



Avid Technology Q3 2015 Earnings Presentation

November 5, 2015



Introduction

Jonathan Huang
VP Investor Relations

Non-GAAP & Operational Measures

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

- Adjusted EBITDA
 - Adjusted Free Cash Flow
 - Non-GAAP Operating Income (loss)
 - Non-GAAP Gross Margin
 - Non-GAAP Operating Expenses
-
- Bookings, Marketed Bookings, Recurring Revenue Bookings
 - Revenue Backlog

These Non-GAAP measures are defined in our Form 8-K filed today, and the Non-GAAP measures are reconciled with GAAP measures in our press release tables as well as in the supplemental financial information available on ir.avid.com, which also includes definitions of our operational measures.



Safe Harbor Statement

Certain statements made within this presentation contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements are not guarantees of performance and by their nature are subject to inherent uncertainties. Actual results may differ materially. Any forward-looking information relayed in this presentation speaks only as of November 5, 2015, and the Company undertakes no obligation to update that information to reflect changed circumstances.

Additional information concerning these statements is contained in the Company's press release regarding its Third Quarter results issued on November 5, 2015, and the Risk Factors and Forward-Looking Statements sections of the Company's 2014 Annual Report on Form 10-K and 2015 Quarterly Reports on Form 10-Q. Copies of these filings are available from the SEC, the Avid Technology web site or the Company's Investor Relations Department.





Business Overview

Louis Hernandez, Jr.

Chairman, President and Chief Executive Officer

Today's Call

Business Update

- Market Observations
- Avid Strategy
- Transformation Update

Financial Update

- Q3 Results
- Guidance Update

Key Highlights

Large and Growing Media
Tech Market with Attractive
Higher Growth
Areas

Trusted Market Leader &
Innovator with Broad &
Global Market Reach

Unique Open Platform Based
Solution Solving Needs of an
Industry in Transition

Clear Progress on
Transformation, but Results
Muted by Diminishing
Headwinds

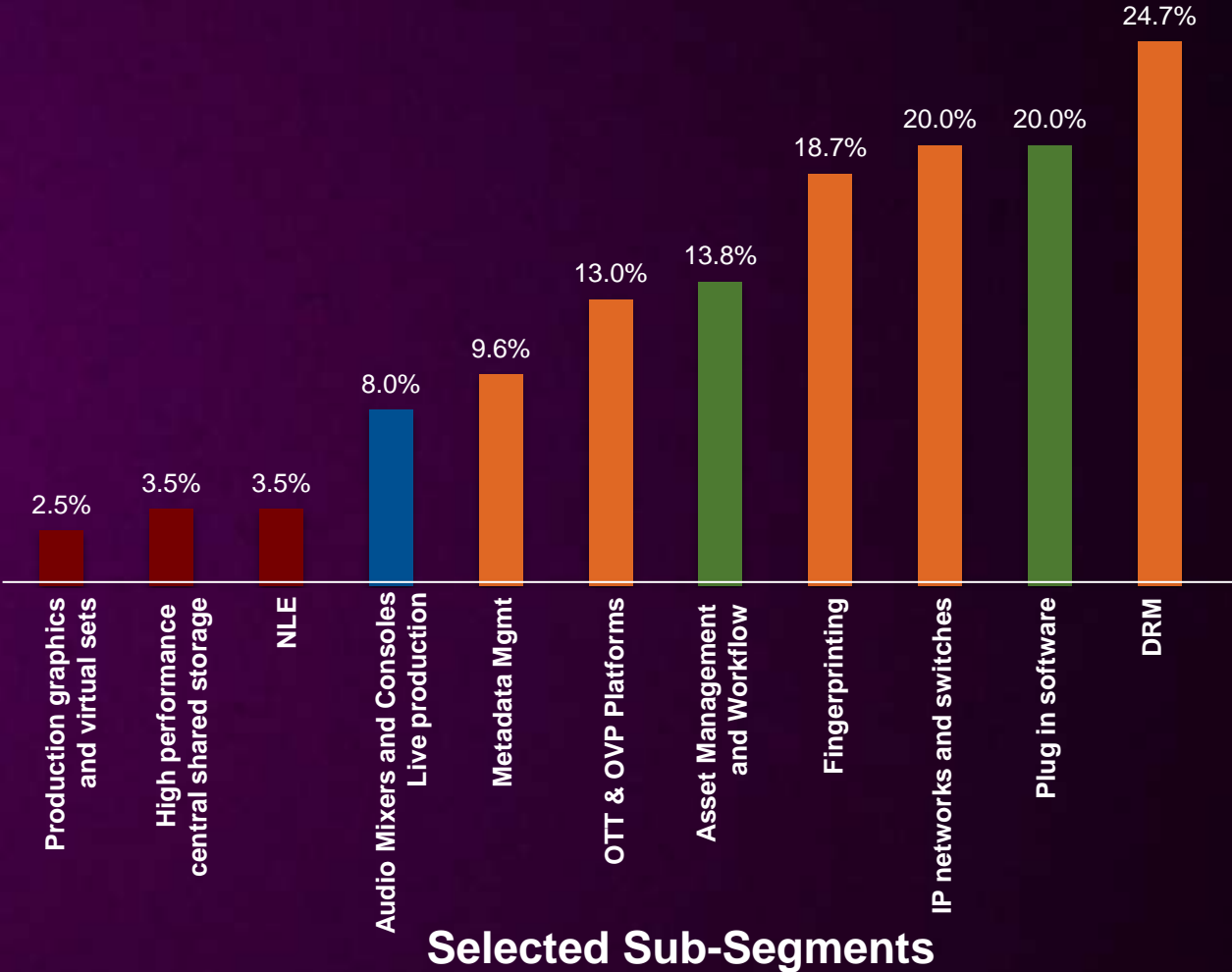
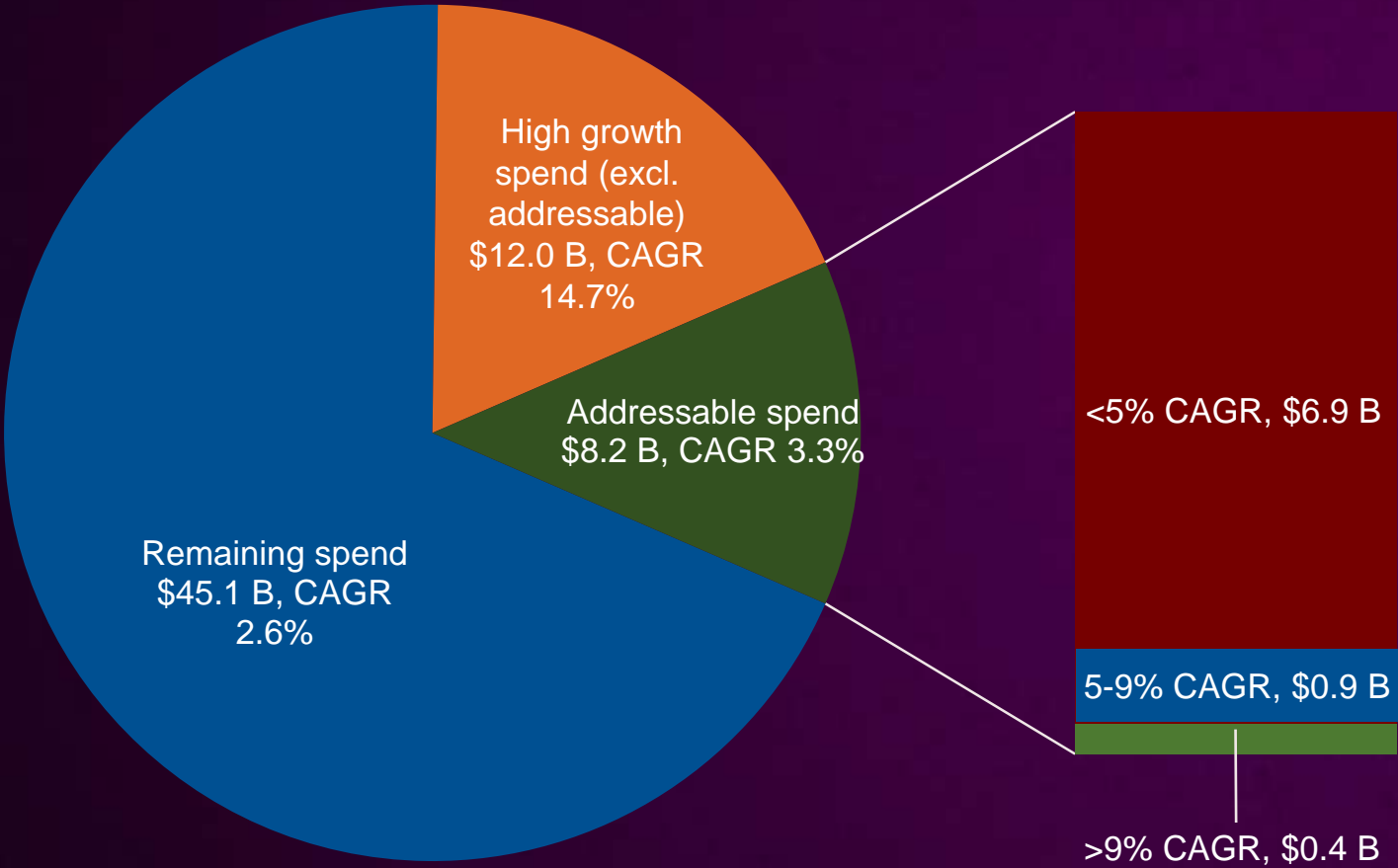
Expected Transformation
Completion by Q2 2017.
Should Convert to Attractive
Financial Model Thereafter

