
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): November 8, 2022

AVID TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-36254
(Commission File Number)

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

75 Blue Sky Drive, Burlington, Massachusetts 01803
(Address of Principal Executive Offices) (Zip Code)

978 640-3000
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	AVID	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On November 8, 2022, Avid Technology, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended September 30, 2022 (the “Press Release”). The full text of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

The information contained in Item 2.02 is incorporated by reference herein.

Non-GAAP and Operational Measures. The attached Press Release includes financial measures that are not based on generally accepted accounting principles, or GAAP. These non-GAAP financial measures, which are not based on a comprehensive set of accounting rules or principles, include the following: Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Operating Income, Adjusted EBITDA, Adjusted EBITDA Margin, Non-GAAP Net Income, Non-GAAP Earnings Per Share, and Free Cash Flow.

- Non-GAAP Gross Margin is defined as GAAP gross margin, excluding stock-based compensation expense.
- Non-GAAP Operating Expenses are defined as GAAP operating expense excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to M&A related activity, efficiency program, transformation costs and COVID-19 related costs.
- Non-GAAP Operating Income is defined as GAAP operating income excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to M&A related activity, efficiency program, transformation costs and COVID-19 related costs.
- Adjusted EBITDA is defined as Non-GAAP operating income excluding depreciation expense.
- Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by GAAP Net Revenues.
- Non-GAAP Net Income is defined as GAAP net income excluding restructuring costs, stock-based compensation, amortization of intangible assets, loss on extinguishment of debt, gain on forgiveness of PPP loan, tax impact of Non-GAAP adjustments, as well as other unusual items such as costs related to M&A related activity, efficiency program, transformation costs and COVID-19 related costs.
- Non-GAAP Earnings Per Share is defined as Non-GAAP Net Income divided by weighted-average common shares outstanding.
- Free Cash Flow is defined as GAAP operating cash flow less capital expenditures.

Reconciliations of these non-GAAP financial measures to their most comparable GAAP measures are contained in the tables accompanying the Press Release. The Press Release furnished herewith also includes forward-looking non-GAAP financial measures, including estimated Adjusted EBITDA, Non-GAAP Earnings Per Share and Free Cash Flow for future periods. Reconciliations of these forward-looking non-GAAP financial measures are not included in the Press Release furnished herewith due to the high variability and difficulty in making accurate forecasts and projections of some of the excluded information, together with some of the excluded information not being ascertainable or accessible at this time. As a result, the Company is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measure without unreasonable efforts.

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

The Press Release furnished herewith also includes or references the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue %, Annual Recurring Revenue, Annual Contract Value and Revenue Backlog. Definitions of these operational metrics appear below and are also included in the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.

- Cloud-enabled software subscriptions as of the end of a quarter represent the number of paid subscription licenses under an active contract as of that date, excluding any licenses that may be receiving service under an active contract but that are not paid for at that time by the customer, whether due to a promotion, cancellation or otherwise.
- Recurring Revenue is defined as the sum without duplication of subscription revenue, maintenance revenue and revenue under our long-term contractual agreements.
- LTM Recurring Revenue % is Recurring Revenue divided by Total Net Revenue for the most recent four quarters.
- Annual Recurring Revenue (ARR) is an operating metric that represents the contracted value of all subscription, cloud and maintenance customer support agreements normalized to a one-year period. Total ARR includes only active contractually committed agreements and is the sum of Subscription ARR and Maintenance ARR. Subscription ARR represents the contracted value of our term subscription offerings and our cloud offerings normalized to a one-year period. Subscription ARR is calculated at the end of a period as the sum of (1) the total contract value of each active term subscription agreement divided by the term of the agreement plus (2) the annualized value of active recurring cloud subscription and services agreements. Maintenance ARR represents the contracted value of all term maintenance customer support agreements normalized to a one-year period. Maintenance ARR is calculated at the end of a period by dividing the total contract value of each active maintenance customer support agreement by the term of the agreement.
- Annual Contract Value is defined, as of a given date, as the sum of the following three components: (i) the annual value of all long-term contractual agreements in effect on such date, calculated by dividing the total value of each contract (excluding expected maintenance revenue included in (ii) below and expected subscription revenue included in (iii) below) divided by the total number of years of such contract, (ii) maintenance revenue for the quarter ended on such date, multiplied by four, and (iii) subscription revenue for the quarter ended on such date, multiplied by four.
- Revenue Backlog consists of firm orders received and includes both (i) orders where the customer has been invoiced in advance of our performance obligations being fulfilled and (ii) orders for future product deliveries or services that have not yet been invoiced by us.

