UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
OR

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

For the transition period from ______________ to ______________

Commission File Number: 1-36254

Avid Technology, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-2977748**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(978) 640-6789
Registrant's Telephone Number, Including Area Code

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

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

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

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

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

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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

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

The number of shares outstanding of the registrant's Common Stock, as of November 3, 2023, was 44,098,790.

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

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the proposed acquisition by STG may disrupt or could adversely affect our business, prospects, financial condition and results of operations;
- we have incurred and will continue to incur substantial transaction fees and costs in connection with the Merger (as defined below);
- the Merger (as defined below) may not be completed within the expected timeframe, or at all, and significant delay or the failure to complete the Merger could adversely affect our business and the market price of our common stock;
- the effect of the continuing worldwide macroeconomic uncertainty and its impacts, including inflation, market volatility, including the impact of the Writers Guild strike or the ongoing Screen Actors Guild strike, and fluctuations in foreign currency exchange and interest rates on our business and results of operations, including impacts related to acts of war, armed conflict, and cyber conflict, such as, for example the Russian invasion of Ukraine, and related international sanctions and reprisals;
- our ability to successfully implement our strategy, including our cost saving measures and other actions implemented in response to market volatility and other adverse economic and commercial conditions;
- the anticipated trends and developments in our markets and the success of our products in these markets;
- our ability to maintain adequate supplies of products and components, including through sole-source supply arrangements;
- our ability to develop, market, and sell new products and services;
- our business strategies and market positioning;
- our ability to expand our market positions;
- our ability to grow of our cloud-enabled platform;
- anticipated trends relating to our sales, financial condition or results of operations, including our ongoing shift to a recurring revenue model and complex enterprise sales with long sales cycles;
- the expected timing of recognition of revenue backlog as revenue, and the timing of recognition of revenues from subscription offerings;
- our ability to mitigate and remediate effectively the material weakness in our internal control over financial reporting, and the expected timing thereof;
- our ability to successfully consummate acquisitions and investment transactions and to successfully integrate acquired businesses;
- the anticipated performance of our products;
- our plans regarding repatriation of foreign earnings;
- the outcome, impact, costs, and expenses of pending litigation or any new litigation or government inquiries to which we may become subject;
- our compliance with covenants contained in the agreements governing our indebtedness;
- our ability to service our debt and meet the obligations thereunder;

- the effect of seasonal changes in demand for our products and services;
- estimated asset and liability values;
- our ability to protect and enforce our intellectual property rights; and
- the expected availability of cash to fund our business and our ability to maintain adequate liquidity and capital resources, generally and in the wake of continuing worldwide macroeconomic uncertainty described above.

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

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

PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net revenues:				
Subscription	$ 38,018	41,782	$ 121,842	$ 108,878
Maintenance	20,230	27,280	66,348	83,382
Integrated solutions & other	32,761	33,923	109,172	109,054
Total net revenues	91,009	102,985	297,362	301,314
Cost of revenues:				
Subscription	4,793	6,163	14,579	18,057
Maintenance	4,614	4,849	14,425	15,379
Integrated solutions & other	23,697	22,194	81,915	67,969
Total cost of revenues	33,104	33,206	110,919	101,405
Gross profit	57,905	69,779	186,443	199,909
Operating expenses:				
Research and development	19,767	17,110	59,193	49,869
Marketing and selling	23,004	24,362	71,052	69,962
General and administrative	17,582	14,066	50,216	42,241
Restructuring costs, net	(589)	158	4,873	515
Total operating expenses	59,764	55,696	185,334	162,587
Operating (loss) income	(1,859)	14,083	1,109	37,322
Interest expense, net	(5,060)	(2,741)	(12,989)	(6,161)
Other income, net	21	15	188	7
(Loss) income before income taxes	(6,898)	11,357	(11,692)	31,168
Provision for (benefit from) income taxes	436	(665)	619	1,187
Net (loss) income	$ (7,334)	$ 12,022	$ (12,311)	$ 29,981
Net (loss) income per common share – basic	$(0.17)	$0.27	$(0.28)	$0.67
Net (loss) income per common share – diluted	$(0.17)	$0.27	$(0.28)	$0.66
Weighted-average common shares outstanding – basic	44,209	44,476	44,042	44,676
Weighted-average common shares outstanding – diluted	44,209	44,703	44,042	45,107

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net (loss) income	$ (7,334)	$ 12,022	$ (12,311)	$ 29,981
Other comprehensive loss:				
Foreign currency translation adjustments	(876)	(1,416)	(647)	(3,352)
Comprehensive (loss) income	$ (8,210)	$ 10,606	$ (12,958)	$ 26,629

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

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

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,963	$ 35,247
Restricted cash	926	2,413
Accounts receivable, net of allowances of $430 and $601 at September 30, 2023 and December 31, 2022, respectively	56,354	76,849
Inventories	28,591	20,981
Prepaid expenses	9,901	8,360
Contract assets	36,718	32,295
Other current assets	3,057	2,826
Total current assets	156,510	178,971
Property and equipment, net	30,656	23,684
Goodwill	32,643	32,643
Right of use assets	19,551	21,395
Deferred tax assets, net	15,725	15,859
Other long-term assets	18,654	14,901
Total assets	$ 273,739	$ 287,453
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 39,528	$ 45,904
Accrued compensation and benefits	16,991	22,602
Accrued expenses and other current liabilities	39,132	36,031
Income taxes payable	25	62
Short-term debt	14,242	9,710
Deferred revenue	35,863	76,308
Total current liabilities	145,781	190,617
Long-term debt	203,723	172,958
Long-term deferred revenue	24,859	17,842
Long-term lease liabilities	18,654	20,470
Other long-term liabilities	3,907	4,348
Total liabilities	396,924	406,235
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Common stock, par value $0.01; authorized: 100,000 shares; issued: 46,995 shares at September 30, 2023 and 46,551 shares at December 31, 2022; outstanding: 44,069 shares at September 30, 2023 and 43,771 shares at December 31, 2022	466	462
Treasury stock	(78,353)	(77,933)
Additional paid-in capital	1,045,258	1,036,287
Accumulated deficit	(1,084,029)	(1,071,718)
Accumulated other comprehensive loss	(6,527)	(5,880)
Total stockholders' deficit	(123,185)	(118,782)
Total liabilities and stockholders' deficit	$ 273,739	$ 287,453