Large and Growing Media Tech Market Spend Shifting From Traditional Broadcast to Digital and New Media

Avid Operates in a Significant Portion of a Massive Technology Market

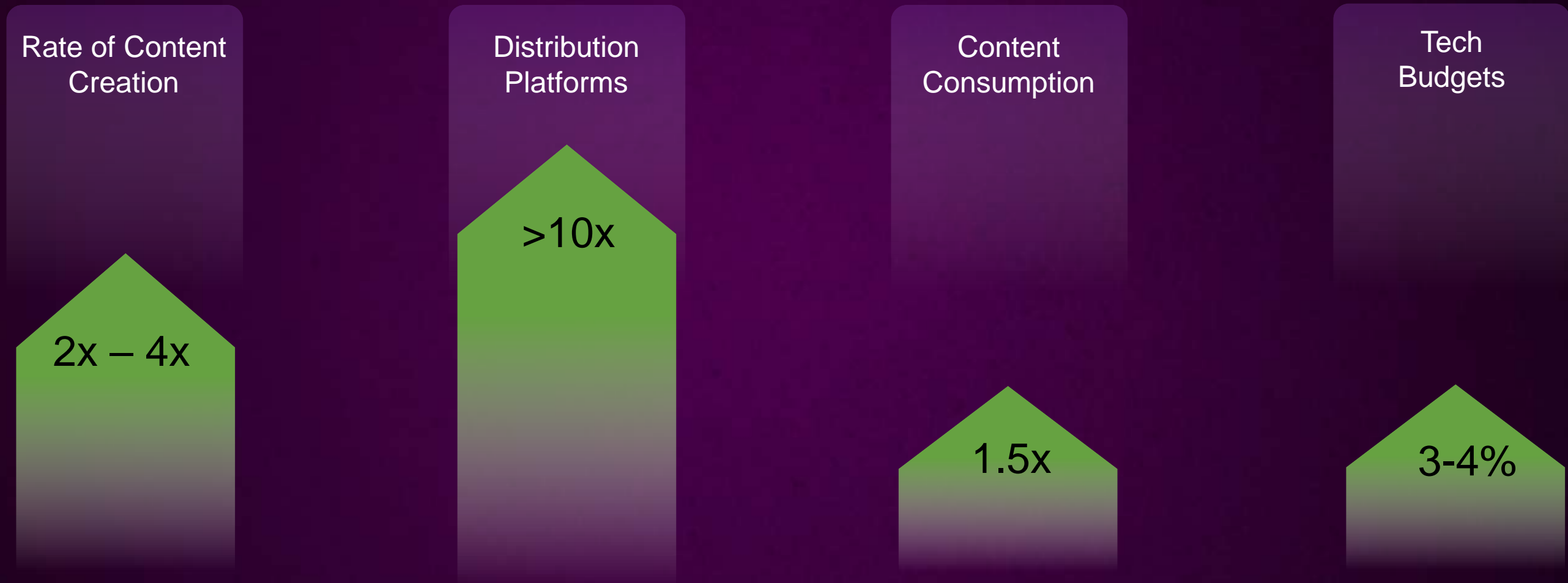
Projected Multi-Year CAGRs of Select Sub-Segments

Media Technology spend in 2014: \$65B



Total Market growing about 3% annually but spend is shifting aggressively to new technology

Creation, Consumption and Distribution All Growing Rapidly



Note: Growth is measured by comparing metric today to 10 years ago.



Industry in Transition

Fox

Disney

Globo

Industry Shift
Pressures

Industry Shift
Lift

Netflix

Hulu

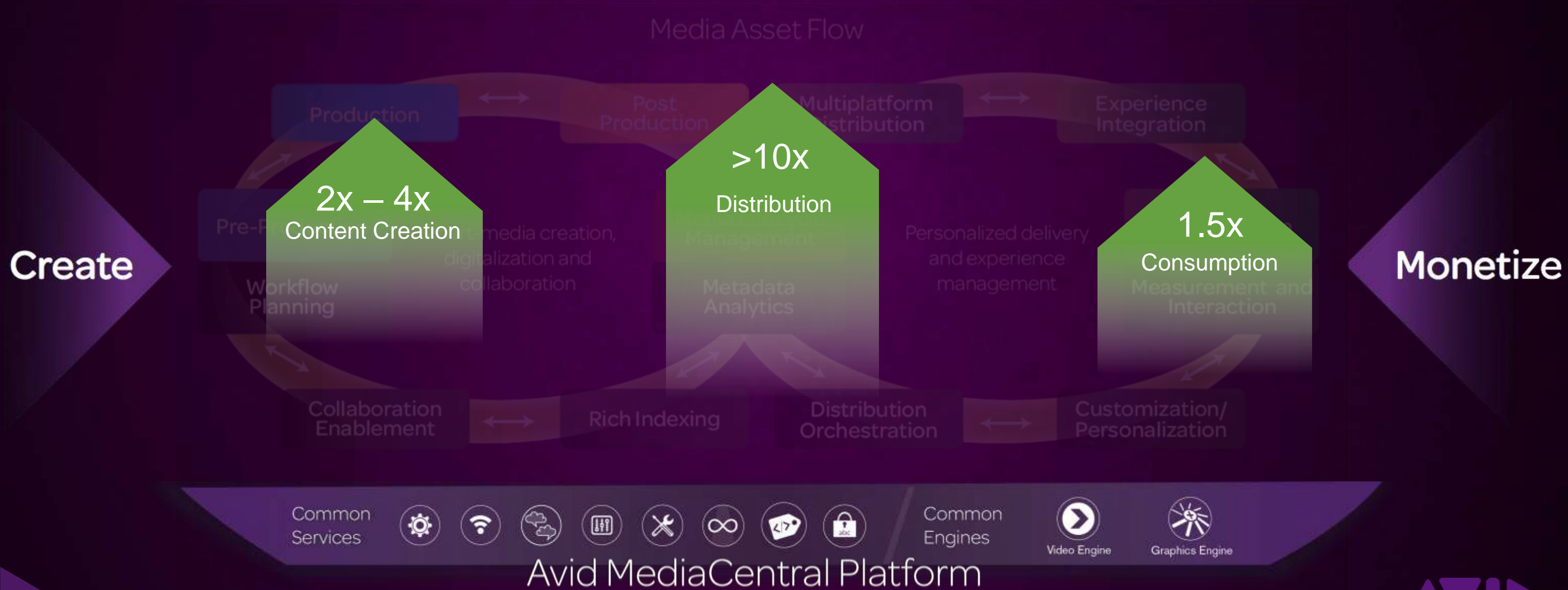
Amazon
Studios

Industry Shift
Lift



Media Value Chain Evolving and More Complex

New Media Value Chain



Common
User Experience



iOS



3G/4G

Marketplace

Artist Community

Avid App Store

Cloud Storage

Avid Content Marketplace

Artist Suite

Graphics Authoring

Video (NLE)

Audio (DAW)

