



*Source: Avid Technology, Inc.*

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## **Avid Technology Announces Q1 2022 Results**

**Subscription Revenue of \$33.0M, an Increase of 32.5% Year-Over-Year, Driven by Net Increase of 21,200 Paid Subscriptions in the Quarter**

**Total Revenue of \$100.6M, an Increase of 6.7% Year-Over-Year**

**Gross Margin of 66.3%, an Increase of 120 Basis Points Year-Over-Year**

**Net Income per Common Share of \$0.23 and Non-GAAP Earnings per Share of \$0.33, an Increase of 17.9% Year-Over-Year**

BURLINGTON, Mass., May 04, 2022 (GLOBE NEWSWIRE) -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its financial results for the first quarter of 2022, which ended on March 31, 2022.

Total revenue increased 6.7% year-over-year in the first quarter, led by enterprise and creative subscription growth as well as favorable demand across product offerings, continuing the sustained growth trend with the fifth consecutive quarter of year-over-year revenue growth. During the first quarter, the recurring revenue components of the Company's business remained strong with subscription revenue of \$33.0 million, up 32.5% year-over-year, and subscription & maintenance revenue of \$61.3 million, up 12.0% year-over-year.

The revenue growth, combined with improved gross margin, resulted in a 17.9% year-over-year improvement in Non-GAAP Earnings per Share to \$0.33.

### **First Quarter 2022 Financial and Business Highlights**

- Subscription revenue was \$33.0 million, an increase of 32.5% year-over-year.
- Paid Cloud-enabled software subscriptions increased by 24.1% year-over-year to approximately 431,800 as of March 31, 2022, and increased by approximately 21,200 during the first quarter.
- Subscription and Maintenance revenue was \$61.3 million, up 12.0% year-over-year.
- Total revenue was \$100.6 million, an increase of 6.7% year-over-year.
- Gross margin was 66.3%, an increase of 120 basis points year-over-year. Non-GAAP Gross Margin was 66.8%, an increase of 120 basis points year-over-year.
- Operating expenses were \$53.5 million, an increase of 5.1% year-over-year. Non-GAAP Operating Expenses were \$49.7 million, an increase of 7.4% year-over-year.
- Net income was \$10.6 million, an increase of 141.1% year-over-year. Non-GAAP Net Income was \$14.8 million, an increase of 13.6% year-over-year.
- Adjusted EBITDA was \$19.3 million, an increase of 9.0% year-over-year. Adjusted EBITDA Margin was 19.2%, an increase of 50 basis points year-over-year.
- Net income per common share was \$0.23, an increase of 130.0% year-over-year. Non-GAAP Earnings per Share was \$0.33, an increase of 17.9% year-over-year.
- Net cash provided by operating activities was \$7.9 million in the quarter, a decrease of (\$4.4) million compared to the prior year period due to working capital changes.
- Free Cash Flow was \$4.7 million in the quarter, a decrease of (\$6.4) million compared to the prior year period due to working capital changes.

- LTM Recurring Revenue % was 79.1% of the Company's revenue for the 12 months ended March 31, 2022, up from 75.3% for the 12 months ended March 31, 2021.
- Annual Contract Value was \$339.0 million as of March 31, 2022, up 12.3% from \$302.0 million as of March 31, 2021
- Repurchased 354,472 shares for \$10.8 million during the first quarter, under the \$115 million share repurchase authorization announced on September 9, 2021.

Jeff Rosica, Avid's CEO and President, stated, "We continued to have success growing our subscription business as more enterprise customers adopt subscription licensing coupled with continued strength in subscriptions for creative individuals. While we continue to see strong customer demand and business activity for our solutions, we have seen a tightening of supply for several components for our audio integrated solutions at the end of the first quarter that impacted our ability to meet customer orders, resulting in first quarter revenue at the lower end of our guidance." Mr. Rosica added, "The global supply chain continues to present challenges, which could cause some uneven quarterly performance in the near-term. We currently believe these challenges to be temporary, and remain confident in our growing subscription and healthy maintenance business and in our ability to meet our 2022 targets. We've recently introduced several exciting new product enhancements for Pro Tools, Media Composer and MediaCentral, and in April, we added new pricing tiers for Pro Tools entry-level and high-end users, as we continue to execute on our subscription growth strategy."

