including tax law changes, as well as other economic, business and/or competitive factors. The risks included above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements included in this press release which speak only as to the date of this press release. We undertake no responsibility to update or revise any forward-looking statements, except as required by law.







# BUSINESS UPDATE

Jeff Rosica

Chief Executive Officer & President



## AVIDPLAY SUBSCRIPTION MUSIC DISTRIBUTION

Artists, producers and record labels distribute  
Dolby Atmos® tracks for Apple Music's Spatial Audio



# Q2 2021 EXECUTIVE SUMMARY



1

Sustained robust  
YoY growth  
in overall  
subscription  
business

2

Strong recovery  
of integrated  
solutions business  
driven by storage  
and live sound

3

Continued to  
deliver healthy  
profitability and  
Free Cash Flow

STRONG 1H 2021 PERFORMANCE GIVES US CONFIDENCE  
IN ABILITY TO ACHIEVE FY 2021 GUIDANCE



1

# SUSTAINED ROBUST YOY GROWTH IN OVERALL SUBSCRIPTION BUSINESS



- Creative tools subscriptions continue solid growth trajectory overall
- Strong enterprise subscription adoption driven by new MediaCentral offering
- Growing contribution from new Avid | Edit On Demand SaaS offering and key enterprise client cloud deployments

**+43.2%** YoY

CLOUD-BASED  
SOFTWARE  
SUBSCRIPTIONS

**+30.9%** YoY

SUBSCRIPTION  
REVENUE



# 2

## STRONG RECOVERY OF INTEGRATED SOLUTIONS BUSINESS



- Integrated solutions business continues to recover from COVID-19 impact
- Storage recovery driven by increase of on-premises storage to enterprises
- Live Sound recovery ahead of expectations as live events rebound

**+50.5%<sub>yoy</sub>**

INTEGRATED  
SOLUTIONS REVENUE



**44.7%**

INTEGRATED SOLUTIONS  
NON-GAAP GROSS MARGIN



Note: Non-GAAP Gross Margin by revenue type excludes stock-based compensation and amortization of intangible assets

# 3

## CONTINUED TO DELIVER HEALTHY PROFITABILITY AND FREE CASH FLOW



- Strong YoY revenue growth, driven by COVID recovery and product innovation
- Healthy profitability, driven by revenue growth and focus on controlling costs
- Strong Free Cash Flow delivered in a typically weaker quarter