Notation & Scoring

Pro Mixing

Live Sound

FIRST ENTRY

Studio Suite

Broadcast Graphics

Replay Servers

Sports Enhancement

Virtual Studio

Augmented Reality

Video Wall Control

Media Suite

Asset
Management

Workflow
Management

Newsroom
Management

Social Media
Management

Channel Branding
& Payout

Multiplatform
Distribution

Storage Suite

Storage Ingest & Payout

Workgroup Storage

Enterprise Storage

Nearline Storage

Common
Services



Common
Engines



Video Engine



Graphics Engine

Avid MediaCentral Platform

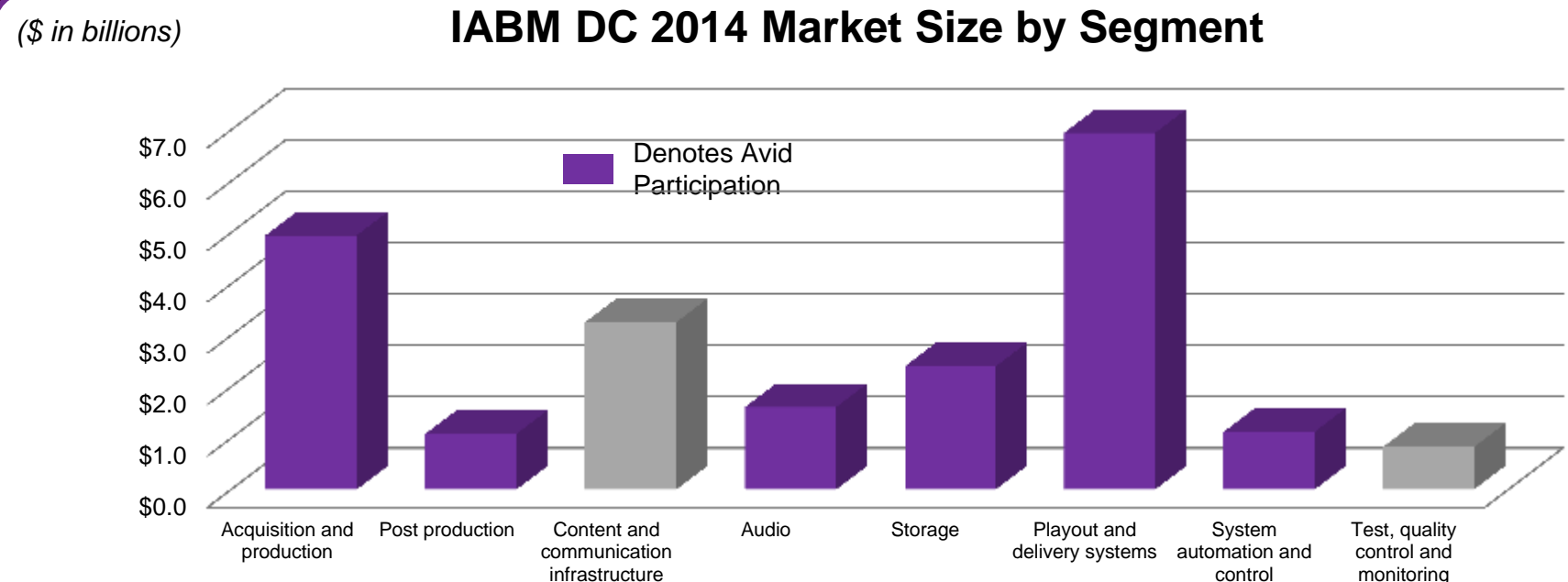


Unparalleled *Product* and *Customer* Breadth

Significant purchasers of Avid solutions in the last 12 months

- ✓ **6 of 6** ... of the **major film studios**
- ✓ **9 of 10** ... of the **leading international news networks**
- ✓ **4 of 5** ... of the **largest station group owners**
- ✓ **~70%** ...of **today's music created with Avid products**

Participates in 6 of 8
product market segments
identified in IABM's *Global
Market Valuation &
Strategy Report*



Avid Widely Used to Produce OTT Players' Original Programming

Netflix

Orange is the
New Black

Daredevil

Hulu

A Day in the Life

The Awesomes

Amazon Studios

Alpha House

Bosch

80-90% of Original Content Shows from Streaming Providers Produced with Avid Solutions



Avid Everywhere Seeing Strong Market Adoption

28,000+

MediaCentral Platform

20,000+

Subscriptions

2,100+

Asset Management
Deployments

160,000+

First Registrations

Note: Adoption reflects cumulative activity



Impact of Industry Shift on Vendors

Legacy
Vendors
Averaged
23%
quarterly
revenue
declines

Belden

EVS

Harmonic



Avid
Transitioning
to Growth
Areas:
Q3 revenue
decline of
3.5%

New
Vendors
Averaged
36%
quarterly
revenue
growth

Amazon Web Services

Akamai Media Delivery

Adobe Digital Media

Note: Derived from publically available financial filings.



Avid Transformation Update

We are more than half way through the transformation

Financial Stabilization,
Strategic Planning & Execution

Accelerating Improvement &
Continued Investment

Transformation Expected to be
Completed: Focus on
Sustained Growth

2013 & 2014

2015

2016

2017 & Beyond

- Market assessment and 3 pronged strategy developed
- Launched Avid Everywhere, Avid Advantage, Avid Customer Association
- Introduced new products & de-emphasized lower margin products
- Stabilized bookings decline
- Restatement completed

- Initial impact of cost efforts, stabilized bookings, higher margins
- Launched customer tier strategy & investment in digital program
- Continuing the transition to recurring revenue model
- Launched higher margin & growth products
- Non-marketed products phased out
- Began investment cycle

Expectations for 2016:

- Accelerate Tier 3 go-to-market model
- More efficient cost structure
- Launch of next phase of new growth products
- Optimize Tier 1 & 2 go-to-market
- Accelerate transition to recurring revenue model

Expectations for 2017 & Beyond:

- Optimize Tier 3 go-to-market model
- Growth engines fully operating
- Above market growth rates
- Higher mix of recurring revenue
- Cost structure aligned
- Pre-2011 revenue run off ends
- Migration toward enterprise software level EBITDA margins

Macro Media sector trends occurring as anticipated... But more rapidly than expected

Tail-end of HD
upgrade cycle

Increased competition for
content creation

Consumerization drives shift away
from traditional media tech

High Growth in Distribution
and Monetization

Successful vendors create a more efficient link
between creation and consumption

Dramatic Operating & Financial Transformation Underway



End of Transformation Expected by Q2 2017

A great deal of work has gone into this transformative process. The end of the transformation will be tied to three events:

Completion of roll-off of non-marketed products

End of 2015

Completion of the defined cost optimization projects

2nd Half of 2016

End of amortization of pre-2011 deferred revenue in all material respects

2nd Quarter of 2017

Once complete, we should be able to focus on sustainable profitable growth



Financial & Operational Impact of Transformation to Date

	New Products	Platform	Existing Non-Marketed Products	Pre-2011 Revenue	Recurring Revenue	Cost Optimization Projects
Bookings				N/A		N/A
Revenue						N/A
Non-GAAP Gross Margin						
Adjusted EBITDA						
Adjusted Free Cash Flow				N/A		

Avid poised for growth after transformational headwinds subside



Post Transformational Financial and Operational Impact

	New Products	Platform		Recurring Revenue	Cost Projects
Bookings					N/A
Revenue					N/A
Non-GAAP Gross Margin					
Adjusted EBITDA					
Adjusted Free Cash Flow					

Avid poised for growth after transformational headwinds subside



Executive Leadership Team Complete



Kyle Kim-Hays

Senior VP and Chief Marketing Officer

- +20 years of marketing, product management, and engineering leadership
- **Previous Experience:** Divisional VP and head of WW product marketing for Verizon's streaming video and digital content delivery business
- Responsible for global marketing and communications for the company



Rashid Desai

Senior VP and Chief Technology Officer

- +20 years of technology leadership in product engineering & technology solutions for enterprises and consumers
- **Previous Experience:** MD, CIO & CTO at Barclaycard, EVP and CTO at Open Solutions
- Strong engineering background in strategic product platform development with innovative design
- Responsible for Hardware Engineering, Software Engineering, and Information and Technology



Dana Ruzicka

VP and Chief Product Officer

- +20 years veteran of Avid , held various leadership roles in product development, marketing, business development, alliances and strategy
- **Previous Experience:** VP of Segment Strategy and Planning, Developed Avid's Tier 3 growth strategy
- Responsible for product management, segment and product marketing, and program management

Core Executive Leadership Team in Place to Drive Completion of Avid's Transformation



Executive Leadership Team Complete



Louis Hernandez, Jr.