Limitation on Incorporation by Reference. The information furnished in Items 2.02 and 7.01, including the Press Release furnished herewith as Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Cautionary Note Regarding Forward-Looking Statements. This Form 8-K, and the Press Release furnished herewith as Exhibit 99.1 contain forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. Please refer to the cautionary notes in the Press Release regarding these forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release announcing financial results, dated November 8, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVID TECHNOLOGY, INC.
(Registrant)

Date: November 8, 2022

By: /s/ Kenneth Gayron
Name: Kenneth Gayron
Title: Executive Vice President and Chief Financial Officer

Avid Technology Announces Q3 2022 Results

Subscription Revenue of \$41.8M, an Increase of 49.2% Year-Over-Year, Driven by All-Time Record 32,600 Net Increase in Paid Subscriptions in the Quarter

Net Income of \$12.0M, Adjusted EBITDA of \$21.0M, and Adjusted EBITDA Margin of 20.4%

Net Income per Common Share of \$0.27; Non-GAAP Net Income per Common Share of \$0.38 which Represents an Increase of 40.7% Year-Over-Year

BURLINGTON, Mass., Nov. 8, 2022 -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its financial results for the third quarter of 2022, which ended on September 30, 2022.

The recurring components of the Company's revenue remained strong during the third quarter, with subscription revenue increasing 49.2% year-over-year in the third quarter to \$41.8 million and subscription & maintenance revenue growing 17.6% year-over-year to \$69.1 million. Total revenue increased 1.3% year-over-year to \$103.0 million in the third quarter, led by the strong subscription growth but offset by continuing supply chain challenges that have impacted the Company's ability to ship a significant amount of the orders received for integrated solutions during the first nine months of 2022. At constant currency, total revenue increased 6.0% year-over-year and subscription & maintenance revenue increased 22.3% year-over-year in the third quarter.

The revenue growth, combined with improved gross margin, resulted in Adjusted EBITDA of \$21.0 million, representing 20.4% of revenue, and Non-GAAP Earnings per Share of \$0.38, an increase of 40.7% year-over-year.

Third Quarter 2022 Financial and Business Highlights

- Subscription revenue was \$41.8 million, an increase of 49.2% year-over-year. At constant currency, subscription revenue increased 56.2% year-over-year.
- Paid Cloud-enabled software subscriptions increased by an all-time record of 32,600 during the quarter to approximately 482,900 as of September 30, 2022, an increase of 24.1% year-over-year.
- Subscription and maintenance revenue was \$69.1 million, up 17.6% year-over-year. At constant currency, Subscription and maintenance revenue increased 22.3% year-over-year.
- Annual Recurring Revenue was \$237.2 million, an increase of 10.0% year-over-year. At constant currency, Annual Recurring Revenue increased 13.2% year-over-year.
- Subscription ARR was \$131.3 million, an increase of 33.2% year-over-year. At constant currency, Subscription ARR increased 36.9% year-over-year.
- Total revenue was \$103.0 million, an increase of 1.3% year-over-year. At constant-currency, total revenue increased 6.0% year-over-year.
- Gross margin was 67.8%, an increase of 300 basis points year-over-year. Non-GAAP Gross Margin was 68.3%, an increase of 300 basis points year-over-year.
- Operating expenses were \$55.7 million, a decrease of (1.2%) year-over-year. Non-GAAP Operating Expenses were \$51.5 million, an increase 0.3% year-over-year.
- Net income was \$12.0 million, a decrease of (18.6%) year-over-year, largely due to a one-time gain related to loan forgiveness in the prior year period. Net income was 11.7% of revenue. Non-GAAP Net Income was \$16.8 million, an increase of 35.2% year-over-year. Non-GAAP Net Income was 16.3% of revenue.
- Adjusted EBITDA was \$21.0 million, an increase of 23.5% year-over-year. Adjusted EBITDA Margin was 20.4%, an increase of 360 basis points year-over-year.