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

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

Three and Nine Months Ended September 30, 2023

	Shares of Common Stock							
	Issued	In Treasury	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balances at January 1, 2023	46,551	(2,911)	$ 462	$ (77,933)	$ 1,036,287	$ (1,071,718)	$ (5,880)	$ (118,782)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	212	—	2	—	(4,842)	—	—	(4,840)
Repurchase of common stock	—	(15)	—	(420)	—	—	—	(420)
Stock-based compensation	—	—	—	—	5,093	—	—	5,093
Net loss	—	—	—	—	—	(381)	—	(381)
Other comprehensive income	—	—	—	—	—	—	594	594
Balances at March 31, 2023	46,763	(2,926)	$ 464	$ (78,353)	$ 1,036,538	$ (1,072,099)	$ (5,286)	$ (118,736)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	172	—	1	—	(1,200)	—	—	(1,199)
Stock-based compensation	—	—	—	—	5,942	—	—	5,942
Net loss	—	—	—	—	—	(4,596)	—	(4,596)
Other comprehensive loss	—	—	—	—	—	—	(365)	(365)
Balances at June 30, 2023	46,935	(2,926)	$ 465	$ (78,353)	$ 1,041,280	$ (1,076,695)	$ (5,651)	$ (118,954)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	60	—	1	—	(925)	—	—	(924)
Stock-based compensation	—	—	—	—	4,903	—	—	4,903
Net loss	—	—	—	—	—	(7,334)	—	(7,334)
Other comprehensive loss	—	—	—	—	—	—	(876)	(876)
Balances at September 30, 2023	46,995	(2,926)	$ 466	$ (78,353)	$ 1,045,258	$ (1,084,029)	$ (6,527)	$ (123,185)

Three and Nine Months Ended September 30, 2022

	Shares of Common Stock							
	Issued	In Treasury	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Balances at January 1, 2022	45,828	(874)	$ 455	$ (25,090)	$ 1,031,633	$ (1,126,959)	$ (4,113)	$ (124,074)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	391	—	4	—	(8,940)	—	—	(8,936)
Repurchase of common stock	—	(354)	—	(10,816)	—	—	—	(10,816)
Stock-based compensation	—	—	—	—	3,422	—	—	3,422
Net income	—	—	—	—	—	10,586	—	10,586
Other comprehensive loss	—	—	—	—	—	—	(201)	(201)
Balances at March 31, 2022	46,219	(1,228)	$ 459	$ (35,906)	$ 1,026,115	$ (1,116,373)	$ (4,314)	$ (130,019)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	189	—	2	—	(1,483)	—	—	(1,481)
Repurchase of common stock	—	(560)	—	(14,143)	—	—	—	(14,143)
Stock-based compensation	—	—	—	—	3,645	—	—	3,645
Net income	—	—	—	—	—	7,373	—	7,373
Other comprehensive loss	—	—	—	—	—	—	(1,735)	(1,735)
Balances at June 30, 2022	46,408	(1,788)	$ 461	$ (50,049)	$ 1,028,277	$ (1,109,000)	$ (6,049)	$ (136,360)
Stock issued pursuant to employee stock plans, net of shares withheld for employee tax obligations	64	—	—		(992)	—	—	(992)
Repurchase of common stock	—	(758)	—	(18,602)	—	—	—	(18,602)
Stock-based compensation	—	—	—		3,947	—	—	3,947
Net income	—	—	—		—	12,022	—	12,022
Other comprehensive loss	—	—	—		—	—	(1,416)	(1,416)
Balances at September 30, 2022	46,472	(2,546)	461	(68,651)	1,031,232	(1,096,978)	(7,465)	(141,401)

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

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

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net (loss) income	$ (12,311)	$ 29,981
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,601	6,023
(Recovery from) allowance for doubtful accounts	(71)	893
Stock-based compensation expense	15,938	11,014
Non-cash provision for restructuring	4,879	495
Non-cash interest expense	447	367
Loss on disposal of fixed assets	—	548
Unrealized foreign currency transaction losses (gains)	868	(2,769)
Benefit from deferred taxes	134	1,238
Changes in operating assets and liabilities:		
Accounts receivable	20,566	20,896
Inventories	(7,610)	(2,071)
Prepaid expenses and other assets	(6,839)	(5,624)
Accounts payable	(6,376)	8,050
Accrued expenses, compensation and benefits and other liabilities	(8,268)	(17,257)
Income taxes payable	(38)	(841)
Deferred revenue and contract assets	(36,735)	(25,380)
Net cash (used in) provided by operating activities	(27,815)	25,563
Cash flows from investing activities:		
Purchases of property and equipment	(13,798)	(11,067)
Net cash used in investing activities	(13,798)	(11,067)
Cash flows from financing activities:		
Proceeds from revolving line of credit	40,000	19,000
Repayment of debt principal	(5,150)	(4,515)
Payments for repurchase of common stock	(572)	(40,929)
Proceeds from the issuance of common stock under employee stock plans	486	468
Common stock repurchases for tax withholdings for net settlement of equity awards	(7,449)	(11,878)
Payments for credit facility issuance costs	—	(440)
Net cash provided by (used in) financing activities	27,315	(38,294)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1,523)	(1,809)
Net decrease in cash, cash equivalents and restricted cash	(15,821)	(25,607)
Cash, cash equivalents and restricted cash at beginning of period	38,852	60,556
Cash, cash equivalents and restricted cash at end of period	$ 23,031	$ 34,949
Supplemental information:		
Cash and cash equivalents	$ 20,963	$ 31,344
Restricted cash	926	2,413
Restricted cash included in other long-term assets	1,142	1,192
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 23,031	$ 34,949
Cash paid for income taxes	$ 1,119	$ 1,551
Cash paid for interest	$ 11,327	$ 3,095