Chairman, President and Chief Executive Officer



John Frederick

*Executive Vice President,
Chief Financial Officer and
Chief Administrative Officer*



Jeff Rosica

*Senior Vice President
of Worldwide Field
Operations*



Kyle Kim-Hays

*Senior Vice President and
Chief Marketing Officer*



Rick Lowenstein

*Senior Vice President of
Customer Success and
Professional Services*



Dana Ruzicka

*Vice President and
Chief Product Officer*



Rashid Desai

Chief Technology Officer



Jason Duva

*Vice President, General
Counsel and Corporate
Secretary*



Ilan Sidi

*Vice President of
Human Resources*



Bruce Yaung

*Vice President of Supply and
Hardware Technologies*



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A photograph of an orchestra performing on a stage. The conductor, a woman in a dark dress, stands on a small platform, holding a baton. The orchestra members are seated in rows, playing various instruments including brass and woodwinds. The stage is lit, and the background is dark. The text "Q3 2015 Financial Results" is overlaid in white on the lower left of the image.

Q3 2015 Financial Results



John Frederick

Executive Vice President, Chief Financial Officer and Chief Administrative Officer

Financial & Operational Impact of Transformation to Date

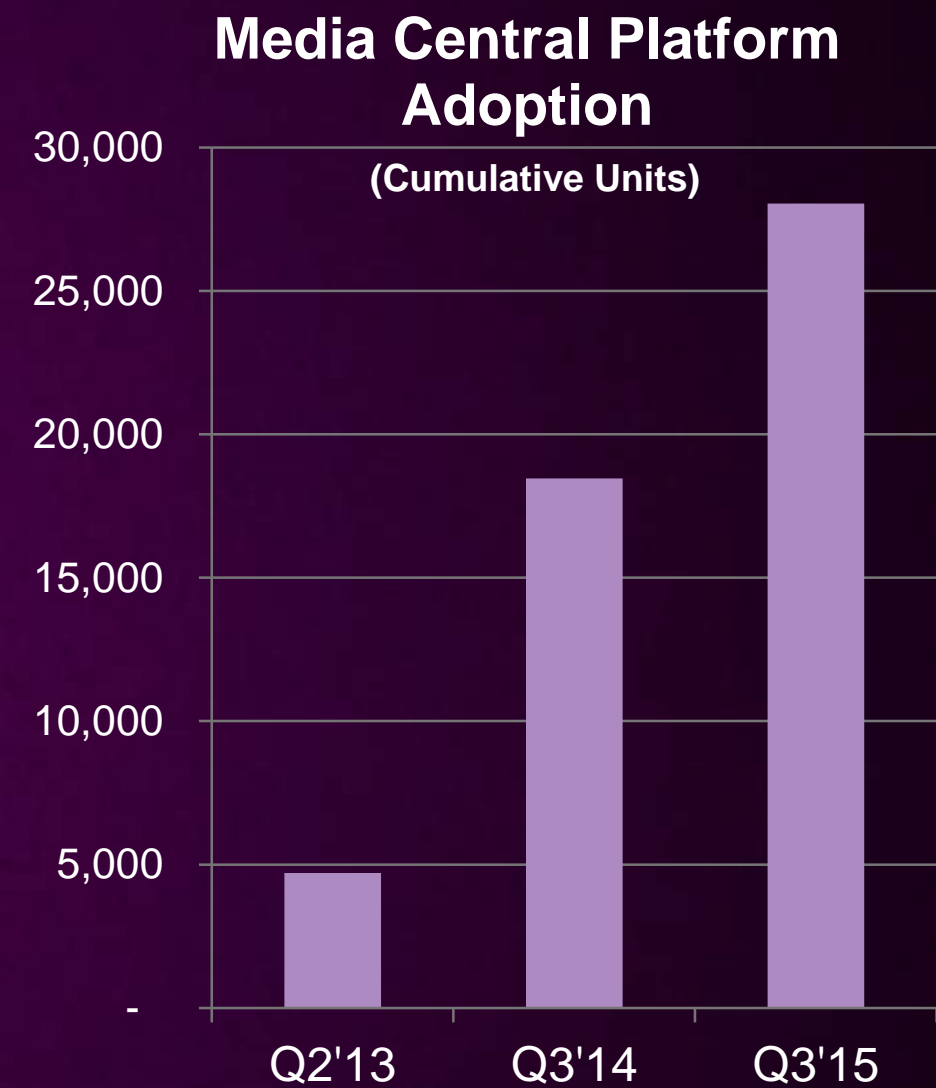
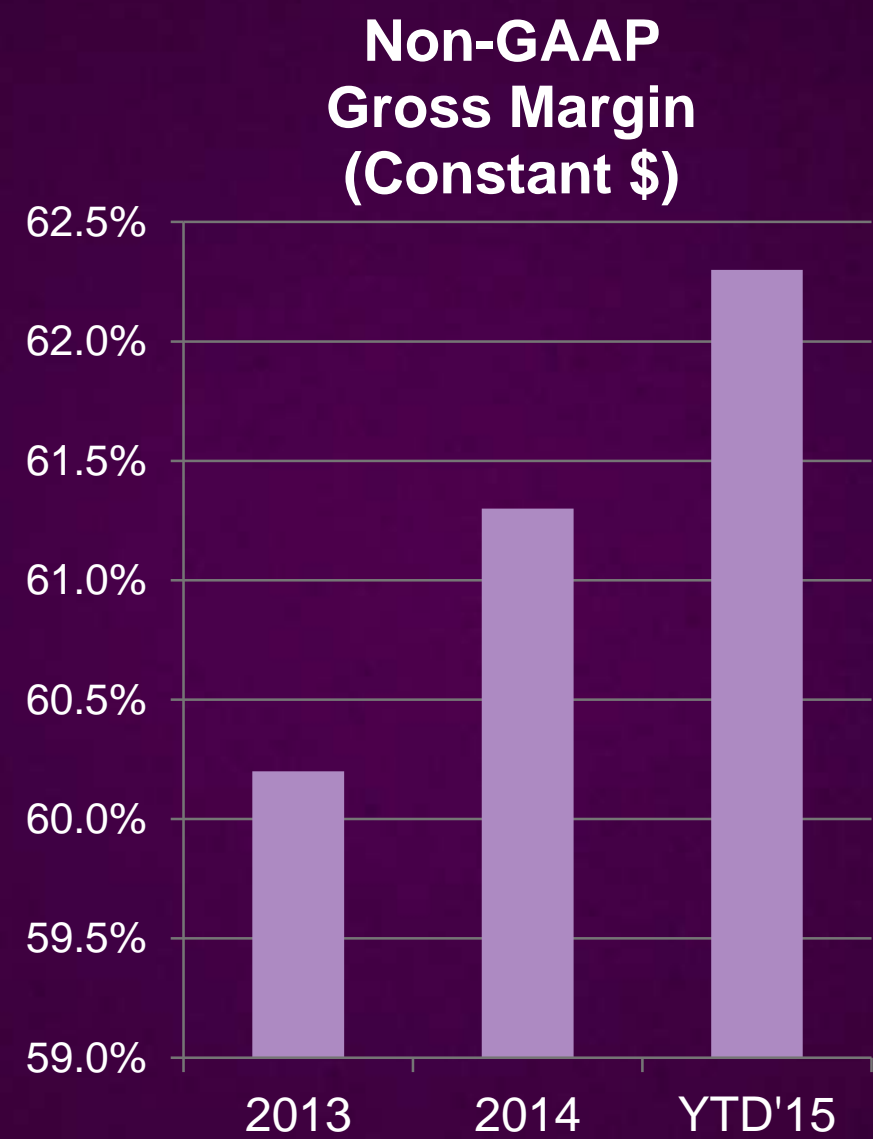
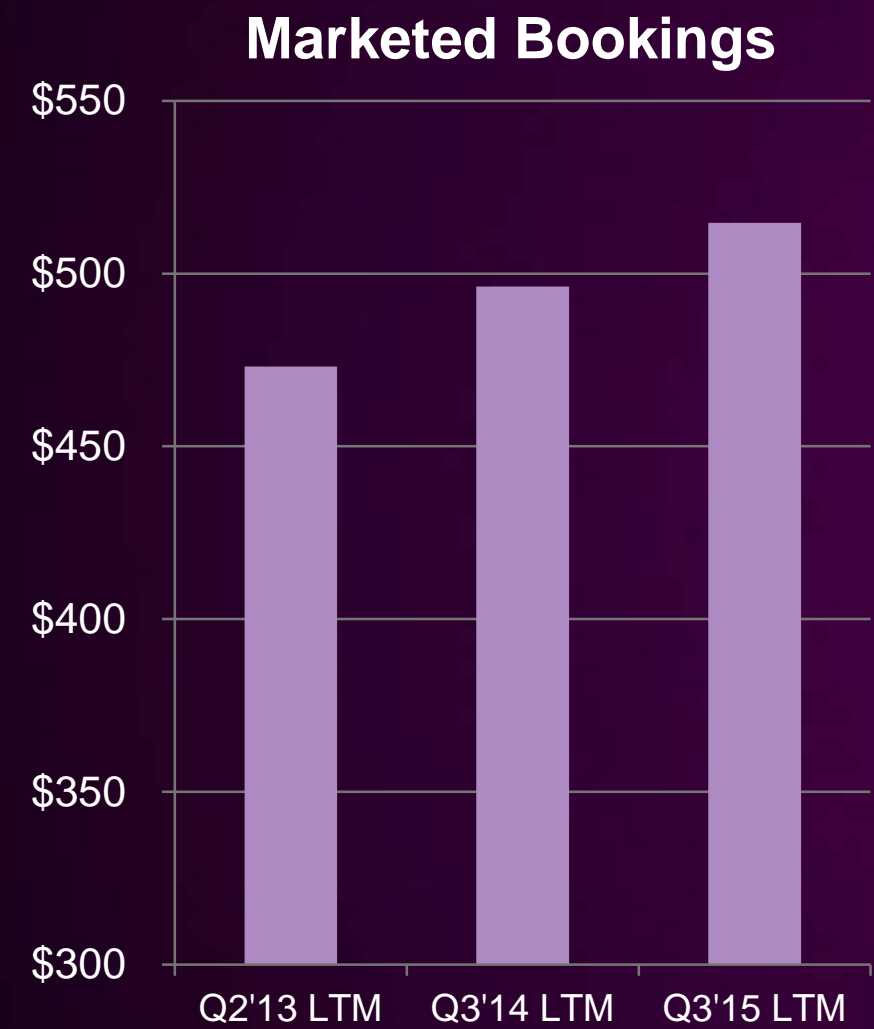
	New Products	Platform	Existing Non-Marketed Products	Pre-2011 Revenue	Recurring Revenue	Cost Optimization Projects
Bookings				N/A		N/A
Revenue						N/A
Non-GAAP Gross Margin						
Adjusted EBITDA						
Adjusted Free Cash Flow				N/A		