- Net income per common share was \$0.27, a decrease of (15.6%) year-over-year, largely due to a one-time gain related to loan forgiveness in the prior year period. Non-GAAP Earnings per Share was \$0.38, an increase of 40.7% year-over-year.
- Net cash provided by operating activities was \$10.3 million in the quarter, a decrease of (\$6.2) million compared to the third quarter of 2021.
- Free Cash Flow was \$6.6 million in the quarter, an increase of \$3.4 million compared to the second quarter of 2022. Free Cash Flow decreased (\$7.4) million compared to the third quarter of 2021, due to impact of working capital changes and timing of product shipments in the quarter.
- LTM Recurring Revenue % was 83.3% of the Company's revenue for the 12 months ended September 30, 2022, up from 77.1% for the 12 months ended September 30, 2021.
- The Company repurchased 757,720 shares for \$18.6 million during the third quarter, under the \$115 million share repurchase authorization announced on September 9, 2021.

Jeff Rosica, Avid's Chief Executive Officer and President, stated, "We are pleased by the strong growth from our subscription software business, particularly enterprise subscription and reacceleration of our creative tools, most notably Pro Tools." Mr. Rosica continued, "Demand for our integrated solutions products remains strong, and while we continue to see some lingering constraints in the supply chain, we were able to resume production of certain audio hardware products late in the third quarter and we believe the remaining constraints are temporary. For the fourth quarter and full year, we believe we are well positioned to deliver earnings growth despite revenue headwinds from the impacts of foreign exchange and slower-than expected recovery from the current global supply chain situation."

Ken Gayron, Chief Financial Officer and Executive Vice President of Avid, added, "We are pleased with our strong Non-GAAP Earnings per Share growth of over forty percent that was driven by an acceleration of our subscription business including an all-time record in paid subscription net adds during the quarter." Mr. Gayron continued, "However, due to foreign exchange headwinds and the continuing challenges with the supply chain for integrated solutions, we are modifying our 2022 guidance for revenue and Free Cash Flow but maintaining and tightening our 2022 guidance for Non-GAAP Earnings per Share and Adjusted EBITDA due to prudent management of the business. Solely as a result of the foreign exchange headwinds, we are modifying our 2022 guidance for subscription & maintenance revenue."

Full-Year 2022 Guidance

For the full-year 2022, Avid is reaffirming and tightening its guidance for Non-GAAP Earnings per Share and Adjusted EBITDA. Solely as result of foreign exchange headwinds, Avid is modifying its full-year 2022 guidance for subscription & maintenance revenue. Finally, due to the challenges in the supply chain and foreign exchange headwinds, Avid is modifying its full-year 2022 guidance for revenue and Free Cash Flow.

(\$ millions, except per share amounts)	Prior Guidance	Revised Guidance
	Full-Year 2022	Full-Year 2022
Revenue	\$425 – \$455	\$412 – \$424
Subscription & Maintenance Revenue	\$266 – \$274	\$260 – \$268
Non-GAAP Earnings per Share	\$1.37 – \$1.53	\$1.40 – \$1.50
Adjusted EBITDA	\$83 – \$95	\$83 – \$87
Free Cash Flow	\$45 – \$59	\$38 – \$43

2022 Non-GAAP Earnings per Share prior guidance assumed 45.2 million shares outstanding and revised guidance assumes 44.8 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 Q3 2022 Earnings presentation posted on Avid's Investor Relations website at ir.Avid.com.

Conference Call to Discuss Third Quarter 2022 Results on November 8, 2022

Avid will host a conference call to discuss its financial results for the third quarter 2022 on Tuesday, November 8, 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. Please connect at least 5 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.