**+19.7%** YoY  
TOTAL REVENUE

**\$0.25**  
NON-GAAP NET  
INCOME PER SHARE  
+108% YoY

**\$5.6M**  
FREE CASH FLOW  
+\$10.8M YoY





# LOOKING FORWARD

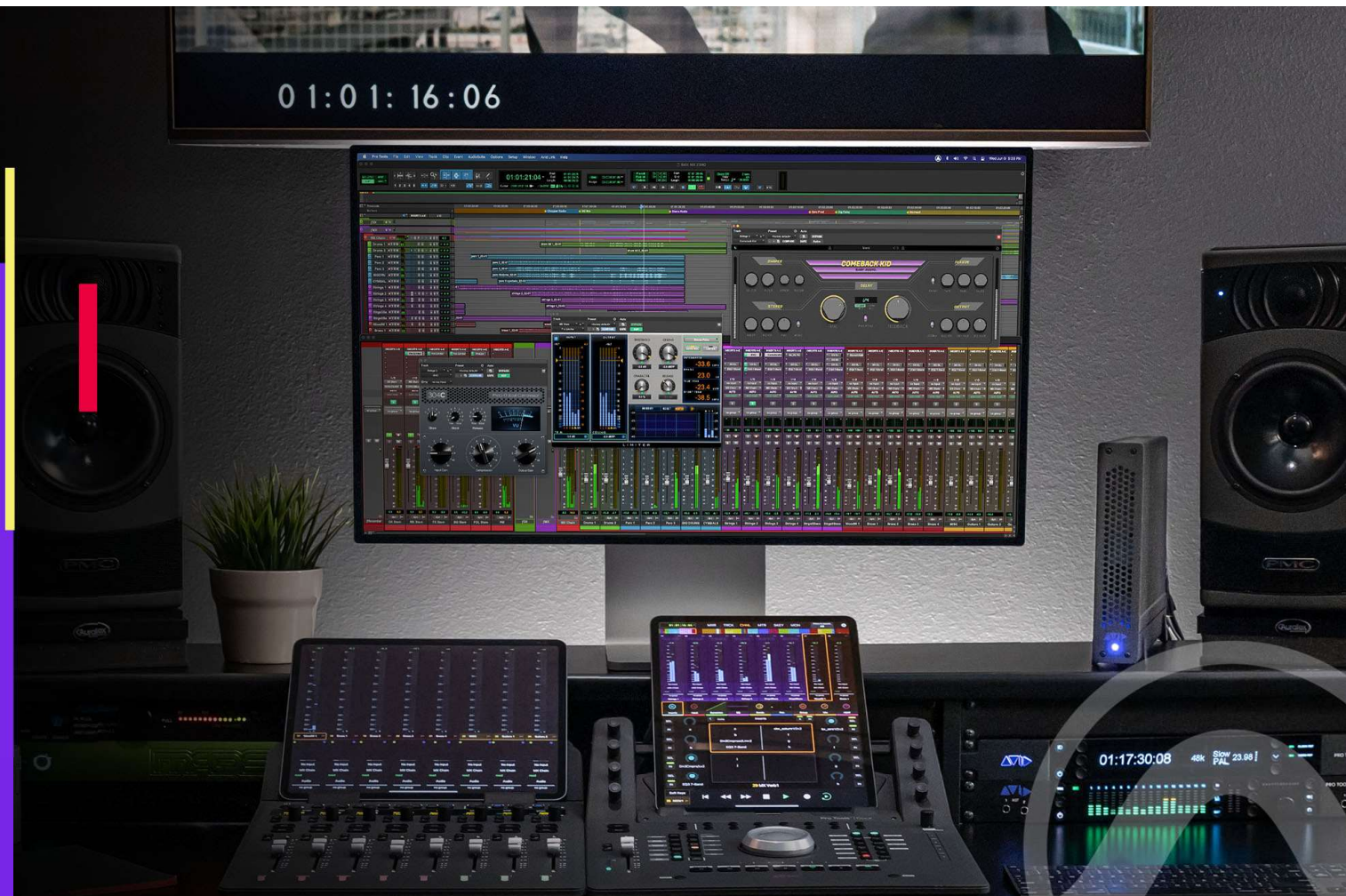
- Expected gradual global recovery from COVID impacts to continue through 2H 2021
- Creative individuals' subscriptions expected to continue solid growth trajectory
- Enterprise subscription to continue strong trend and become larger part of overall subscription business
- Additional new product innovations expected to contribute towards growth in 2H 2021
- Continued focus on cost discipline and improving profitability while generating strong Free Cash Flow