Avid poised for growth after transformational headwinds subside



New Growth and Expanding Margins

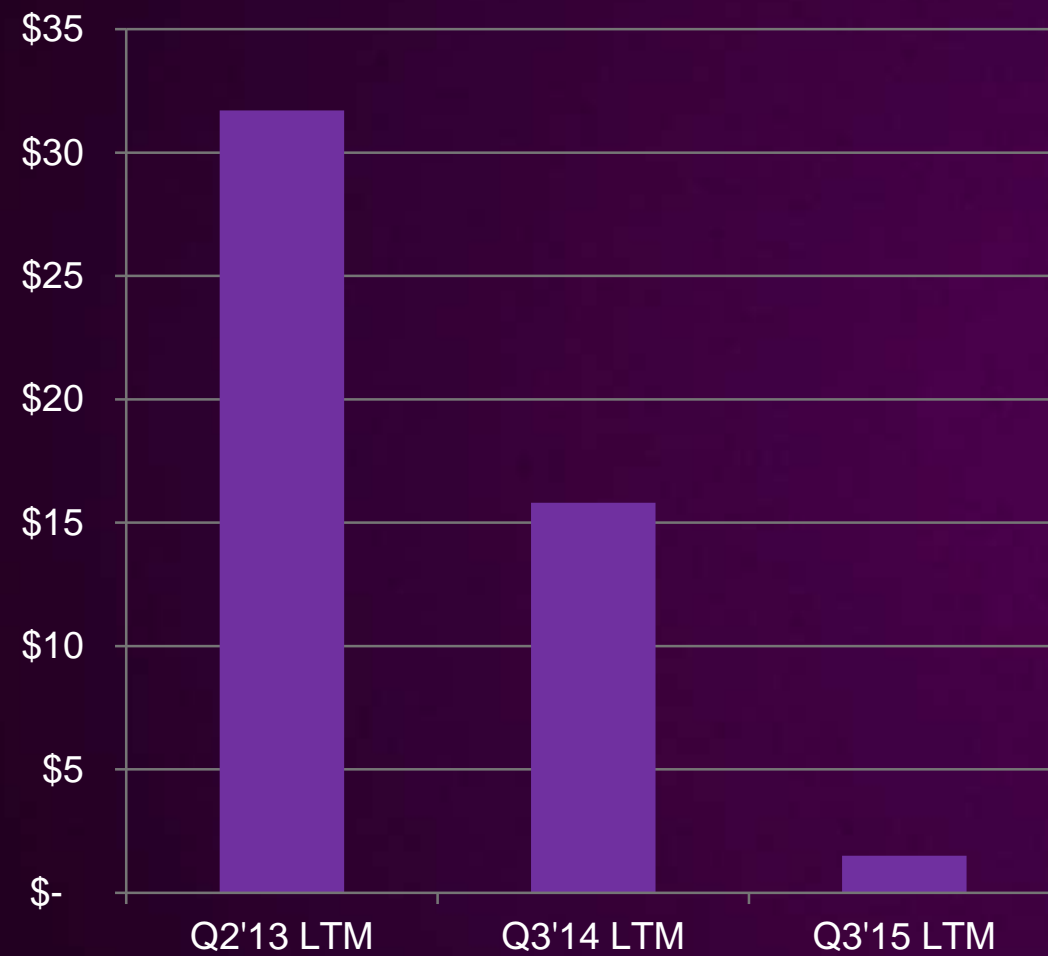
(\$ in millions)