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

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

1. FINANCIAL INFORMATION

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

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

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

Agreement and Plan of Merger

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

Significant Accounting Policies

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

2. NET (LOSS) INCOME PER SHARE

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

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

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

	September 30, 2023	September 30, 2022
Non-vested restricted stock units	1,180	820

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

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Weighted common shares outstanding - basic	44,209	44,476	44,042	44,676
Net effect of common stock equivalents	—	227	—	431
Weighted common shares outstanding - diluted	44,209	44,703	44,042	45,107

3. FAIR VALUE MEASUREMENTS

Assets Measured at Fair Value on a Recurring Basis

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

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

		Fair Value Measurements at Reporting Date Using		
	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Deferred compensation assets	$ 225	$ 84	$ 141	$ —

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

Financial Instruments Not Recorded at Fair Value

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

4. INVENTORIES

Inventories consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	$ 7,558	$ 7,984
Work in process	244	288
Finished goods	20,789	12,709
Total	$ 28,591	$ 20,981

As of September 30, 2023 and December 31, 2022, finished goods inventory included $3.2 million and $1.4 million, respectively, associated with products shipped to customers and deferred labor costs for arrangements where revenue recognition had not yet commenced.

5. LEASES

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

Operating lease right of use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. As our leases generally do not provide an implicit rate, we use an estimated incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents an estimate of the interest rate we would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular location and currency environment. As of September 30, 2023, the weighted average incremental borrowing rate was 6.0% and the weighted average remaining lease term was 4.5 years.

Finance lease right of use assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the lease commencement date. Each lease agreement provides an implicit discount rate used to determine the present value of future payments. As of September 30, 2023, the weighted-average discount rate was 0.4% and the weighted average remaining lease term was less than one year.

Lease costs for minimum lease payments is recognized on a straight-line basis over the lease term. Our total operating lease costs were $1.5 million and $1.4 million for the three months ended September 30, 2023 and September 30, 2022, respectively and $4.5 million and $4.3 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Related cash payments were $1.6 million and $1.5 million for the three months ended September 30, 2023 and September 30, 2022, respectively, and $4.8 million and $4.6 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Short term lease costs were $0.5 million and $0.6 million for the three months ended September 30, 2023 and September 30, 2022, respectively, and $1.6 million and $1.9 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Operating lease costs are included within costs of revenue, research and development, marketing and selling, and general and administrative lines on the condensed consolidated statements of operations, and the related cash payments are included in the operating cash flows on the condensed consolidated statements of cash flows. Finance lease costs, variable lease costs, and sublease income are not material.

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

Year Ending December 31,	**Operating Leases**	**Finance Leases**
2023 (excluding nine months ended September 30, 2023)	$ 1,568	$ 35
2024	5,814	52
2025	5,874	—
2026	5,935	—
2027	5,490	—
Thereafter	2,066	—
Total future minimum lease payments	$ 26,747	$ 87
Less effects of discounting	(3,447)	—
Total lease liabilities	$ 23,300	$ 87

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

Operating Leases	**September 30, 2023**
Right of use assets	$ 19,551
Accrued expenses and other current liabilities	(4,646)
Long-term lease liabilities	(18,654)
Total lease liabilities	$ (23,300)

Finance Leases	**September 30, 2023**
Other assets	$ 75
Accrued expenses and other current liabilities	87
Total lease liabilities	$ 87

6. OTHER LONG-TERM LIABILITIES

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

	September 30, 2023	December 31, 2022
Deferred compensation	$ 3,373	$ 3,715
Finance lease liabilities	—	46
Other long-term liabilities	534	587
Total	$ 3,907	$ 4,348

7. COMMITMENTS AND CONTINGENCIES

Commitments

We entered into a long-term agreement to purchase a variety of information technology solutions from a third party in the second quarter of 2020, which included an unconditional commitment to purchase a minimum of $32.2 million of products and services over the initial five years of the agreement. We have purchased $25.1 million of products and services pursuant to this agreement as of September 30, 2023.

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

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

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

Contingencies

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

Following the termination of our former Chairman and Chief Executive Officer on February 25, 2018, we received a notice alleging that we breached the former employee’s employment agreement. On April 16, 2019, we received an additional notice again alleging we breached the former employee’s employment agreement. On November 25, 2020 we received an additional notice again alleging we breached the former employee’s employment agreement. We have since been in communications with our former Chairman and Chief Executive Officer’s counsel. While we intend to defend any claim vigorously, when and if a claim is actually filed, we are currently unable to estimate an amount or range of any reasonably possible losses that could occur as a result of this matter.

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

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

At September 30, 2023 and as of the date of filing of these condensed consolidated financial statements, we believe that, other than as set forth in this note, no provision for liability nor disclosure is required related to any claims because: (a) there is no reasonable possibility that a loss exceeding amounts already recognized (if any) may be incurred with respect to such claim, (b) a reasonably possible loss or range of loss cannot be estimated, or (c) such estimate is immaterial.

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

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

	Nine Months Ended September 30,	
	2023	**2022**
Accrual balance at beginning of period	$ 941	$ 1,219
Accruals for product warranties	534	541
Costs of warranty claims	(633)	(784)
Accrual balance at end of period	$ 842	$ 976

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

8. RESTRUCTURING COSTS AND ACCRUALS

In May 2023, we committed to a restructuring plan focused on reducing our overall workforce, and as a result we recorded restructuring charges of $4.9 million for employee severance costs related to 95 positions eliminated during the nine months ended September 30, 2023. The restructuring plan is expected to be substantially completed in 2023.

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

	Employee
Accrual balance as of December 31, 2022	$ 205
Restructuring charges and revisions	4,811
Cash payments	(2,645)
Foreign exchange impact on ending balance	(11)
Accrual balance as of September 30, 2023	$ 2,360

9. REVENUE

Disaggregated Revenue and Geography Information

Through the evaluation of the discrete financial information that is regularly reviewed by the chief operating decision makers (our chief executive officer and chief financial officer), we have determined that we have one reporting unit and operating segment.
The following table sets forth our revenues by geographic region for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
United States	$ 38,038	$ 46,206	$ 125,067	$ 130,755
Other Americas	5,436	6,167	20,734	19,467
Europe, Middle East and Africa	34,647	36,865	108,574	112,026
Asia-Pacific	12,888	13,747	42,987	39,066
Total net revenues	$ 91,009	$ 102,985	$ 297,362	$ 301,314

The opening and closing balances of the Company's accounts receivable from contracts with customers were $76.8 million and $56.4 million for the nine months ended September 30, 2023, respectively, and $77.0 million and $55.3 million for the nine months ended September 30, 2022, respectively.