# Q2 2021 FINANCIAL RESULTS

Ken Gayron

Executive Vice President  
& Chief Financial Officer



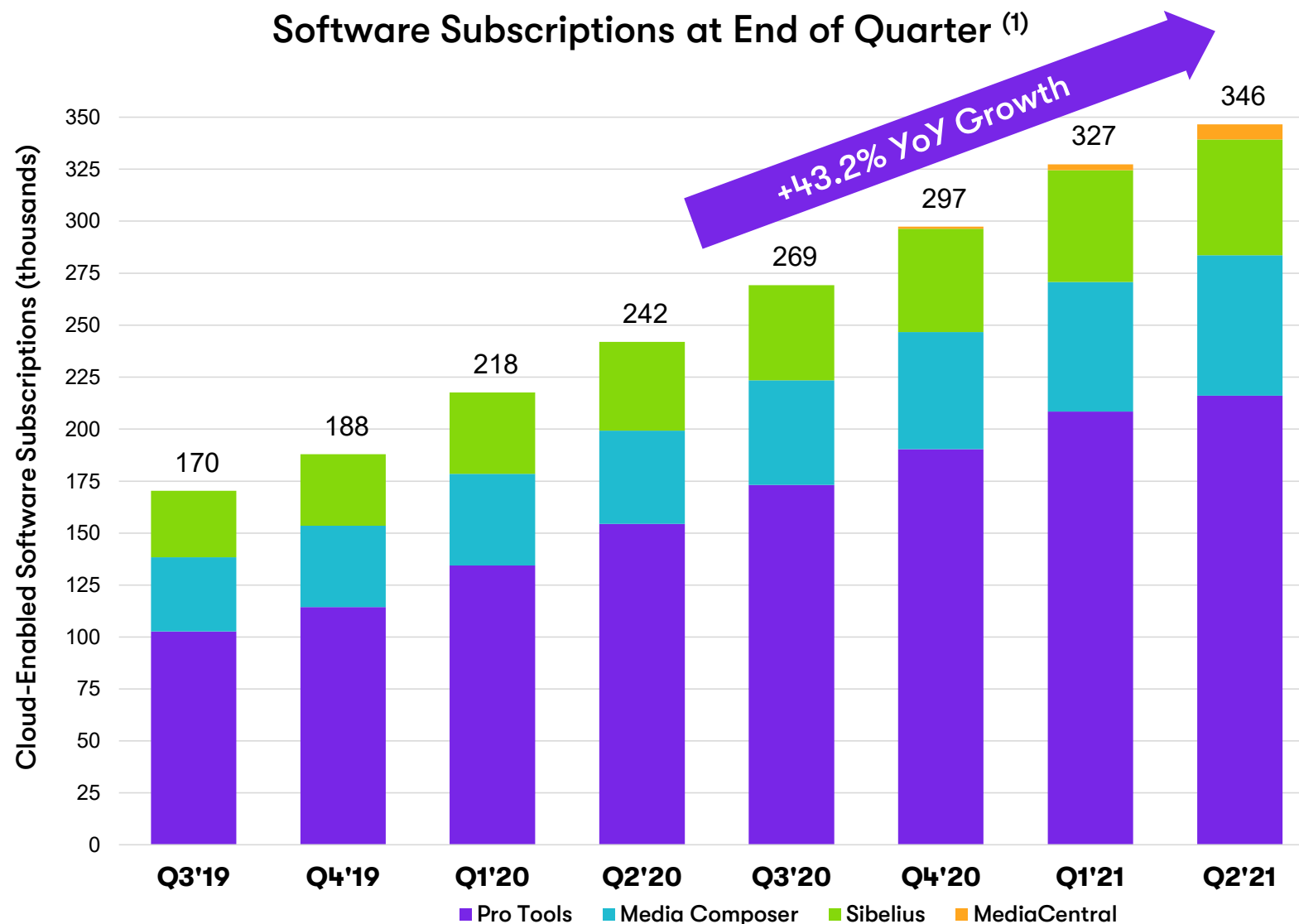
## THE HDX HYBRID ENGINE

Pro Tools 2021.6 is now available. And with it, the **patented Hybrid Engine** brings a whole new supercharged experience to HDX.



# SUBSCRIPTION GROWTH PROGRESSES

- Robust 43.2% YoY growth of Cloud-Enabled Software Subscriptions, including MediaCentral subscriptions
- Net increase of approx. 19,000 paid subscriptions in the second quarter
- Annual paid up-front subscriptions for creative tools grew 101% YoY, and account for 31% of total creative tools subscriptions

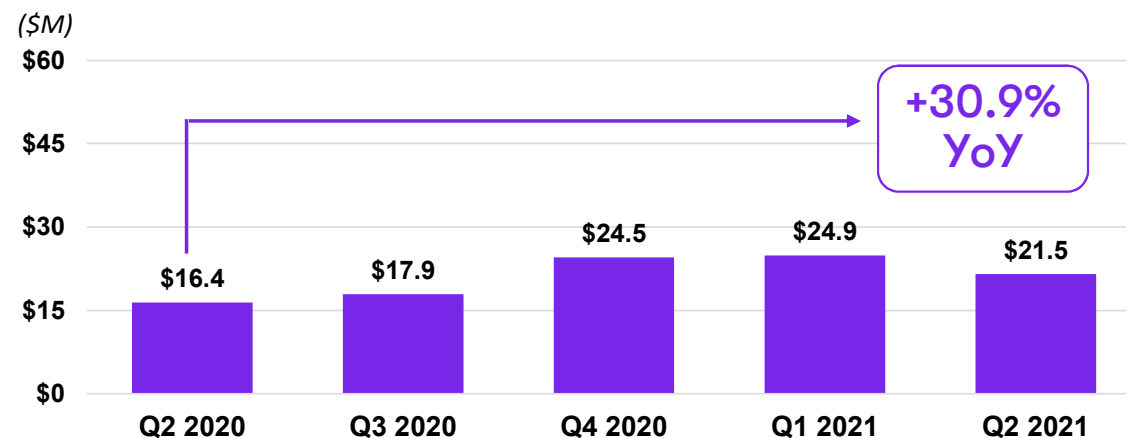


Note: Cloud-Enabled Software Subscriptions revised to include MediaCentral subscriptions starting in Q4 2020, the first quarter in which subscription version was available; MediaCentral subscriptions were 1K in Q4 '20, 3K in Q1 '21 and 7K in Q2 '21.