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, Annual Recurring Revenue, 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. Avid presents constant currency information to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results in currencies other than United States dollars are converted into United States dollars using the same historical budget exchange rate rather than the actual exchange rates in effect during the respective periods. Definitions of the non-GAAP financial measures and the operational metrics are included in our Form 8-K filed today. Reconciliations of the non-GAAP financial measures presented in this press release to the Company's comparable GAAP financial measures for the periods presented are set forth below and are included in the supplemental financial and operational data sheet available on our Investor Relations website at ir.Avid.com, which also includes definitions of all operational metrics.

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: the effect of the continuing worldwide macroeconomic uncertainty and its impacts, including inflation, market volatility and fluctuations in foreign currency exchange and interest rates on our business and results of operations, including impacts related to acts of war, armed conflict, and cyber conflict, such as for example, the Russian invasion of Ukraine, and related international sanctions and reprisals; risks related to the 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; seasonal factors; other adverse changes in external 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 35 years ago with our invention of nonlinear digital video editing has led to individual artists, creative teams and organizations everywhere subscribing to our powerful tools and collaborating securely in the cloud. We continue to re-imagine the many ways editors, musicians, producers, journalists and other content creators will bring their stories to life. Discover the possibilities

at avid.com and join the conversation on social media with the multitude of brilliant creative people who choose Avid for a lifetime of success.

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AVID TECHNOLOGY, INC.
Consolidated Statements of Operations
(unaudited - in thousands except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net revenues:				
Subscription	\$ 41,782	\$ 28,008	\$ 108,878	\$ 74,384
Maintenance	27,280	30,702	83,382	90,997
Integrated solutions & other	33,923	42,930	109,054	125,499
Total net revenues	102,985	101,640	301,314	290,880
Cost of revenues:				
Subscription	6,163	4,020	18,057	10,210
Maintenance	4,849	5,739	15,379	17,135
Integrated solutions & other	22,194	25,978	67,969	76,078
Total cost of revenues	33,206	35,737	101,405	103,423
Gross profit	69,779	65,903	199,909	187,457
Operating expenses:				
Research and development	17,110	17,129	49,869	48,639
Marketing and selling	24,362	24,413	69,962	66,511
General and administrative	14,066	14,901	42,241	42,214
Restructuring costs, net	158	(88)	515	1,001
Total operating expenses	55,696	56,355	162,587	158,365
Operating income	14,083	9,548	37,322	29,092
Interest expense, net	(2,741)	(1,646)	(6,161)	(5,547)
Other income, net	15	7,864	7	4,459
Income before income taxes	11,357	15,766	31,168	28,004
(Benefit from) provision for income taxes	(665)	991	1,187	1,832
Net income	\$ 12,022	\$ 14,775	\$ 29,981	\$ 26,172
Net income per common share – basic	<u>\$0.27</u>	<u>\$0.32</u>	<u>\$0.67</u>	<u>\$0.58</u>
Net income per common share – diluted	<u>\$0.27</u>	<u>\$0.32</u>	<u>\$0.66</u>	<u>\$0.56</u>
Weighted-average common shares outstanding – basic	44,476	45,564	44,676	45,115
Weighted-average common shares outstanding – diluted	44,703	46,428	45,107	46,449