Contract Asset

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

	September 30, 2023	September 30, 2022
Contract asset at beginning of period	$ 37,765	$ 25,397
Revenue in excess of billings	63,251	51,400
Customer billings	(59,944)	(47,427)
Contract asset at end of period	$ 41,072	$ 29,370
Less: long-term portion (recorded in other long-term assets)	4,354	11,642
Contract asset, current portion	$ 36,718	$ 17,728

Deferred Revenue

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

	September 30, 2023	September 30, 2022
Deferred revenue at beginning of period	$ 94,150	$ 98,082
Billings deferred	55,109	57,094
Recognition of prior deferred revenue	(88,537)	(78,501)
Deferred revenue at end of period	$ 60,722	$ 76,675

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

	September 30, 2023
Product	$ 2,802
Subscription	15,497
Maintenance contracts	39,553
Implied PCS	2,870
Deferred revenue at September 30, 2023	$ 60,722

Remaining Performance Obligations

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

Historically, for many of our products, we had an ongoing practice of making when-and-if-available software updates available to customers free of charge for a period of time after initial sales to customers. The expectation created by this practice of providing free Software Updates represents an implied obligation of a form of post-contract customer support ("Implied PCS") which represents a performance obligation. While we have ceased providing Implied PCS on new product offerings, we continue to provide Implied PCS for older products that were predominately sold in prior years. Revenue attributable to Implied PCS performance obligations is recognized over time on a ratable basis over the period that Implied PCS is expected to be provided, which is typically six years. We have remaining performance obligations of $2.9 million attributable to Implied PCS recorded in deferred revenue as of September 30, 2023. We expect to recognize revenue for these remaining performance obligations of $0.4 million for the remainder of 2023 and $1.2 million, $0.7 million, $0.4 million and $0.2 million for the years ending December 31, 2024, 2025, 2026, and 2027, respectively, and an immaterial amount thereafter.

As of September 30, 2023, we had approximately $16.7 million of transaction price allocated to remaining performance obligations for certain enterprise agreements that have not yet been fully invoiced. Approximately $14.2 million of these performance obligations were unbilled as of September 30, 2023. Remaining performance obligations represent obligations we must deliver for specific products and services in the future where there is not yet an enforceable right to invoice the customer. Our remaining performance obligations do not include contractually committed minimum purchases that are common in our strategic purchase agreements with resellers since our specific obligations to deliver products or services is not yet known, as customers may satisfy such commitments by purchasing an unknown combination of current or future product offerings. While the timing of fulfilling individual performance obligations under the contracts can vary dramatically based on customer requirements, we expect to recognize the $16.7 million in roughly equal installments through 2025.

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

10. LONG-TERM DEBT AND CREDIT AGREEMENT

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

	September 30, 2023	December 31, 2022
Term Loan, net of unamortized issuance costs and debt discount of $2,038 and $2,485 at September 30, 2023 and December 31, 2022, respectively	$ 177,274	$ 181,853
Revolving Credit Facility	40,000	—
Other long-term debt	691	815
Total debt	$ 217,965	$ 182,668
Less: current portion	14,242	9,710
Total long-term debt	$ 203,723	$ 172,958

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

Fiscal Year	Term Loan	Revolving Credit Facility	Other Long-Term Debt	Total
2023 (excluding nine months ended September 30, 2023)	$ 4,525	—	41	$ 4,566
2024	13,131	—	170	13,301
2025	17,906	—	182	18,088
2026	19,100	—	195	19,295
2027	124,650	40,000	103	164,753
Total before unamortized discount	179,312	40,000	691	220,003
Less: unamortized discount and issuance costs	(2,038)	—	—	(2,038)
Less: current portion of long-term debt	(14,075)	—	(167)	(14,242)
Total long-term debt	$ 163,199	40,000	$ 524	$ 203,723

Credit Agreement

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

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

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

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

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

In connection with the Second A&R Credit Agreement, the Company accounted for the amendment as a modification and incurred an additional $0.5 million of issuance costs during the three months ended December 31, 2022. These additional costs and the remaining unamortized Term Loan discount and issuance costs are being amortized jointly over the amended remaining life of the Second A&R Credit Agreement.

We recorded $4.7 million and $11.8 million of interest expense on the Term Loan and Revolving Credit Facility for the three and nine months ended September 30, 2023. We recorded $2.1 million and $4.6 million of interest expense on the Term Loan for the three and nine months ended September 30, 2022, respectively. The effective interest rate for the nine months ended September 30, 2023 was 7.30%. As of September 30, 2023, there was $40 million outstanding under the Revolving Credit Facility. We were in compliance with the Second A&R Credit Agreement covenants as of September 30, 2023.

11. STOCKHOLDERS’ EQUITY

Stock-Based Compensation

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

	Number of Restricted Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)	Shares Retained to Cover Statutory Minimum Withholding Taxes
Non-vested at January 1, 2023	788,217	$28.24			—
Granted	607,432	30.00			—
Vested	(426,811)	25.00			(144,519)
Forfeited	(68,669)	33.04			—
Non-vested at September 30, 2023	900,169	$30.60	0.95	$28,778	

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

	Number of Performance-based Restricted Stock Units	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)	Shares Retained to Cover Statutory Minimum Withholding Taxes
Non-vested at January 1, 2023	294,011	$23.20			—
Granted	240,598	26.12			—
Vested	(254,320)	15.34			(114,881)
Forfeited	—	—			—
Non-vested at September 30, 2023	280,289	$32.85	1.17	$8,961	