Ken Gayron, Executive Vice President and Chief Financial Officer of Avid, said, "We continued to make substantial progress in driving our higher gross margin subscription revenue during the first quarter. While we had strong customer demand for audio integrated solutions, we ended the quarter with about \$10 million more integrated solutions backlog than typical because of tightening supply chain constraints late in the quarter. Notwithstanding these short-term challenges, we continue to feel confident in our business trajectory and our strategy for profitable growth. Consequently, we are not changing our full-year 2022 guidance." Mr. Gayron continued, "Additionally, given our high confidence in our strategy and long-term model, and with the goal of enhancing shareholder returns, we continued to repurchase shares in the first quarter under the Company's share repurchase program."

## Second Quarter and Full Year 2022 Guidance

For the second quarter of 2022, Avid is providing guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Earnings per Share and Adjusted EBITDA. For the full year 2022, Avid is affirming its guidance for Revenue, Subscription & Maintenance Revenue, Non-GAAP Earnings per Share, Adjusted EBITDA and Free Cash Flow, that was issued on March 1, 2022.

| (\$ in millions, except per share amounts) | Q2 2022 Guidance |
|--|------------------|
| Revenue                                    | \$92.0 - \$104.0 |
| Subscription & Maintenance Revenue         | \$60.0 - \$64.0  |
| Non-GAAP Earnings per Share                | \$0.19 - \$0.32  |
| Adjusted EBITDA                            | \$13.5 - \$19.5  |

Q2 Non-GAAP Earnings per Share assumes 45.5 million shares outstanding.

|                                    | Full Year 2022 Guidance |
|------------------------------------|-------------------------|
| Revenue                            | \$430 - \$450           |
| Subscription & Maintenance Revenue | \$266 - \$274           |
| Non-GAAP Earnings per Share        | \$1.40 - \$1.51         |
| Adjusted EBITDA                    | \$84 - \$94             |
| Free Cash Flow                     | \$60 - \$67             |

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

All guidance presented by the Company is inherently uncertain and subject to numerous risks and uncertainties. Avid's actual future results of operations could differ materially from those shown in the table above. For a discussion of some of the key assumptions underlying the guidance, as well as the key risks and uncertainties associated with these forward-looking statements, please see "Forward-Looking Statements" below as well as the Avid Technology Q1 2022 Business Update presentation posted on Avid's Investor Relations website at [ir.avid.com](http://ir.avid.com).

Avid will host a conference call to discuss its financial results for the first quarter 2022 on Wednesday, May 4, 2022 at 5:30 p.m. ET. Participants may join the webcast in listen-only mode and access the presentation slides using the link on the Avid Investor Relations website, which can be found on the Events & Presentations tab at [ir.avid.com](http://ir.avid.com). Please connect at least 15 minutes in advance to ensure a timely connection to the call. A replay of the call will also be available for a limited time and can be accessed on the Events & Presentations tab of the Avid Investor Relations website shortly after the completion of the call.

## **2022 Investor Day and Conference Participation**

Avid will host an Investor Day on Tuesday, May 24, 2022, where our executive team will provide a detailed update of its business and strategy. The online event is open to all investors. Please visit the Events and Presentations page on [ir.avid.com](http://ir.avid.com) for event details and registration. The Investor Day presentation will also be available for a limited time on the Avid Investor Relations website shortly after the completion of the event.

In addition, members of our executive team will be participating in upcoming investor conferences. CEO Jeff Rosica will participate in a fireside chat at the 50<sup>th</sup> Annual J.P. Morgan Global Technology, Media and Communications Conference on Wednesday, May 25, 2022, at 2:30 pm ET. CFO Ken Gayron will participate in a fireside chat at the B. Riley 22<sup>nd</sup> Annual Institutional Investor Conference on Thursday, May 26, 2022, at 4:00 pm ET. Investors are invited to view the live webcasts of these sessions. Viewing details will be available at the events and presentations page of our investor relations website at [ir.avid.com/events-and-presentations](http://ir.avid.com/events-and-presentations).