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

(unaudited - in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<u>GAAP revenue</u>				
GAAP revenue	\$ 102,985	\$ 101,640	\$ 301,314	\$ 290,880
<u>Non-GAAP Gross Profit</u>				
GAAP gross profit	\$ 69,779	\$ 65,903	\$ 199,909	\$ 187,457
Stock-based compensation	588	444	1,603	1,362
Non-GAAP Gross Profit	\$ 70,367	\$ 66,347	\$ 201,512	\$ 188,819
GAAP Gross Margin	67.8 %	64.8 %	66.3 %	64.4 %
Non-GAAP Gross Margin	68.3 %	65.3 %	66.9 %	64.9 %
<u>Non-GAAP Operating Expenses</u>				
GAAP operating expenses	\$ 55,696	\$ 56,355	\$ 162,587	\$ 158,365
Less Amortization of intangible assets	(37)	(105)	(152)	(315)
Less Stock-based compensation	(3,359)	(3,337)	(9,411)	(9,473)
Less Restructuring costs, net	(158)	88	(515)	(1,001)
Less Acquisition, integration and other costs	(22)	(876)	(431)	(2,083)
Less Efficiency program costs	—	—	—	(48)
Less Digital Transformation costs	(626)	(808)	(1,314)	(808)
Less COVID-19 related expenses	—	—	—	(22)
Non-GAAP Operating Expenses	\$ 51,494	\$ 51,317	\$ 150,764	\$ 144,615
<u>Non-GAAP Operating Income and Adjusted EBITDA</u>				
GAAP net income	\$ 12,022	\$ 14,775	\$ 29,981	\$ 26,172
Interest and other expense	2,726	(6,218)	6,154	1,088
Provision for income taxes	(665)	991	1,187	1,832
GAAP operating income	\$ 14,083	\$ 9,548	\$ 37,322	\$ 29,092
Amortization of intangible assets	37	105	152	315
Stock-based compensation	3,947	3,781	11,014	10,835
Restructuring costs, net	158	(88)	515	1,001
Acquisition, integration and other costs	22	876	431	2,083
Efficiency program costs	—	—	—	48
Digital Transformation costs	626	808	1,314	808
COVID-19 related expenses	—	—	—	22
Non-GAAP Operating Income	\$ 18,873	\$ 15,030	\$ 50,748	\$ 44,204
Depreciation	2,154	2,002	6,023	6,323
Adjusted EBITDA	\$ 21,027	\$ 17,032	\$ 56,771	\$ 50,527
GAAP net income margin	11.7 %	14.5 %	10.0 %	9.0 %
Adjusted EBITDA Margin	20.4 %	16.8 %	18.8 %	17.4 %

Non-GAAP Net Income

GAAP net income	\$ 12,022	\$ 14,775	\$ 29,981	\$ 26,172
Amortization of intangible assets	37	105	152	315
Stock-based compensation	3,947	3,781	11,014	10,835
Restructuring costs, net	158	(88)	515	1,001
Acquisition, integration and other costs	22	876	431	2,083
Efficiency program costs	—	—	—	48
Digital Transformation costs	626	808	1,314	808
Gain on forgiveness of PPP Loan	—	(7,800)	—	(7,800)
COVID-19 related expenses	—	—	—	22
Loss on extinguishment of debt	—	—	—	3,748
Tax impact of non-GAAP adjustments	—	(25)	(3)	(184)
Non-GAAP Net Income	\$ 16,812	\$ 12,432	\$ 43,404	\$ 37,048
Weighted-average common shares outstanding - basic	44,476	45,564	44,676	45,115
Weighted-average common shares outstanding - diluted	44,703	46,428	45,107	46,449
Non-GAAP Earnings Per Share - basic	\$ 0.38	\$ 0.27	\$ 0.97	\$ 0.82
Non-GAAP Earnings Per Share - diluted	\$ 0.38	\$ 0.27	\$ 0.96	\$ 0.80

Free Cash Flow

GAAP net cash provided by operating activities	\$ 10,342	\$ 16,521	\$ 25,563	\$ 35,418
Capital expenditures	(3,708)	(2,475)	(11,067)	(4,750)
Free Cash Flow	\$ 6,634	\$ 14,046	\$ 14,496	\$ 30,668
Free Cash Flow conversion of Adjusted EBITDA	31.5 %	82.5 %	25.5 %	60.7 %

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

AVID TECHNOLOGY, INC.**Consolidated Balance Sheets**

(unaudited - in thousands, except per share data)