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Share-based compensation expense by type:				
Time-based Restricted Stock Units	$ 3,705	$ 2,892	$ 12,618	$ 8,272
Performance-based Restricted Stock Units	1,153	1,007	3,175	2,598
ESPP	45	48	145	144
Total share-based compensation expense	$ 4,903	$ 3,947	$ 15,938	$ 11,014

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenues	$ 722	$ 588	$ 2,135	$ 1,603
Research and development expenses	979	498	2,663	1,363
Marketing and selling expenses	886	743	2,731	2,141
General and administrative expenses	2,316	2,118	8,409	5,907
Total share-based compensation expense	$ 4,903	$ 3,947	$ 15,938	$ 11,014

On September 9, 2021, our Board of Directors approved the repurchase of up to $115.0 million of our outstanding shares. This authorization does not have a prescribed expiration date. As of September 30, 2023, approximately $36.6 million of the $115.0 million share repurchase authorization remained available. The Company has no obligation to repurchase any amount of its common stock, and the program may be suspended or discontinued at any time. For the three months ended September 30, 2023, the Company did not repurchase any shares of its common stock. For the nine months ended September 30, 2023, the Company repurchased 15,706 shares of its common stock for $0.4 million.

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

EXECUTIVE OVERVIEW

Business Overview

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

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

Operations Overview

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

A key element of our strategy is our transition to a recurring revenue-based model through a combination of subscription offerings and long-term agreements. As of September 30, 2023, we had approximately 550,000 paid subscriptions. The subscription count includes all paid and active seats under multi-seat licenses. These licensing options offer choices in pricing and deployment to suit our customers' needs. Our subscription offerings to date have been sold to creative professionals and media enterprises. We expect to increase subscription sales to media enterprises going forward as we expand offerings and move through customer upgrade cycles, which we expect will further increase recurring revenue on a longer-term basis. Our long-term agreements are comprised of multi-year agreements with large media enterprise customers to provide specified products and services, including SaaS offerings, and channel partners and resellers to purchase minimum amounts of products and service over a specified period of time.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Subscriptions	$ 38,018	$ 41,782	$ 121,842	$ 108,878
Maintenance	20,230	27,280	66,348	83,382
Subscriptions and Maintenance	58,248	69,062	188,190	192,260
Perpetual Licenses	2,210	1,790	3,868	9,729
Software Licenses and Maintenance	60,458	70,852	192,058	201,989
Integrated solutions	24,593	26,267	87,038	82,492
Professional services & training	5,958	5,866	18,266	16,833
Total revenue	$ 91,009	$ 102,985	$ 297,362	$ 301,314

Recent Developments Affecting Our Business

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES

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

We believe that our critical accounting estimates are those related to revenue recognition and allowances for sales returns and exchanges and income tax assets and liabilities. We believe these policies and estimates are critical because they most significantly affect the portrayal of our financial condition and results of operations and involve our most complex and subjective estimates and judgments. A discussion of our critical accounting policies and estimates may be found in our Annual Report on Form 10-K for the year ended December 31, 2022 in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Critical Accounting Estimates”. There have been no significant changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenues:				
Subscriptions	41.8 %	40.6 %	41.0 %	36.1 %
Maintenance	22.2 %	26.5 %	22.3 %	27.7 %
Integrated solutions & other	36.0 %	32.9 %	36.7 %	36.2 %
Total net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues	36.4 %	32.2 %	37.3 %	33.7 %
Gross margin	63.6 %	67.8 %	62.7 %	66.3 %
Operating expenses:				
Research and development	21.7 %	16.6 %	19.9 %	16.6 %
Marketing and selling	25.2 %	23.7 %	23.9 %	23.2 %
General and administrative	19.3 %	13.7 %	16.9 %	14.0 %
Restructuring costs, net	(0.6)%	0.1 %	1.6 %	0.2 %
Total operating expenses	65.6 %	54.1 %	62.3 %	54.0 %
Operating (loss) income	(2.0)%	13.7 %	0.4 %	12.4 %
Interest expense, net	(5.6)%	(2.7)%	(4.4)%	(2.1)%
Other income (loss), net	— %	— %	0.1 %	— %
(Loss) income before income taxes	(7.6)%	11.0 %	(3.9)%	10.3 %
(Benefit from) Provision for income taxes	0.5 %	(0.7)%	0.2 %	0.3 %
Net (loss) income	(8.1)%	11.7 %	(4.1)%	10.0 %

Net Revenues

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

Net Revenues for the Three Months Ended September 30, 2023 and 2022				
(dollars in thousands)				
	2023	Change		2022
	Net Revenues	$	%	Net Revenues
Subscriptions	$ 38,018	$ (3,764)	(9.0)%	$ 41,782
Maintenance	20,230	(7,050)	(25.8)%	27,280
Integrated solutions & other	32,761	(1,162)	(3.4)%	33,923
Total net revenues	$ 91,009	$ (11,976)	(11.6)%	$ 102,985

Net Revenues for the Nine Months Ended September 30, 2023 and 2022				
(dollars in thousands)				
	2023	Change		2022
	Net Revenues	$	%	Net Revenues
Subscriptions	$ 121,842	$ 12,964	11.9%	$ 108,878
Maintenance	66,348	$ (17,034)	(20.4)%	83,382
Integrated solutions & other	$ 109,172	$ 118	0.1%	$ 109,054
Total net revenues	$ 297,362	$ (3,952)	(1.3)%	$ 301,314

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	42%	45%	42%	43%
Other Americas	6%	6%	7%	7%
Europe, Middle East and Africa	38%	36%	37%	37%
Asia-Pacific	14%	13%	14%	13%

Subscription Revenues

Our subscription revenues are derived primarily from sales of our Media Composer, MediaCentral, Pro Tools, and Sibelius offerings. Subscription revenues decreased $3.8 million, or 9.0%, for the three months ended September 30, 2023, and increased $13.0 million or 11.9%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The increase for the nine months ended September 30, 2023, was primarily a result of new customers adopting our subscription solutions and customers transitioning from our perpetual product licenses to our subscription-based model. We saw a decrease in subscription revenue for the three months ending September 30, 2023 due to more challenging economic conditions.