## **Non-GAAP Financial Measures and Operational Metrics**

Avid includes non-GAAP financial measures in this press release, including Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Net Income, and Non-GAAP Earnings per Share. The Company also includes the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue % and Annual Contract Value in this release. Avid believes the non-GAAP financial measures and operational metrics provided in this release provide helpful information to investors with respect to evaluating the Company's performance. Unless noted, all financial and operating information is reported based on actual exchange rates. Definitions of the non-GAAP financial measures and the operational metrics are included in our Form 8-K filed today. Reconciliations of the non-GAAP financial measures presented in this press release to the Company's comparable GAAP financial measures for the periods presented are set forth below and are included in the supplemental financial and operational data sheet available on our Investor Relations website at [ir.Avid.com](http://ir.Avid.com), which also includes definitions of all operational metrics.

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

## **Forward-Looking Statements**

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

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

These risks, uncertainties, and factors include, but are not limited to: risks related to the impact of the ongoing coronavirus (COVID-19) pandemic and subsequent variants on our business, suppliers, consumers, customers and employees; economic, social, and political instability, security concerns, and the risk of war, armed conflict and/or cyber conflict, particularly originating in, and complicated by, areas of heightened geopolitical tension and open conflict such as Ukraine, where we have outsourced research and development activities, Russia, and bordering territories; our liquidity; our ability to execute our strategic plan including our cost saving strategies, and

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

## Avid Powers Greater Creators

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

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## AVID TECHNOLOGY, INC.

### Condensed Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

|               | <b>Three Months Ended March 31,</b> |             |
|---------------|-------------------------------------|-------------|
|               | <b>2022</b>                         | <b>2021</b> |
| Net revenues: |                                     |             |
| Subscription  | \$ 32,954                           | \$ 24,868   |
| Maintenance   | 28,327                              | 29,852      |

|  |           |          |
|--|-----------|----------|
| Integrated solutions and other                       | 39,368    | 39,644   |
| Total net revenues                                   | 100,649   | 94,364   |
| Cost of revenues:                                    |           |          |
| Subscription   | 5,602     | 2,615    |
| Maintenance  | 5,277     | 5,574    |
| Integrated solutions and other                       | 23,006    | 24,759   |
| Total cost of revenues                               | 33,885    | 32,948   |
| Gross profit   | 66,764    | 61,416   |
| Operating expenses:                                  |           |          |
| Research and development                             | 16,736    | 15,417   |
| Marketing and selling                                | 21,927    | 20,744   |
| General and administrative                           | 14,811    | 13,635   |
| Restructuring costs, net                             | 15        | 1,074    |
| Total operating expenses                             | 53,489    | 50,870   |
| Operating income                                     | 13,275    | 10,546   |
| Interest expense, net                                | (1,476)   | (2,118)  |
| Other expense, net                                   | (87)      | (3,555)  |
| Income before income taxes                           | 11,712    | 4,873    |
| Provision for income taxes                           | 1,126     | 482      |
| Net income   | \$ 10,586 | \$ 4,391 |
| Net income per common share - basic                  | \$ 0.24   | \$ 0.10  |
| Net income per common share - diluted                | \$ 0.23   | \$ 0.10  |
| Weighted-average common shares outstanding - basic   | 44,817    | 44,559   |
| Weighted-average common shares outstanding - diluted | 45,408    | 46,204   |

## AVID TECHNOLOGY, INC.

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

(unaudited - in thousands)

|                              | Three Months Ended March 31, |           |
|------------------------------|------------------------------|-----------|
|                              | 2022                         | 2021      |
| <b>GAAP Revenue</b>          |                              |           |
| GAAP Revenue                 | \$ 100,649                   | \$ 94,364 |
| <b>Non-GAAP Gross Profit</b> |                              |           |
| GAAP Gross Profit            | 66,764                       | 61,416    |
| Stock-based compensation     | 426                          | 440       |