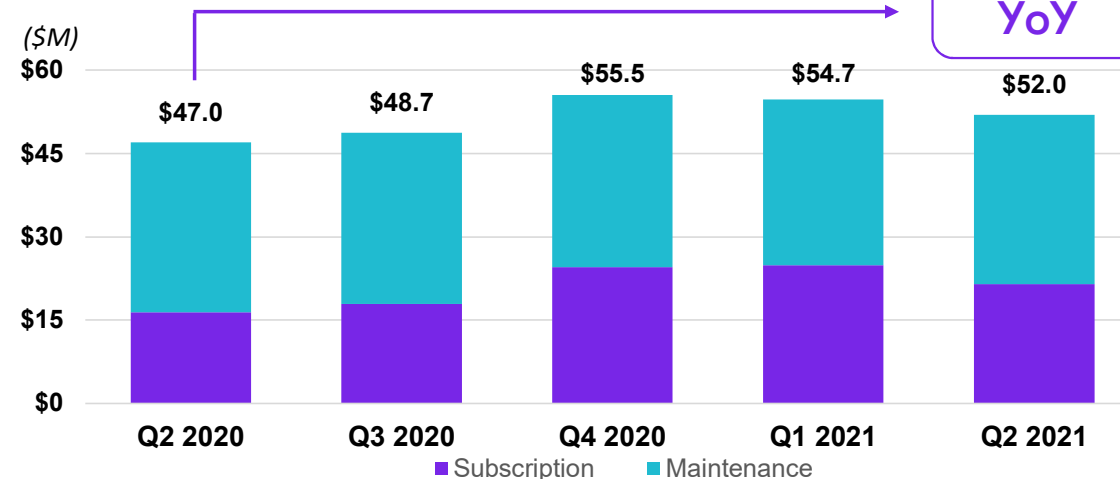
# REVENUE BY TYPE

Continued strong growth in subscription driving increase in revenue

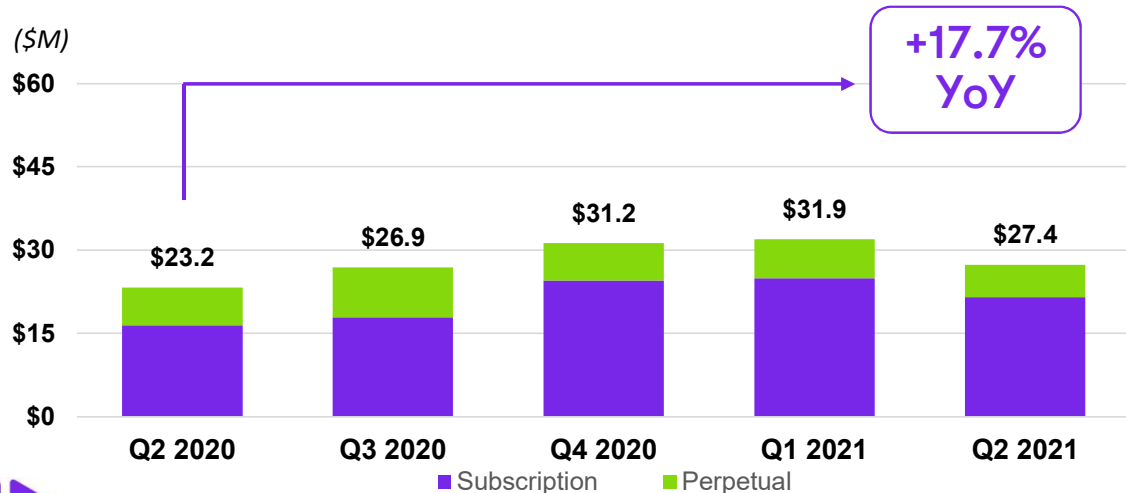
## Subscription Revenue



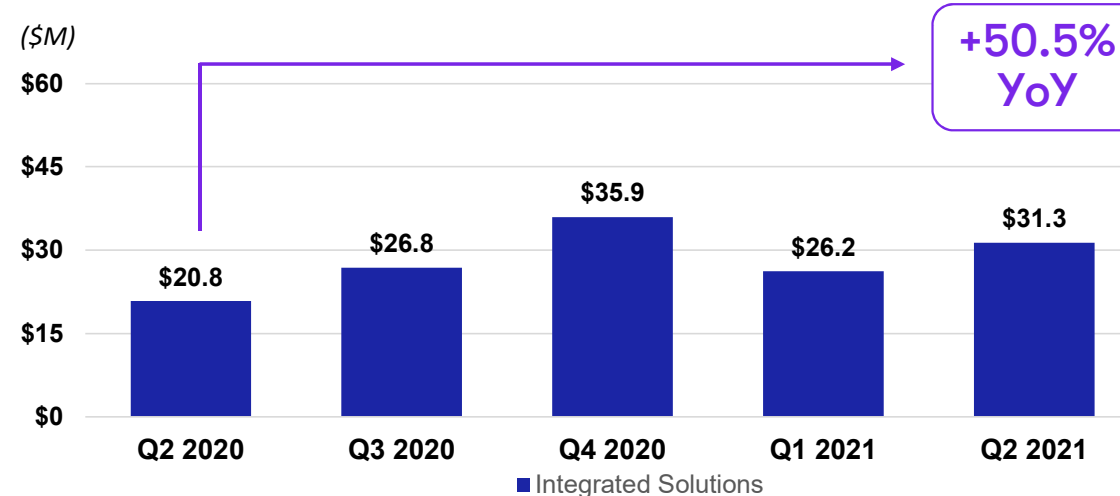
## Subscription + Maintenance Revenue



## Software (Subscription & Perpetual) Revenue



## Integrated Solutions Revenue

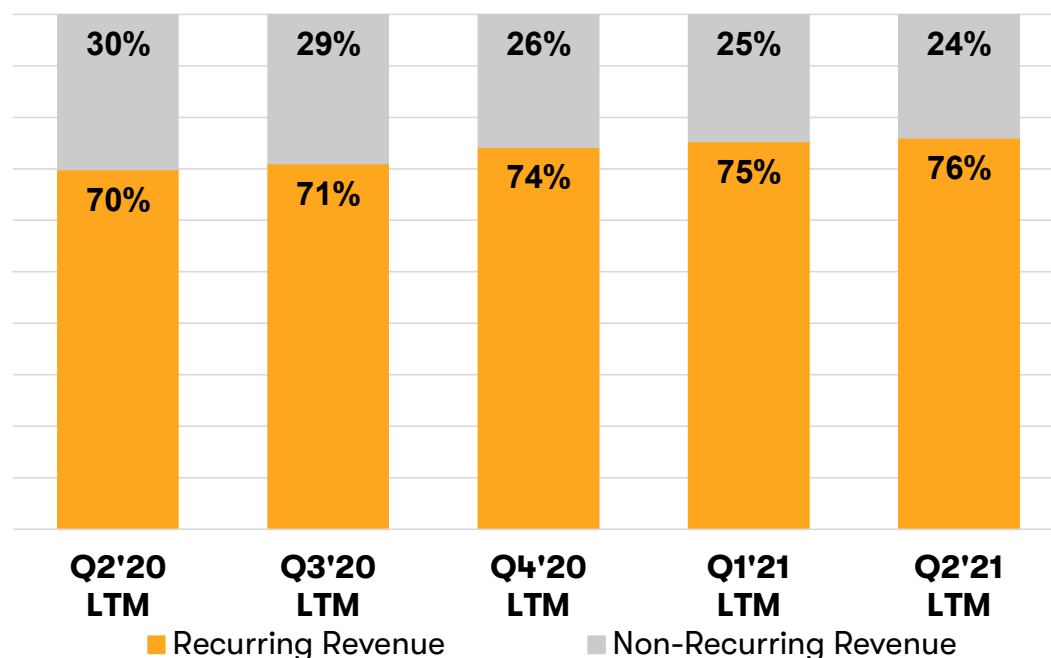




# LTM RECURRING REVENUE % AND ACV METRICS

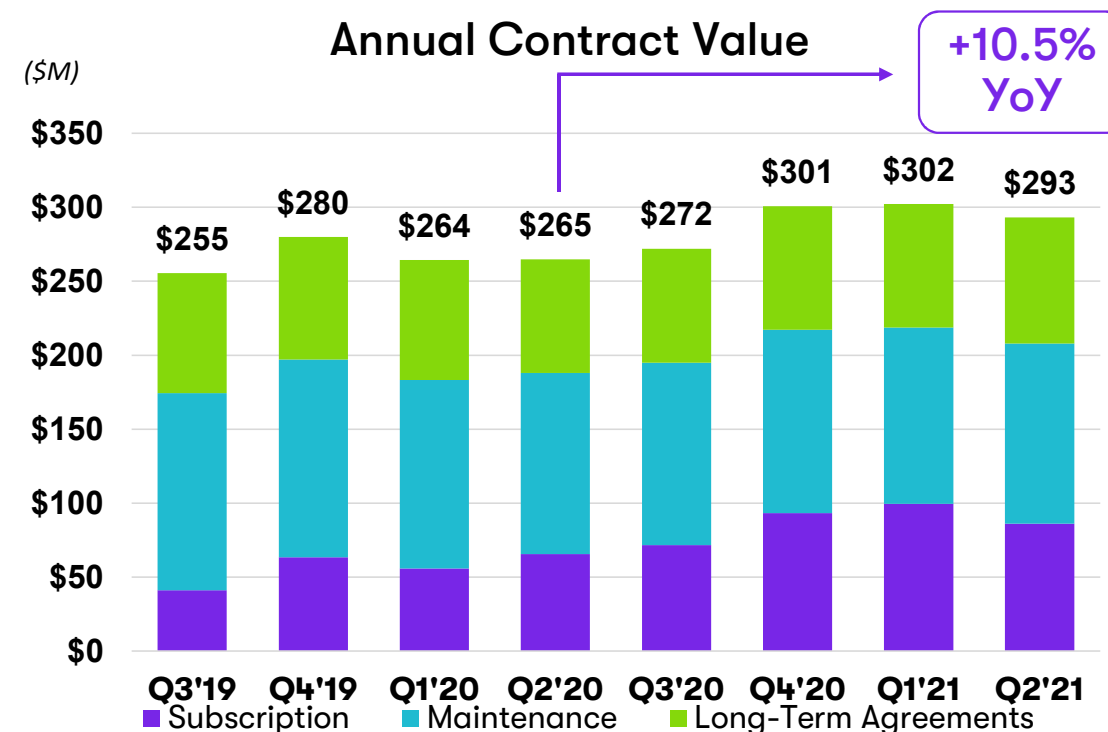
LTM Recurring Revenue % increased 630 bps YoY to 76.1% and Annual Contract Value increased +10.5% YoY

LTM Recurring Revenue %



Continued increase in LTM Recurring Revenue % as Integrated Solutions recover, driven by strength in subscription revenue and Long-Term Agreements