Maintenance Revenues

Our maintenance revenues are derived from a variety of maintenance contracts for our software and integrated solutions. Maintenance contracts allow each customer to select the level of technical and operational support that it needs to maintain their operational effectiveness. Maintenance contracts typically include the right to the latest software updates, call support, and, in some cases, hardware maintenance. Maintenance revenues decreased $7.1 million, or 25.8%, for the three months ended September 30, 2023, and $17.0 million or 20.4%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The decrease for the three and nine months ended September 30, 2023 was primarily due to customers transitioning from our perpetual based licenses to our subscription licenses.

Integrated Solutions and Other Revenues

Our integrated solutions and other revenues are derived primarily from sales of our storage and workflow solutions, media management solutions, video creative tools, digital audio software and workstation solutions, and our control surfaces, consoles, and live-sound systems as well as professional and learning services. Integrated solutions and other revenues decreased $1.2 million or (3.4)%, for the three months ended September 30, 2023, and increased $0.1 million or 0.1%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The decrease for the three months ended September 30, 2023, was driven by lower integrated solutions sales due to more challenging economic conditions. The increase for the nine months ended September 30, 2023, was driven by an increase in integrated solutions sales as we have improved delivering on our backlog.

Cost of Revenues, Gross Profit and Gross Margin Percentage

Cost of revenues consists primarily of costs associated with:

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

Costs of Revenues and Gross Profit

Costs of Revenues and Gross Profit for the Three Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023 Costs	Change $	Change %	2022 Costs
Subscriptions	$ 4,793	$ (1,370)	(22.2)%	$ 6,163
Maintenance	4,614	(235)	(4.8)%	4,849
Integrated solutions & other	23,697	1,503	6.8%	22,194
Total cost of revenues	$ 33,104	$ (102)	(0.3)%	$ 33,206
Gross profit	$ 57,905	$ (11,874)	(17.0)%	$ 69,779

Costs of Revenues and Gross Profit for the Nine Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023 Costs	Change $	Change %	2022 Costs
Subscriptions	$ 14,579	$ (3,478)	(19.3)%	$ 18,057
Maintenance	14,425	(954)	(6.2)%	15,379
Integrated solutions & other	81,915	13,946	20.5%	67,969
Total cost of revenues	$ 110,919	$ 9,514	9.4%	$ 101,405
Gross profit	$ 186,443	$ (13,466)	(6.7)%	$ 199,909

Gross Margin Percentage

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

Our gross margin percentage for the three months ended September 30, 2023 decreased to 63.6% from 67.8% for the three months ended September 30, 2022, and for the nine months ended September 30, 2023 decreased to 62.7% from 66.3% for the nine months ended September 30, 2022. These decreases were primarily due to increased prices on the components used in some of our integrated solutions products. Given the supply chain disruptions, we made spot purchases at increased prices to ensure we had sufficient components on hand. There was also a change in the mix of integrated solutions and other revenues towards our lower margin hardware, which also negatively impacted margins. These decreases were partially offset by the increase in our subscription margins due to increased volume.

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

	2023 Gross Margin %	Change	2022 Gross Margin %
Subscription	87.4%	2.2%	85.2%
Maintenance	77.2%	(5.0)%	82.2%
Integrated solutions & other	27.7%	(6.9)%	34.6%
Total	63.6%	(4.2)%	67.8%

Gross Margin % for the Nine Months Ended September 30, 2023 and 2022

	2023 Gross Margin %	Change	2022 Gross Margin %
Subscription	88.0%	4.6%	83.4%
Maintenance	78.3%	(3.3)%	81.6%
Integrated solutions & other	25.0%	(12.7)%	37.7%
Total	62.7%	(3.6)%	66.3%

Operating Expenses and Operating (Loss) Income

Operating Expenses and Operating (Loss) Income for the Three Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023 Expenses	Change $	Change %	2022 Expenses
Research and development	$ 19,767	$ 2,657	15.5%	$ 17,110
Marketing and selling	23,004	(1,358)	(5.6)%	24,362
General and administrative	17,582	3,516	25.0%	14,066
Restructuring costs, net	(589)	(747)	(472.8)%	158
Total operating expenses	$ 59,764	$ 4,068	7.3%	$ 55,696
Operating (loss) income	$ (1,859)	$ (15,942)	(113.2)%	$ 14,083

Operating Expenses and Operating Income for the Nine Months Ended September 30, 2023 and 2022

(dollars in thousands)

	2023 Expenses	Change $	Change %	2022 Expenses
Research and development	$ 59,193	$ 9,324	18.7%	$ 49,869
Marketing and selling	71,052	1,090	1.6%	69,962
General and administrative	50,216	7,975	18.9%	42,241
Restructuring costs, net	4,873	4,358	846.2%	515
Total operating expenses	$ 185,334	$ 22,747	14.0%	$ 162,587
Operating income	$ 1,109	$ (36,213)	(97.0)%	$ 37,322

Research and Development Expenses

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

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

(dollars in thousands)

	2023 Increase From 2022 $	2023 Increase From 2022 %
Consulting and outside services	1,012	26.5 %
Other	891	22.9 %
Personnel-related	754	8.0 %
Total research and development expenses increase	$ 2,657	15.5 %

Change in R&D Expenses for the Nine Months Ended September 30, 2023 and 2022

(dollars in thousands)

	2023 Increase From 2022 $	2023 Increase From 2022 %
Consulting and outside services	3,437	32.9 %
Other	3,198	28.8 %
Personnel-related	2,689	9.5 %
Total research and development expenses increase	$ 9,324	18.7%

R&D expenses increased $2.7 million, or 15.5%, for the three months ended September 30, 2023, and $9.3 million or 18.7%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The increase in consulting and outside services was due to both an increase in fees as well as increased usage of contractors to support our ongoing R&D operations. The increase in personnel-related expenses was primarily the result of annual salary increases and increased headcount during the first half of the year. The increase in other expenses was related to depreciation and severance related charges related to individuals who opted in to our early retirement program.