	September 30, 2022	December 31, 2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 31,344	\$ 56,818
Restricted cash	2,413	2,416
Accounts receivable, net of allowances of \$2,317 and \$1,456 at September 30, 2022 and December 31, 2021, respectively	55,257	77,046
Inventories	21,993	19,922
Prepaid expenses	8,766	5,464
Contract assets	17,728	18,903
Other current assets	2,380	1,953
Total current assets	139,881	182,522
Property and equipment, net	21,215	16,028
Goodwill	32,643	32,643
Right of use assets	20,553	24,143
Deferred tax assets, net	3,972	5,210
Other long-term assets	19,271	13,454
Total assets	\$ 237,535	\$ 274,000
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 34,906	\$ 26,854
Accrued compensation and benefits	22,453	35,458
Accrued expenses and other current liabilities	35,560	37,552
Income taxes payable	27	868
Short-term debt	8,694	9,158
Deferred revenue	60,630	87,475
Total current liabilities	162,270	197,365
Long-term debt	175,683	160,806
Long-term deferred revenue	16,045	10,607
Long-term lease liabilities	19,978	23,379
Other long-term liabilities	4,960	5,917
Total liabilities	378,936	398,074
Stockholders' deficit:		
Common stock	461	455
Treasury stock	(68,651)	(25,090)
Additional paid-in capital	1,031,232	1,031,633
Accumulated deficit	(1,096,978)	(1,126,959)
Accumulated other comprehensive loss	(7,465)	(4,113)
Total stockholders' deficit	(141,401)	(124,074)
Total liabilities and stockholders' deficit	\$ 237,535	\$ 274,000

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

	Nine Months Ended	
	September 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 29,981	\$ 26,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,023	6,323
Allowance for doubtful accounts	893	401
Stock-based compensation expense	11,014	10,216
Non-cash provision for restructuring	495	841
Non-cash interest expense	367	386
Loss on extinguishment of debt	—	2,579
Gain on forgiveness of PPP loan	—	(7,800)
Loss on disposal of fixed assets	548	—
Unrealized foreign currency transaction gains	(2,769)	(1,400)
Benefit from deferred taxes	1,238	1,388
Changes in operating assets and liabilities:		
Accounts receivable	20,896	20,089
Inventories	(2,071)	4,353
Prepaid expenses and other assets	(5,624)	(1,343)
Accounts payable	8,050	590
Accrued expenses, compensation and benefits and other liabilities	(17,257)	(10,635)
Income taxes payable	(841)	(217)
Deferred revenue and contract assets	(25,380)	(16,525)
Net cash provided by operating activities	25,563	35,418
Cash flows from investing activities:		
Purchases of property and equipment	(11,067)	(4,750)
Net cash used in investing activities	(11,067)	(4,750)
Cash flows from financing activities:		
Proceeds from revolving credit facility	19,000	—
Proceeds from long-term debt	—	180,000
Repayment of debt	(4,515)	(208,142)
Payments for repurchase of common stock	(40,929)	(10,526)
Proceeds from the issuance of common stock under employee stock plans	468	363
Common stock repurchases for tax withholdings for net settlement of equity awards	(11,878)	(17,108)
Prepayment penalty on extinguishment of debt	—	(1,169)
Payments for credit facility issuance costs	(440)	(2,574)
Net cash used in financing activities	(38,294)	(59,156)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,809)	(927)
Net decrease in cash, cash equivalents and restricted cash	(25,607)	(29,415)
Cash, cash equivalents and restricted cash at beginning of period	60,556	83,638
Cash, cash equivalents and restricted cash at end of period	\$ 34,949	\$ 54,223
Supplemental information:		
Cash and cash equivalents	\$ 31,344	\$ 50,485
Restricted cash	\$ 2,413	\$ 1,422
Restricted cash included in other long-term assets	\$ 1,192	\$ 2,316
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	\$ 34,949	\$ 54,223

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

Backlog Disclosure for Quarter Ended September 30, 2022

	September 30, 2022	June 30, 2022	September 30, 2021
Revenue Backlog*			
Deferred Revenue	\$76.7	\$80.9	\$86.8
Other Backlog	302.5	285.4	315.0
Total Revenue Backlog	\$379.2	\$366.3	\$401.8

The expected timing of recognition of revenue backlog as of September 30, 2022 is as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>	<u>Total</u>
Deferred Revenue	\$28.8	\$35.1	\$7.6	\$5.2	\$76.7
Other Backlog	45.4	107.0	63.7	86.4	302.5
Total Revenue Backlog	\$74.2	\$142.1	\$71.3	\$91.6	\$379.2

*A definition of Revenue Backlog is included in our Form 10-K and the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com.