Annual Contract Value



ACV improved YoY due to subscription growth and stable contribution from Long-Term Agreements



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





# Q2 2021 FINANCIAL RESULTS

Growth in revenue yielded higher year-over-year profitability

(\$M, except per share)

	<u>Q2'20</u>	<u>Q1'21</u>	<u>Q2'21</u>	<u>YoY change Fav/(Unfav)</u>
<b>Revenue</b>	\$79.3	\$94.4	\$94.9	19.7%
<b>Subscription &amp; Maintenance Revenue</b>	47.0	54.7	52.0	10.5%
<b>Non-GAAP Gross Profit</b>	51.8	61.9	60.6	16.9%
<i>Non-GAAP Gross Margin</i>	65.4%	65.6%	63.9%	(150 bps)
<b>Non-GAAP Operating Expenses</b>	\$40.5	\$46.3	\$47.0	(16.0%)
<b>Non-GAAP Net Income</b>	5.1	13.0	11.6	128.5%
<i>Non-GAAP Net Income per Share</i>	\$0.12	\$0.28	\$0.25	\$0.13
<b>Adjusted EBITDA</b>	13.5	17.7	15.8	17.1%
<i>Adjusted EBITDA Margin %</i>	17.0%	18.7%	16.7%	(30 bps)
<b>Free Cash Flow</b>	(\$5.2)	\$11.1	\$5.6	\$10.8
<b>Change in Working Capital<sup>1</sup></b>	(\$12.0)	(\$0.1)	(\$6.5)	\$5.5
<b>Capital Expenditures</b>	(\$1.7)	(\$1.3)	(\$1.0)	\$0.7



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



# BALANCE SHEET AS OF JUNE 30, 2021

(\$M)	<u>6/30/20</u>	<u>12/31/20</u>	<u>6/30/21</u>
Cash and Cash Equivalents	\$55.7	\$79.9	\$53.3
Accounts Receivable	52.9	78.6	58.7
Contract Assets	18.2	18.6	21.8
Net Inventory	29.7	26.6	24.2
Accounts Payable	17.9	21.8	21.8
Deferred Revenue	85.7	99.3	91.6
Total Debt	230.8	207.7	182.1
Net Debt	175.1	127.8	128.8
Net Debt / LTM Adjusted EBITDA	3.4x	2.2x	1.7x