Marketing and Selling Expenses

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

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

(dollars in thousands)

	2023 Decrease From 2022	
	$	**%**
Other	(984)	(12.1)%
Personnel-related	(374)	(2.3)%
Total marketing and selling expenses decrease	$ (1,358)	(5.6)%

Change in Marketing and Selling Expenses for the Nine Months Ended September 30, 2023 and 2022

(dollars in thousands)

	2023 Increase (Decrease) From 2022	
	$	**%**
Personnel-related	1,885	4.0 %
Foreign exchange (gains) and losses	(1,239)	(76.6)%
Other	444	2.0 %
Total marketing and selling expenses increase	$ 1,090	1.6 %

Marketing and selling expenses decreased $(1.4) million, or (5.6)%, for the three months ended September 30, 2023, and increased $1.1 million or 1.6%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The increase in personnel-related expenses for the nine months ended September 30, 2023 was primarily the result of annual salary increases and increased headcount, which was offset in the three months ended September 30, 2023 by savings from our restructuring plan and changes in variable compensation. The change in foreign exchange translations for the three and nine months ended September 30, 2023, compared to the same periods in 2022, was due to foreign exchange gains and losses from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities. The decrease in other expenses for the three months ended September 30, 2023 was primarily due to a provision for doubtful accounts in 2022.

General and Administrative Expenses

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

Change in G&A Expenses for the Three Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023 Increase (Decrease) From 2022	
	$	**%**
Other	3,068	78.9 %
Consulting and outside services	774	25.1 %
Personnel-related	(326)	(4.6)%
Total G&A expenses increase	$ 3,516	25.0 %

Change in G&A Expenses for the Nine Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023 Increase From 2022	
	$	**%**
Other	4,251	76.0 %
Personnel-related	2,511	11.8 %
Consulting and outside services	1,213	7.9 %
Total G&A expenses increase	$ 7,975	18.9%

G&A expenses increased $3.5 million, or 25.0%, for the three months ended September 30, 2023, and $8.0 million or 18.9%, for the nine months ended September 30, 2023, compared to the same periods in 2022. The increase in personnel-related expenses for the nine months ended September 30, 2023 was primarily the result of annual salary increases and increased headcount, which was offset in the three months ended September 30, 2023 by savings from our restructuring plan and changes in variable compensation. The increase in other expenses was primarily due to severance related charges related to individuals who opted in to our early retirement program as well as transactions costs related to the Merger Agreement.

Restructuring Costs, Net

Restructuring costs decreased and increased for the three and nine months ended September 30, 2023, due to the restructuring plan that we committed to in May 2023, which focused on reducing our overall workforce, and as a result we recorded restructuring charges of $4.9 million for employee severance costs related to 95 positions eliminated through the third quarter of 2023. The restructuring plan is expected to be substantially completed in 2023.

Interest Expense, Net

Interest Expense, Net for the Three Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023	Change		2022
		$	**%**	
Interest expense, net	$ (5,060)	$ (2,319)	84.6%	$ (2,741)

Interest Expense, Net for the Nine Months Ended September 30, 2023 and 2022
(dollars in thousands)

	2023	Change		2022
		$	**%**	
Interest expense, net	$ (12,989)	$ (6,828)	110.8%	$ (6,161)

Interest expense increased for the three and nine months ended September 30, 2023, respectively, due to a higher interest rate as a result of increases in the Secured Overnight Financing Rate (SOFR) on our borrowings and a higher level of borrowings, which included the $40.0 million outstanding under the Revolving Credit Facility. The effective interest rate was 7.82% and 4.81% for the three months ended September 30, 2023 and September 30, 2022, respectively. The effective interest rate was 7.30% and 3.58% for the nine months ended September 30, 2023 and September 30, 2022, respectively.

Provision for (benefit from) Income Taxes

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

(dollars in thousands)

	2023	Change $	Change %	2022
Provision for (benefit from) Income Taxes	$ 436	$ 1,101	(165.6)%	$ (665)

Provision for Income Taxes for the Nine Months Ended September 30, 2023 and 2022

(dollars in thousands)

	2023	Change $	Change %	2022
Provision for Income Taxes	$ 619	$ (568)	(47.9)%	$ 1,187

The tax provision movement resulted in a (6.3%) and (5.3%) as a percentage of income and loss before tax for the three and nine months ended September 30, 2023. The increase in the tax provision for the three months ended September 30, 2023 compared to the same period in 2022 was primarily related to utilization of foreign net operating losses and prior year return to provision adjustments recorded. The decrease in the tax provision for the nine months ended September 30, 2023, compared to the same period in 2022, was primarily due to the decrease in worldwide pre-tax income. No benefit was provided for the tax losses generated in the United States due to a full valuation allowance position recorded on the deferred tax assets. While we had experienced recent profitability in the U.S. prior to the period ended March 31, 2023, during periods ended March 31, 2023 through September 30, 2023 we experienced a pre-tax loss in the U.S. We intend to continue recording a full valuation allowance on our U.S. deferred tax assets until there is sufficient positive evidence to determine that a significant portion of the valuation allowance will no longer be needed.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Sources of Cash

Our principal sources of liquidity include cash and cash equivalents, which totaled $21.0 million as of September 30, 2023, as well as the availability of borrowings of up to $80.0 million under our revolving Credit Facility as of September 30, 2023. We have generally funded operations in recent years through the use of existing cash balances, supplemented from time to time with the proceeds of long-term debt and borrowings under our credit facilities. Our cash requirements vary depending on factors such as the growth of the business, changes in working capital, and capital expenditures. We anticipate that we will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next 12 months as well as for the foreseeable future.

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

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

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

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

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

In the event revenues in future quarters are lower than we currently anticipate or operating expenses are higher than we expect, we may be forced to take remedial actions which could include, among other things (and where allowed by the lenders), (i) further cost reductions, (ii) seeking replacement financing, (iii) raising funds through the issuance of additional equity or debt securities or the incurrence of additional borrowings, or (iv) disposing of certain assets or businesses. Such remedial actions, which may not be available on favorable terms or at all, could have a material adverse impact on our business. If we are not in compliance with the net leverage ratio covenant and are unable to obtain an amendment or waiver, such noncompliance may result in an event of default under the Second A&R Credit Agreement, which could permit acceleration of the outstanding indebtedness under the Second A&R Credit Agreement and require us to repay such indebtedness before the scheduled due date. If an event of default were to occur, we might not have sufficient funds available to make the payments required. If we are unable to repay amounts owed, the lenders may be entitled to foreclose on and sell substantially all of our assets, which secure our borrowings under the Second A&R Credit Agreement. We were in compliance with the Second A&R Credit Agreement covenants as of September 30, 2023.