|  |                  |                  |
|--|------------------|------------------|
| Non-GAAP Gross Profit                                | <b>\$ 67,190</b> | <b>\$ 61,856</b> |
| GAAP Gross Margin                                    | <b>66.3%</b>     | <b>65.1%</b>     |
| Non-GAAP Gross Margin                                | <b>66.8%</b>     | <b>65.6%</b>     |
| <b>Non-GAAP Operating Expenses</b>                   |                  |                  |
| GAAP Operating Expenses                              | <b>53,489</b>    | <b>50,870</b>    |
| Less Amortization of intangible assets               | (58)             | (105)            |
| Less Stock-based compensation                        | (2,996)          | (2,977)          |
| Less Restructuring costs, net                        | (15)             | (1,074)          |
| Less Acquisition, integration and other costs        | (459)            | (369)            |
| Less Efficiency program costs                        | -                | (48)             |
| Less Digital Transformation Initiative               | (243)            | -                |
| Less COVID-19 related expenses                       | -                | (2)              |
| Non-GAAP Operating Expenses                          | <b>\$ 49,718</b> | <b>\$ 46,295</b> |
| <b>Non-GAAP Operating Income and Adjusted EBITDA</b> |                  |                  |
| GAAP net income                                      | <b>10,586</b>    | <b>4,391</b>     |
| Interest and other expense                           | 1,563            | 5,673            |
| Provision for income taxes                           | 1,126            | 482              |
| GAAP Operating Income                                | <b>13,275</b>    | <b>10,546</b>    |
| Amortization of intangible assets                    | 58               | 105              |
| Stock-based compensation                             | 3,422            | 3,417            |
| Restructuring costs, net                             | 15               | 1,074            |
| Acquisition, integration and other costs             | 459              | 369              |
| Efficiency program costs                             | -                | 48               |
| Digital Transformation Initiative                    | 243              | -                |
| COVID-19 related expenses                            | -                | 2                |
| Non-GAAP Operating Income                            | <b>\$ 17,472</b> | <b>\$ 15,561</b> |
| Depreciation   | 1,803            | 2,119            |
| Adjusted EBITDA                                      | <b>\$ 19,275</b> | <b>\$ 17,680</b> |
| GAAP net income margin                               | <b>10.5%</b>     | <b>4.7%</b>      |
| Adjusted EBITDA Margin                               | <b>19.2%</b>     | <b>18.7%</b>     |
| <b>Non-GAAP Net Income</b>                           |                  |                  |
| GAAP net income                                      | <b>10,586</b>    | <b>4,391</b>     |
| Amortization of intangible assets                    | 58               | 105              |
| Stock-based compensation                             | 3,422            | 3,417            |
| Restructuring costs, net                             | 15               | 1,074            |
| Acquisition, integration and other costs             | 459              | 369              |
| Efficiency program costs                             | -                | 48               |
| Digital Transformation Initiative                    | 243              | -                |
| COVID-19 related expenses                            | -                | 2                |
| Loss on Extinguishment of debt                       | -                | 3,748            |
| Tax impact of non-GAAP adjustments                   | (3)              | (149)            |
| Non-GAAP Net Income                                  | <b>\$ 14,780</b> | <b>\$ 13,005</b> |
| Weighted-average share count (Basic)                 | <b>44,817</b>    | <b>44,559</b>    |
| Weighted-average share count (Diluted)               | <b>45,408</b>    | <b>46,204</b>    |
| Non-GAAP Earnings per Share (Basic)                  | <b>\$ 0.33</b>   | <b>\$ 0.29</b>   |
| Non-GAAP Earnings per Share (Diluted)                | <b>\$ 0.33</b>   | <b>\$ 0.28</b>   |
| <b>Free Cash Flow</b>                                |                  |                  |
| Net cash provided by operating activities            | <b>7,916</b>     | <b>12,313</b>    |

|   |          |           |
|---|----------|-----------|
| Capital expenditures                                  | (3,244)  | (1,254)   |
| Free Cash Flow  | \$ 4,672 | \$ 11,059 |
| <i>Free Cash Flow conversion from Adjusted EBITDA</i> | 24.2%    | 62.6%     |