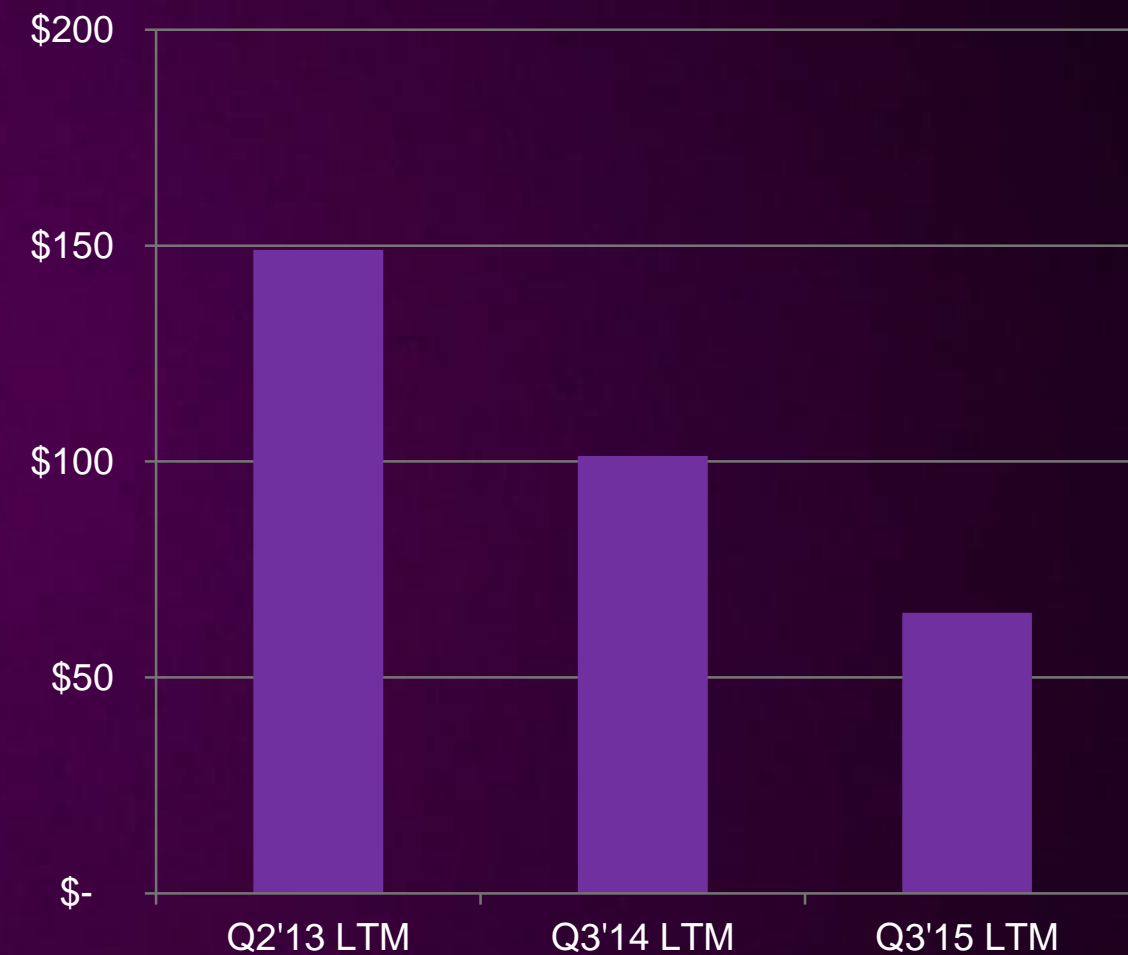
Headwinds Subsidizing

(\$ in millions)

Non-Marketed Bookings

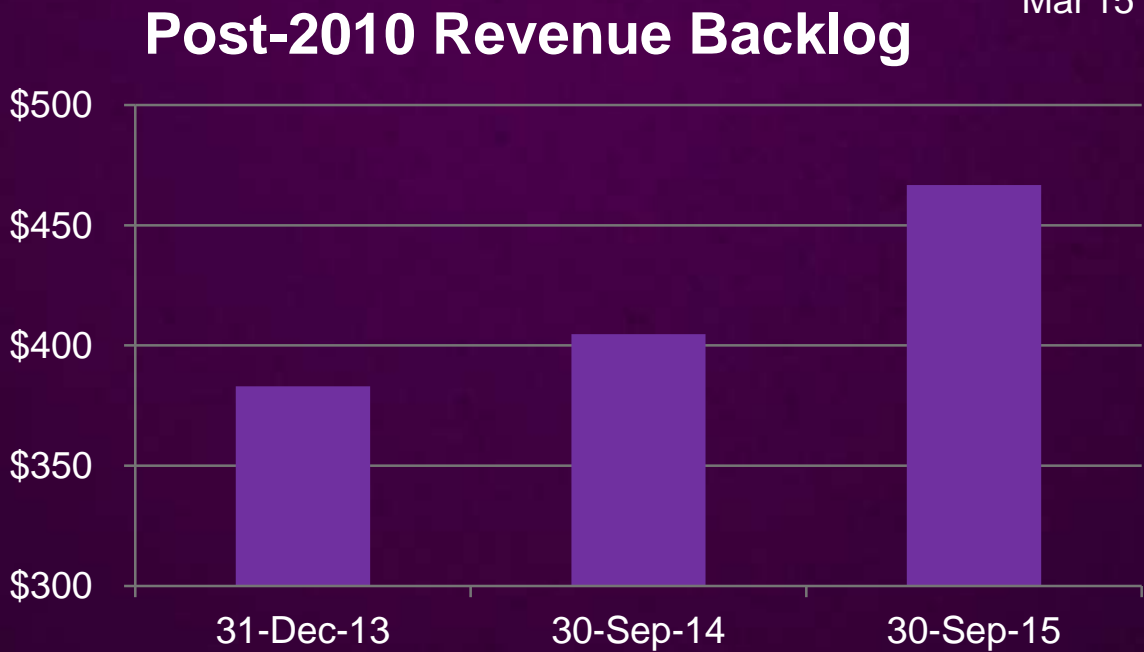
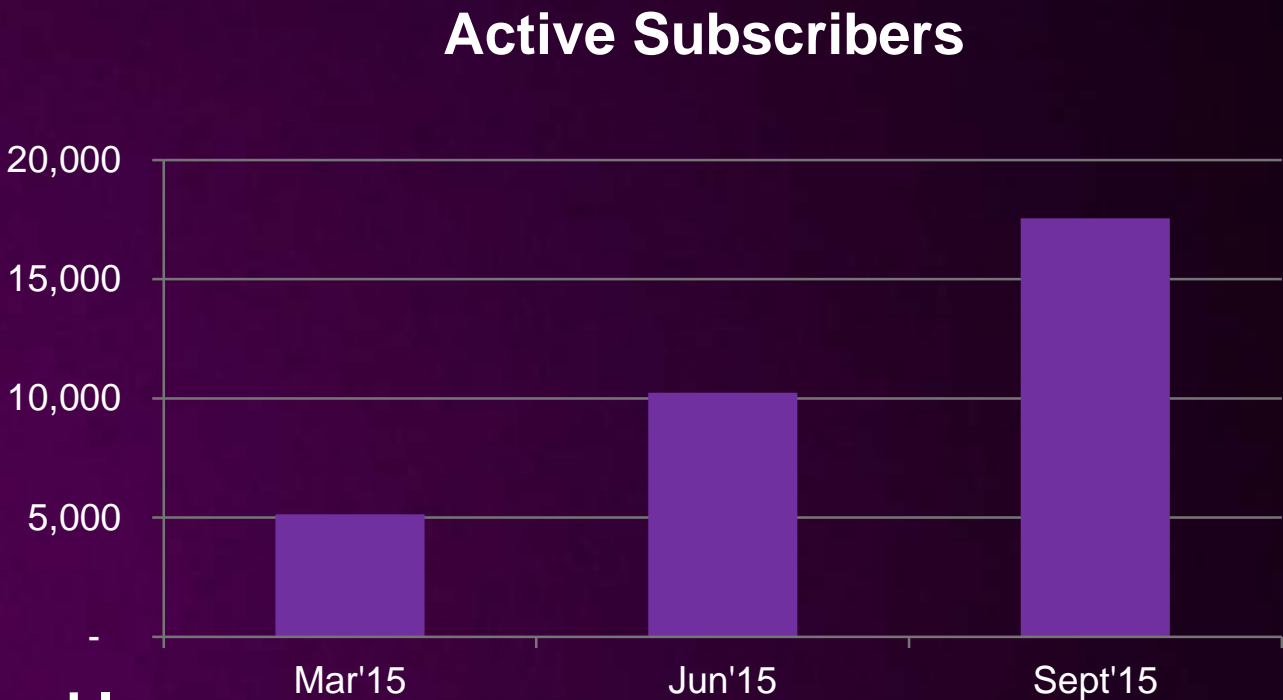
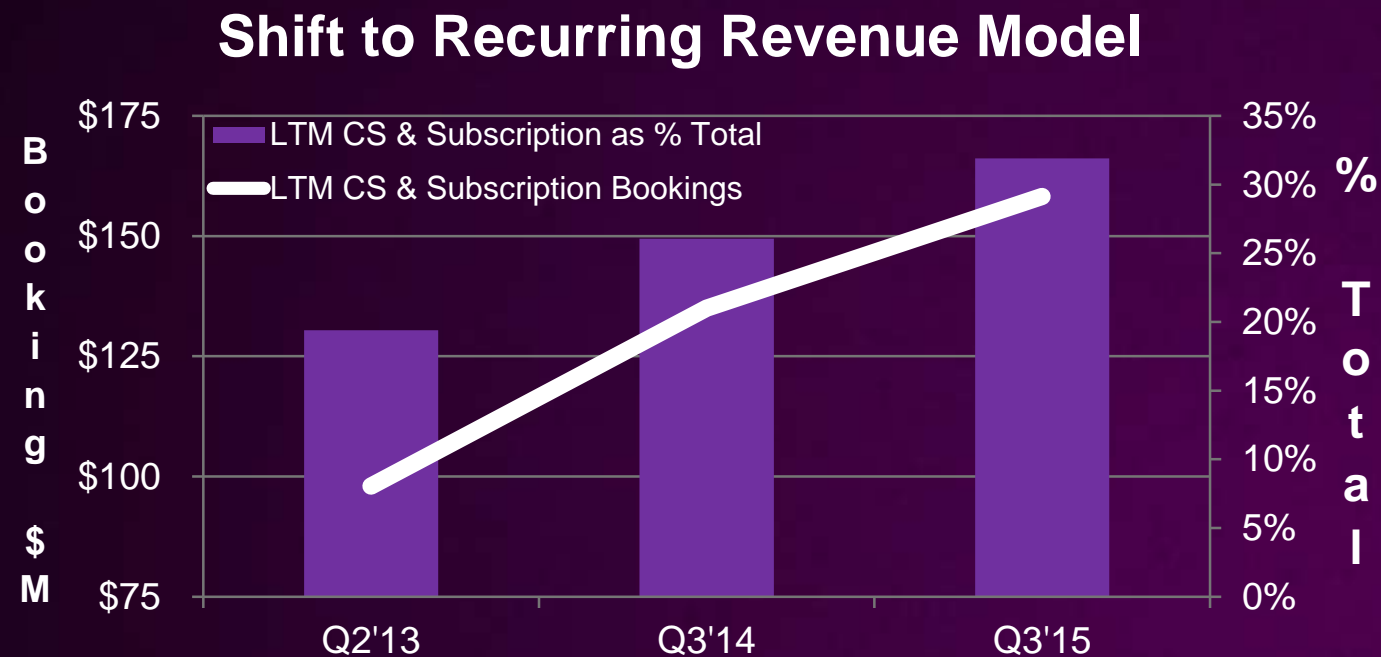