Cash Flows

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

	Nine Months Ended September 30,	
	2023	**2022**
Net cash (used in) provided by operating activities	$ (27,815)	$ 25,563
Net cash used in investing activities	(13,798)	(11,067)
Net cash provided by (used in) financing activities	27,315	(38,294)
Effect of foreign currency exchange rates on cash, cash equivalents and restricted cash	(1,523)	(1,809)
Net decrease in cash, cash equivalents and restricted cash	$ (15,821)	$ (25,607)

Cash Flows from Operating Activities

Cash used in operating activities aggregated $27.8 million for the nine months ended September 30, 2023. The use of cash in operations compared to net cash provided by operating activities in the nine months ended September 30, 2022 was primarily due to a change in working capital and the Company's lower operating profitability.

Cash Flows from Investing Activities

For the nine months ended September 30, 2023, net cash flows used in investing activities reflected $13.8 million used for the purchase of property and equipment. Our purchases of property and equipment largely consist of computer hardware and software to support R&D activities and information systems. In addition, as part of our digital transformation we have increased spending on the development of internal-use software as we upgrade and improve our back-office applications, as well as development of our cloud related infrastructure.

Cash Flows from Financing Activities

For the nine months ended September 30, 2023, net cash flows provided by financing activities were primarily the result of drawing down $40 million on our revolving credit facility, partially offset by our common stock repurchases for tax withholdings for net settlement of equity awards as well as principal payments on our Term Loan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Foreign Currency Exchange Risk

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

We recorded a $0.7 million net foreign exchange loss and a $1.9 million net foreign exchange loss for the nine months ended September 30, 2023 and 2022, respectively. The foreign exchange gains and losses resulted from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities.

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

Interest Rate Risk

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

Under applicable SEC rules (Exchange Act Rules 13a-15(c) and 15d-15(c)) management is required to evaluate any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As discussed in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2022, we have undertaken remedial actions to address the material weakness in our internal control over financial reporting over the accounting methodology used to determine standalone selling price, or SSP, revenue associated with multiple performance obligations related to term-based subscription contracts. We believe necessary remedial actions to our control environment are now in place, however the enhancements to our control environment have not been in place for a sufficient period of time to allow us to conclude that the internal control over financial reporting is effective as of September 30, 2023.

Inherent Limitation on the Effectiveness of Internal Controls

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

Risks Related to the Merger

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

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

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

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

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

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

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

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

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

The consummation of the Merger is subject to customary closing conditions as set forth in the Merger Agreement. As previously disclosed by the Company, certain of these conditions have been satisfied, including the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of our common stock and the receipt of all required regulatory approvals and clearances set forth in the Merger Agreement to complete the Merger, but certain of the remaining conditions to consummation of the Merger are not within our control or the control of Parent or Merger Sub. There can be no assurance that our business, our relationships or our financial condition will not be adversely affected, as compared to the condition prior to the announcement of the Merger, if the Merger is not consummated within the expected timeframe, or at all. Failure to complete the Merger within the expected timeframe, or at all, could adversely affect our business and the market price of our common stock in a number of ways, including the following:

- if the Merger is not completed within the expected timeframe, or at all, the share price of our common stock will change to the extent that the current market price of our stock reflects assumptions regarding the completion of the Merger;

- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other costs in connection with the Merger, for which we may receive little or no benefit if the Merger is not completed. Many of these fees and costs will be payable by us even if the Merger is not completed and may relate to activities that we would not have undertaken other than to complete the Merger;

- failure to complete the Merger within the expected timeframe, or at all, may result in negative publicity and a negative impression of us in the investment community and may lead to subsequent offers to acquire the Company at a lower price or otherwise on less favorable terms to us and our stockholders than contemplated by the Merger;

- the impairment of our ability to attract, retain and motivate personnel, including our senior management;

- difficulties maintaining relationships with customers, distributors, suppliers and other business partners; and

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

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

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

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

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

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

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

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit No.	Description	Filed with this Form 10-Q	Incorporated by Reference		
			Form or Schedule	SEC Filing Date	SEC File Number
3.1	Third Amended and Restated Certificate of Incorporation of the Registrant, as amended		10-Q	August 9, 2023	001-36254
3.3	Amendment to the Company's Third Amended and Restated Certificate of Incorporation, as amended		8-K	June 1, 2023	001-36254
3.4	Amended and Restated By-Laws		8-K	June 1, 2023	001-36254
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*			
101.INS	eXtensible Business Reporting Language (XBRL) Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
**101.SCH	XBRL Taxonomy Extension Schema Document	X			
**101.CAL	XBRL Taxonomy Calculation Linkbase Document	X			
**101.DEF	XBRL Taxonomy Definition Linkbase Document	X			
**101.LAB	XBRL Taxonomy Label Linkbase Document	X			
**101.PRE	XBRL Taxonomy Presentation Linkbase Document	X			

* Furnished herewith.

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

SIGNATURE

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

		AVID TECHNOLOGY, INC. (Registrant)	
Date:	November 7, 2023	By:	/s/ Kenneth Gayron
		Name:	Kenneth Gayron
		Title:	Executive Vice President and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Jeff Rosica, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 7, 2023	/s/ Jeff Rosica
		Jeff Rosica President and Chief Executive Officer *(Principal Executive Officer)*

EXHIBIT 31.2

CERTIFICATION

I, Kenneth Gayron, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avid Technology, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

/s/ Kenneth Gayron

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

EXHIBIT 32.1

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

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

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

Date:	November 7, 2023	/s/ Jeff Rosica Jeff Rosica President and Chief Executive Officer *(Principal Executive Officer)*
Date:	November 7, 2023	/s/ Kenneth Gayron Kenneth Gayron Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*

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