**AVID TECHNOLOGY, INC.**  
**Condensed Consolidated Balance Sheets**  
(unaudited - in thousands)

|   | <u>March 31, 2022</u> | <u>December 31, 2021</u> |
|---|-----------------------|--------------------------|
| <b><u>Assets</u></b>  |                       |                          |
| Current Assets  |                       |                          |
| Cash and Cash Equivalents   | \$ 41,245             | \$ 56,818                |
| Restricted Cash   | 2,013                 | 2,416                    |
| Accounts receivable, net of allowances of \$1,298 and \$1,456 at March 31, 2021 and December 31, 2021, respectively | 57,410                | 77,046                   |
| Inventories   | 17,817                | 19,922                   |
| Prepaid Expenses  | 7,137                 | 5,464                    |
| Contract Assets   | 25,542                | 18,903                   |
| Other Current Assets  | 1,896                 | 1,953                    |
| Total Current Assets  | <u>153,060</u>        | <u>182,522</u>           |
| Property and Equipment, Net   | 17,742                | 16,028                   |
| Goodwill  | 32,643                | 32,643                   |
| Right of Use Assets   | 23,242                | 24,143                   |
| Deferred Tax Assets, Net  | 4,155                 | 5,210                    |
| Other Long-Term Assets  | 14,265                | 13,454                   |
| Total Assets  | <u>\$ 245,107</u>     | <u>\$ 274,000</u>        |
| <b><u>Liabilities and Stockholders' Deficit</u></b>   |                       |                          |
| Current Liabilities   |                       |                          |
| Accounts Payable  | \$ 21,380             | \$ 26,854                |
| Accrued Compensation and Benefits   | 26,821                | 35,458                   |
| Accrued Expenses and Other Current Liabilities  | 36,457                | 37,552                   |
| Income Taxes Payable  | 145                   | 868                      |
| Short-Term Debt   | 8,709                 | 9,158                    |
| Deferred Revenues   | 80,744                | 87,475                   |
| Total Current Liabilities   | <u>174,256</u>        | <u>197,365</u>           |
| Long-Term Debt  | 160,889               | 160,806                  |
| Long-Term Deferred Revenues   | 11,578                | 10,607                   |
| Long-Term Lease Liabilities   | 22,673                | 23,379                   |
| Other Long-Term Liabilities   | 5,730                 | 5,917                    |
| Total Liabilities   | <u>375,126</u>        | <u>398,074</u>           |
| Stockholders' Deficit   |                       |                          |

|   |                   |                   |
|---|-------------------|-------------------|
| Common Stock                                | 459               | 455               |
| Treasury Stock                              | (35,906)          | (25,090)          |
| APIC  | 1,026,115         | 1,031,633         |
| Accumulated Deficit                         | (1,116,373)       | (1,126,959)       |
| Accumulated Other Comprehensive Loss        | (4,314)           | (4,113)           |
| Total Stockholders' Deficit                 | <u>(130,019)</u>  | <u>(124,074)</u>  |
| Total Liabilities and Stockholders' Deficit | <u>\$ 245,107</u> | <u>\$ 274,000</u> |

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

|                         | March 31,<br>2022 | Dec 31,<br>2021 | March 31,<br>2021 |
|-------------------------|-------------------|-----------------|-------------------|
| <b>Revenue Backlog*</b> |                   |                 |                   |
| Deferred Revenue        | \$ 92.3           | \$ 98.1         | \$ 97.5           |
| Other Backlog           | 283.0             | 314.7           | 319.3             |
| Total Revenue Backlog   | <b>\$ 375.3</b>   | <b>\$ 412.8</b> | <b>\$ 416.8</b>   |

The expected timing of recognition of revenue backlog as of March 31, 2022 is as follows:

|                       | <u>2022</u>     | <u>2023</u>    | <u>2024</u>    | <u>Thereafter</u> | <u>Total</u>    |
|-----------------------|-----------------|----------------|----------------|-------------------|-----------------|
| Deferred Revenue      | \$ 74.0         | \$ 11.9        | \$ 4.0         | \$ 2.4            | \$ 92.3         |
| Other Backlog         | 99.2            | 75.8           | 54.5           | 53.5              | \$ 283.0        |
| Total Revenue Backlog | <b>\$ 173.2</b> | <b>\$ 87.7</b> | <b>\$ 58.5</b> | <b>\$ 55.9</b>    | <b>\$ 375.3</b> |

\*A definition of Revenue Backlog is included in our Form 10-K and the supplemental financial and operational data sheet available on our investor relations webpage at [ir.avid.com](http://ir.avid.com).