(1) Net Debt = Total Debt – Cash and Cash Equivalents

# Q3 AND FY 2021 GUIDANCE

(\$M, except per share)	Q3 2021 Guidance		Full-Year 2021 Guidance	
	Low	High	Low	High
<b>Revenue</b>	\$94	\$100	\$382	\$402
<b>Subscription &amp; Maintenance Revenue</b>	\$51	\$55	\$217	\$225
<b>Non-GAAP Net Income per Share <sup>(1)</sup></b>	\$0.20	\$0.28	\$1.05	\$1.27
<b>Adjusted EBITDA</b>	\$14	\$18	\$69	\$79
<b>Free Cash Flow</b>			\$49	\$57



(1) Assumes 47.2M shares for Q3 2021 with 46.6M shares for FY 2021.

# Q&A



# REVENUE & NON-GAAP GROSS MARGIN BY TYPE

Continue YoY growth in subscriptions and strong recovery in integrated solutions

(\$M)	Q2 2020	Q1 2021	Q2 2021	Q2 2021 Q/Q %	Q2 2021 Y/Y %
<b>Revenue</b>					
Subscriptions	\$16.4	\$24.9	\$21.5	(13.5%)	30.9%
Maintenance	30.6	29.9	30.4	2.0%	(0.4%)
<b>Subscriptions and Maintenance</b>	<b>\$47.0</b>	<b>\$54.7</b>	<b>\$52.0</b>	<b>(5.1%)</b>	<b>10.5%</b>
Perpetual Licenses	6.8	7.1	5.9	(17.0%)	(14.1%)
<b>SW Licenses and Maintenance</b>	<b>\$53.8</b>	<b>\$61.8</b>	<b>\$57.8</b>	<b>(6.4%)</b>	<b>7.4%</b>
Integrated Solutions	20.8	26.2	31.3	19.5%	50.5%
Professional Services & Training	4.6	6.4	5.7	(9.9%)	23.6%
<b>Total Revenue</b>	<b>\$79.3</b>	<b>\$94.4</b>	<b>\$94.9</b>	<b>0.5%</b>	<b>19.7%</b>
<b>Software Revenue (Subscriptions + Perpetual Licenses)</b>	<b>\$23.2</b>	<b>\$31.9</b>	<b>\$27.4</b>	<b>(14.3%)</b>	<b>17.7%</b>
<b>Non-GAAP Gross Margin</b>					
SW Licenses and Maintenance	85.6%	82.7%	79.8%	(290 bps)	(580 bps)
Integrated Solutions	25.8%	36.8%	44.7%	790 bps	1890 bps
Professional Services & Training	8.9%	17.4%	8.2%	(920 bps)	(70 bps)
<b>Total Non-GAAP Gross Margin %</b>	<b>65.4%</b>	<b>65.6%</b>	<b>63.9%</b>	<b>(170 bps)</b>	<b>(150 bps)</b>



Note: Non-GAAP Gross Margin by revenue type excludes stock-based compensation and amortization of intangible assets





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

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q2 2021	Q1 2021	Q2 2020
<b>GAAP Revenue</b>			
GAAP Revenue	\$ 94,876	\$ 94,364	\$ 79,281
<b>Non-GAAP Gross Profit</b>			
GAAP Gross Profit	60,138	61,416	51,562
Stock-based compensation	478	440	275
Non-GAAP Gross Profit	<u>\$ 60,616</u>	<u>\$ 61,856</u>	<u>\$ 51,837</u>
GAAP Gross Margin	63.4%	65.1%	65.0%
Non-GAAP Gross Margin	63.9%	65.6%	65.4%
<b>Non-GAAP Operating Expenses</b>			
GAAP Operating Expenses	51,140	50,870	43,502
Less Amortization of intangible assets	(105)	(105)	(105)
Less Stock-based compensation	(3,159)	(2,977)	(2,450)
Less Restructuring costs, net	(15)	(1,074)	(140)
Less Acquisition, integration and other costs	(838)	(369)	-
Less Efficiency program costs	-	(48)	(235)
Less COVID-19 related expenses	(20)	(2)	(62)
Non-GAAP Operating Expenses	<u>\$ 47,003</u>	<u>\$ 46,295</u>	<u>\$ 40,510</u>

These non-GAAP measures reflect how Avid manages its businesses internally. Avid's non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.