Pre-2011 Revenue



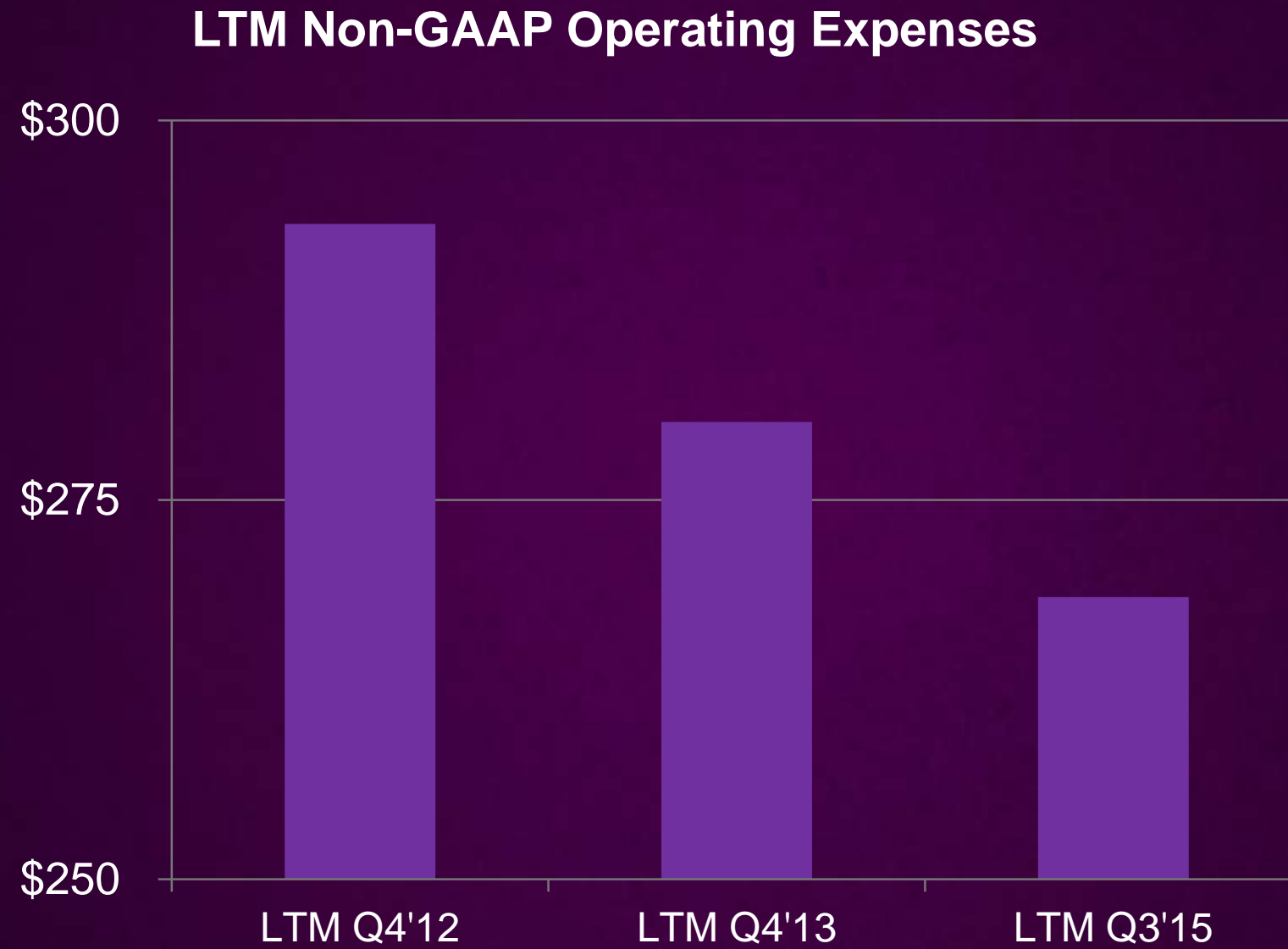
Recurring Revenue Transition

(\$ in millions)



Cost Structure Improving

(\$ in millions)



Post Transformational Operational and Financial Opportunity

	New Products	Platform	Recurring Revenue	Cost Projects	Long Range Opportunity (B)
Bookings				N/A	+4% - 6% ^(A)
Revenue				N/A	+4% - 6% ^(A)
Non-GAAP Gross Margin					72% - 76%
Adjusted EBITDA					28 - 32%
Adjusted Free Cash Flow					70 - 80% conversion

(A) Estimated annual growth rates after excluding historical hardware revenue following shifting to software only model