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

|                                     |             |
|-------------------------------------|-------------|
| <b>Three Months Ended March 31,</b> |             |
| <u>2022</u>                         | <u>2021</u> |

**Cash flows from operating activities:**

|   |    |              |    |               |
|---|----|--------------|----|---------------|
| Net income  | \$ | 10,586       | \$ | 4,391         |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |    |              |    |               |
| Depreciation and amortization   |    | 1,803        |    | 2,119         |
| (Recovery) Provision for doubtful accounts  |    | (135)        |    | 83            |
| Stock-based compensation expense  |    | 3,422        |    | 3,122         |
| Non-cash provision for restructuring  |    | 15           |    | 912           |
| Non-cash interest expense   |    | 126          |    | 129           |
| Loss on extinguishment of debt  |    | -            |    | 2,579         |
| Loss on Disposal of Fixed Assets  |    | 548          |    | -             |
| Unrealized foreign currency transaction (gains) loss  |    | (128)        |    | (1,432)       |
| Benefit from deferred taxes   |    | 1,055        |    | 501           |
| Changes in operating assets and liabilities:  |    |              |    |               |
| Accounts receivable   |    | 19,770       |    | 19,702        |
| Inventories   |    | 2,105        |    | (1,048)       |
| Prepaid expenses and other assets   |    | (2,067)      |    | (866)         |
| Accounts payable  |    | (5,473)      |    | (2,604)       |
| Accrued expenses, compensation and benefits and other liabilities                           |    | (9,993)      |    | (9,887)       |
| Income taxes payable  |    | (723)        |    | (259)         |
| Deferred revenue and contract assets  |    | (12,995)     |    | (5,129)       |
| <b>Net cash provided by operating activities</b>  |    | <u>7,916</u> |    | <u>12,313</u> |

**Cash flows from investing activities:**

|  |  |                |  |                |
|--|--|----------------|--|----------------|
| Purchases of property and equipment          |  | (3,244)        |  | (1,254)        |
| <b>Net cash used in investing activities</b> |  | <u>(3,244)</u> |  | <u>(1,254)</u> |

**Cash flows from financing activities:**

|   |  |                 |  |                 |
|---|--|-----------------|--|-----------------|
| Proceeds from long-term debt  |  | -               |  | 180,000         |
| Repayment of debt   |  | -               |  | (201,208)       |
| Repayment of debt principal   |  | (53)            |  | (2,346)         |
| Payments for repurchase of common stock   |  | (10,562)        |  | -               |
| Common stock repurchases for tax withholdings for net settlement of equity awards |  | (8,936)         |  | (7,706)         |
| Payment for loss on extinguishment of debt  |  | -               |  | (1,169)         |
| Payments for credit facility issuance costs                                       |  | (440)           |  | (2,574)         |
| <b>Net cash used in financing activities</b>                                      |  | <u>(19,991)</u> |  | <u>(35,003)</u> |

Effect of exchange rate changes on cash, cash equivalents, and restricted cash

|   |    |                 |    |                 |
|---|----|-----------------|----|-----------------|
|   |    | (254)           |    | (332)           |
| Net decrease in cash, cash equivalents, and restricted cash           |    | <u>(15,573)</u> |    | <u>(24,276)</u> |
| Cash, cash equivalents and restricted cash at beginning of the period |    | 60,556          |    | 83,638          |
| Cash, cash equivalents and restricted cash at end of the period       | \$ | <u>44,983</u>   | \$ | <u>59,362</u>   |

**Supplemental information:**

|   |    |               |    |               |
|---|----|---------------|----|---------------|
| Cash and cash equivalents   | \$ | 41,245        | \$ | 55,624        |
| Restricted cash   |    | 2,013         |    | 1,422         |
| Restricted cash included in other long-term assets                                    |    | 1,725         |    | 2,316         |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | \$ | <u>44,983</u> | \$ | <u>59,362</u> |