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

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q2 2021	Q1 2021	Q2 2020
<b>Non-GAAP Operating Income and Adjusted EBITDA</b>			
GAAP net income	7,006	4,391	1,845
Interest and other expense	1,633	5,673	5,498
Provision for income taxes	359	482	717
GAAP Operating Income	8,998	10,546	8,060
Amortization of intangible assets	105	105	105
Stock-based compensation	3,637	3,417	2,726
Restructuring costs, net	15	1,074	140
Acquisition, integration and other costs	838	369	-
Efficiency program costs	-	48	235
COVID-19 related expenses	20	2	62
Non-GAAP Operating Income	<u>\$ 13,613</u>	<u>\$ 15,561</u>	<u>\$ 11,328</u>
Depreciation	2,202	2,119	2,172
Adjusted EBITDA	<u>\$ 15,815</u>	<u>\$ 17,680</u>	<u>\$ 13,500</u>
GAAP net income margin	7.4%	4.7%	2.3%
Adjusted EBITDA Margin	16.7%	18.7%	17.0%

These non-GAAP measures reflect how Avid manages its businesses internally. Avid's non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.





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

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q2 2021	Q1 2021	Q2 2020
<b>Non-GAAP Net Income</b>			
GAAP net income	7,006	4,391	1,845
Amortization of intangible assets	105	105	105
Stock-based compensation	3,637	3,417	2,726
Restructuring costs, net	15	1,074	140
Acquisition, integration and other costs	838	369	-
Efficiency program costs	-	48	235
COVID-19 related expenses	20	2	62
Loss on Extinguishment of debt	-	3,748	-
Tax impact of non-GAAP adjustments	(10)	(149)	(31)
Non-GAAP Net Income	<u>\$ 11,611</u>	<u>\$ 13,005</u>	<u>\$ 5,082</u>
Weighted-average share count (Basic)	45,211	44,559	43,719
Weighted-average share count (Diluted)	46,550	46,204	44,180
Non-GAAP Earnings per Share (Basic)	\$ 0.26	\$ 0.29	\$ 0.12
Non-GAAP Earnings per Share (Diluted)	\$ 0.25	\$ 0.28	\$ 0.12
<b>Free Cash Flow</b>			
Net cash provided by operating activities	6,585	12,313	(3,507)
Capital expenditures	(1,021)	(1,254)	(1,733)
Free Cash Flow	<u>\$ 5,564</u>	<u>\$ 11,059</u>	<u>\$ (5,240)</u>
Free Cash Flow conversion from Adjusted EBITDA	35.2%	62.6%	-38.8%

These non-GAAP measures reflect how Avid manages its businesses internally. Avid's non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.





# RECONCILIATION OF LTM ADJUSTED EBITDA AND LTM ADJUSTED EBITDA MARGIN

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Six Months Ended June 30,		Year Ended December 31,	Last Twelve Months (LTM)
	2021	2020	2020	Q2 2021
GAAP revenue	\$ 189,240	\$ 165,734	\$ 360,466	\$ 383,972
<b><u>Non-GAAP Operating Income and Adjusted EBITDA</u></b>				
GAAP net income (loss)	11,397	(4,012)	11,062	26,471
Interest and other expense	7,306	10,781	19,133	15,658
Provision for income taxes	841	839	1,372	1,374
GAAP operating income (loss)	19,544	7,608	31,567	43,503
Amortization of intangible assets	210	201	411	420
Stock-based compensation	7,054	4,835	10,664	12,883
Restructuring costs, net	1,089	285	5,046	5,850
Restatement costs	-	-	-	-
Acquisition, integration and other costs	1,207	(183)	832	2,222
Efficiency program costs	48	366	1,331	1,013
COVID-19 related expenses	22	248	278	52
Non-GAAP Operating Income	\$ 29,174	\$ 13,360	\$ 50,129	\$ 65,943
Depreciation	4,321	4,314	8,505	8,513
Adjusted EBITDA	\$ 33,495	\$ 17,674	\$ 58,634	LTM Adjusted EBITDA \$ 74,456
GAAP net income margin	6.0%	-2.4%	3.1%	6.9%
Adjusted EBITDA Margin	17.7%	10.7%	16.3%	19.4%

These non-GAAP measures reflect how Avid manages its businesses internally. Avid's non-GAAP measures may vary from how other companies present non-GAAP measures. Non-GAAP financial measures are not based on a comprehensive set of accounting rules or principles. This non-GAAP information supplements, and is not intended to represent a measure of performance in accordance with, disclosures required by generally accepted accounting principles, or GAAP. Non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.





POWERING  
GREATER  
CREATORS