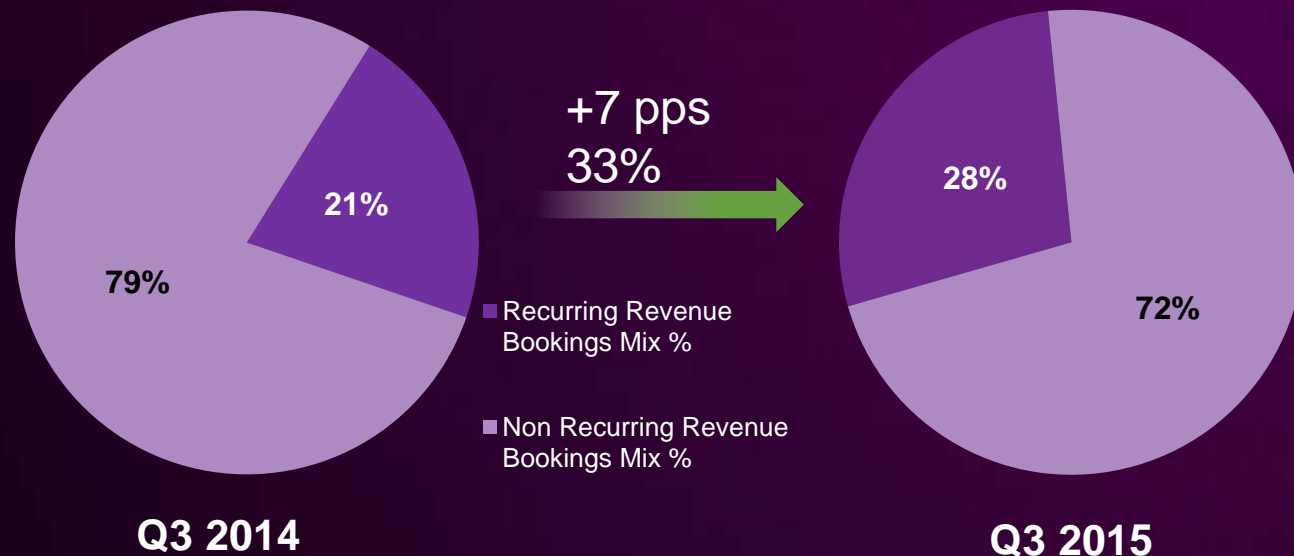
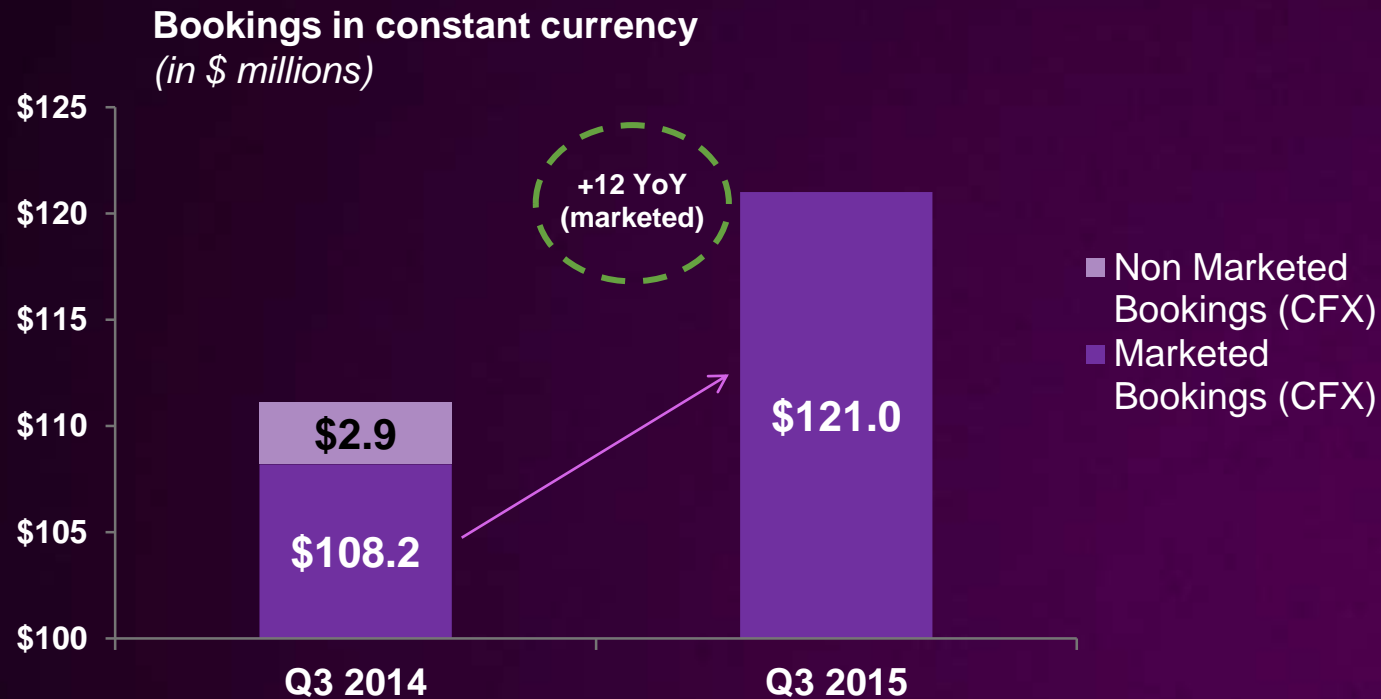
(B) Assuming annual market growth rates of 2-3% and workflows going fully IP based, ie software only

Avid poised for growth after transformational headwinds subside



Q3 2015 Bookings

Selected Key Highlights



Total bookings (CFX) +9% YoY

- As reported bookings grew 3% YoY
- Bookings without Orad grew mid single digits YoY
- Marketed bookings (CFX) +12% YoY

Growth from new products (ISIS | 1000, S6L)

Strong EMEA and ASIA performance

- 56% of bookings in Q3'15

Growth in recurring revenue bookings

Recurring Revenue Mix Improvements

- Q3'15: 28%, +7 pps yoy, +33% YoY

Webstore bookings +50% YoY



Q3 2015 Operating Results

(in \$ millions)

	As Reported				
	Q3 '15	Q3 '14	Q2'15	YoY	Seq
Revenue	\$137.4	\$142.4	\$109.8	-3.5%	25.2%
Non-GAAP Gross Margin	\$89.9	\$89.7	\$66.7	0.3%	34.9%
% Revenue	65.4%	63.0%	60.7%		
Non-GAAP Operating Expense	\$68.2	\$66.4	\$68.7	2.7%	-0.7%
Adjusted EBITDA	\$25.0	\$27.3	\$1.4	-8.6%	
% Revenue	18.2%	19.2%	1.3%		

Q3'15 Revenue \$137.4M improved ~25% sequentially

- Down 0.2% CFX YoY
- \$13 million lift from Media Composer 8
- \$3 million headwind from non-marketed Products
- \$8 million headwind from Pre-2011 Deferred Revenue

Gross Margins Improve 245 BPS over Q3 2014

- Improved overhead expenses in direct product costs
- Acceleration of MC 8 Deferred Rev Recognition

Improvement in Non-GAAP operating expenses, excluding Orad

- \$68.2 million, +\$1.8 million YoY, down \$0.5 million sequentially
- Excluding Orad acquisition lower YoY and sequentially
- Cost savings flow through from cost optimization projects



Adjusted Free Cash Flow Bridge

(in \$ millions)

			Bridge		
				Q3	YTD
			2014	\$	\$
Q3 2015 Adjusted Free Cash Flow	\$(11)			8	(4)
Variance from Q3 2014		(19)			
Variance from Q2 2015		21			
YTD Q3 2015 Adjusted Free Cash Flow	\$(38)				
Variance from YTD Q3 2014		(34)			
			2015	\$	\$
				(11)	(38)
			- Impact of Timing of New Products	(7)	(7)
			- Mix Shift to Recurring Revenue	(8)	(20)
			- Lower Audio and Tier 3 Bookings	(6)	(11)
			-Other, net	2	4



Liquidity and Balance Sheet (as of September 30th 2015)

(in \$ millions)

Total Cash	\$22.0
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Total Liquidity	\$45.0
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Total Revenue Backlog	\$513
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Post-2010 Revenue Backlog	\$475, +17% YoY
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Days Sales Outstanding	37 days
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Inventory Turnover	4.3 turns
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2015 Guidance Bridge Update

(in \$ millions)

1st Half of 2015

- Estimated 2nd Half (including Orad product lines), using 1st Half run rates
- Estimated New Products and Growth Initiatives
- Estimated Impact of Cost Initiatives:
- Estimated 2nd Half Seasonality and other

Outlook 2015, August Guidance

- Underperformance in Audio and Tier 3
- Mix Shift to Recurring Revenue
- Estimated 2nd Half Seasonality and other
- Currency and Other, net

Updated Outlook 2015 (a)

Bookings		Adjusted EBITDA		Adjusted Free Cash Flow	
Low	High	Low	High	Low	High
\$ 230	\$ 230	\$ 13	\$ 13	\$ (27)	\$ (27)
250	252	18	18	(23)	(23)
15	21	18	20	16	18
-	-	4	5	4	5
14	25	21	24	42	47
509	528	74	80	12	20
(17)	(14)	(11)	(10)	(20)	(17)
-	-	(4)	(4)	(15)	(14)
-	-	-	-	(12)	(12)
(2)	(11)	(4)	(6)	-	(3)
\$ 490	\$ 503	\$ 55	\$ 60	\$ (35)	\$ (26)

(a) As of November 5, 2015

Note: The 2015 Outlook is based on estimates as of the date of this presentation and Avid expressly disclaims any obligation or undertaking to update such estimates; actual results may differ materially from those estimates as a result of a number of risks and uncertainties. Please see the forward looking disclaimer included in the press release. Each range of values provided represents the expected low and high estimates for such financial or operating factor.



2015 Guidance Updated

Bookings

\$490 -\$503M

Revenue

\$512 -\$520M

Adjusted EBITDA

\$55 - \$60M

10.5%-11.5% Adjusted EBITDA
Margin

Adjusted Free Cash Flow

\$(35) - \$(26)M





Conclusion

Louis Hernandez, Jr.

Chairman, President and Chief Executive Officer



Questions and Answers

