



The technology provider  
that **powers** the media  
& entertainment industry

COMPANY OVERVIEW  
AVID TECHNOLOGY  
May 2019

# Non-GAAP & Operational Measures

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

## **Non-GAAP Measures**

Adjusted EBITDA  
Free Cash Flow  
Non-GAAP Gross Profit  
Non-GAAP Gross Margin  
Non-GAAP Operating Expenses  
Non-GAAP Operating Income  
Non-GAAP Earnings (Loss) Per Share

## **Operational Measures**

Revenue Backlog  
Recurring Revenue  
Annual Contract Value

The non-GAAP measures used in this presentation are reconciled to their comparable GAAP measures in our 8-K filed with the SEC on May 6, 2019, and the operational measures used in this presentation are defined in the supplemental financial information datasheet available on [ir.avid.com](http://ir.avid.com). Avid believes the non-GAAP measures and operational measures provided in this presentation provide helpful information to investors with respect to evaluating the Company's performance. However, these non-GAAP measures and operational measures may vary from how other companies present such measures. Non-GAAP measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

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





# Safe Harbor Statement

Certain statements made within this presentation contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward looking statements involve risks and uncertainties, including projections and statements about our anticipated plans, objectives, expectations and intentions. Among other things, this presentation includes projected results of operations for the second quarter and full fiscal year 2019 which are based on a variety of assumptions about key factors and metrics that will determine our future results of operations, including, for example, anticipated market uptake of new products, realization of identified efficiency programs and market based cost inflation. Other forward-looking statements include, without limitation, statements based upon or otherwise incorporating judgments or estimates relating to future performance such as future operating results and expenses; earnings; backlog; product mix and free cash flow; Recurring Revenue and Annual Contract Value; our long-term and recent cost savings initiatives and the anticipated benefits therefrom; our future strategy and business plans; our product plans, including products under development, such as cloud and subscription based offerings, recurring revenue and annual contract value. The projected future results of operations, and the other forward-looking statements in this presentation are based on current expectations as of the date of this presentation and subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. The guidance presented in this presentation is inherently uncertain and subject to numerous risks and uncertainties. Our actual future results of operations and cash flows could differ materially from those discussed in this presentation.

For additional information, including a discussion of some of the key risks and uncertainties associated with these forward-looking statements, please see the “Forward Looking Statements” section of our press release issued today, as well as the Risk Factors and Forward-Looking Statements sections of the Company’s 2018 Annual Report on Form 10-K filed with the SEC. Copies of these filings are available from the SEC, the Avid web site or the Company’s Investor Relations Department.

Any forward-looking information relayed in this presentation speaks only as of today, and Avid undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.



# Media Technology for Creative Individuals And Enterprises

## Creative Individuals

- Solutions for professional and amateur creative individuals to create, mix, edit and master digital audio and video content
- End users include video editors, sound editors, recording engineers, producers, musicians, filmmakers and students
- Over 1.3 million licenses sold, over 137,000 paying subscribers and over 1.4 million downloads of First versions



### Market Trends

- ✓ Consumerization of content / music creation and distribution
- ✓ Growth in number of creative individuals looking online for top tier tools and entertainment solutions
- ✓ Accelerated digitization of media assets

## Media Enterprises

- Broadcast networks, newsrooms, sports, post-production, live production and other organizations that acquire, create, process and distribute video and audio content
- Avid serves a large base of 10K+ enterprise customers



### Market Trends

- ✓ UHD / 4K, IP and immersive driving large scale retooling
- ✓ Industry migration toward virtualization and cloud deployment for accessibility, scalability and elasticity
- ✓ Enterprise shift from perpetual licensing models to subscription
- ✓ Increasing spend on digital distribution infrastructure



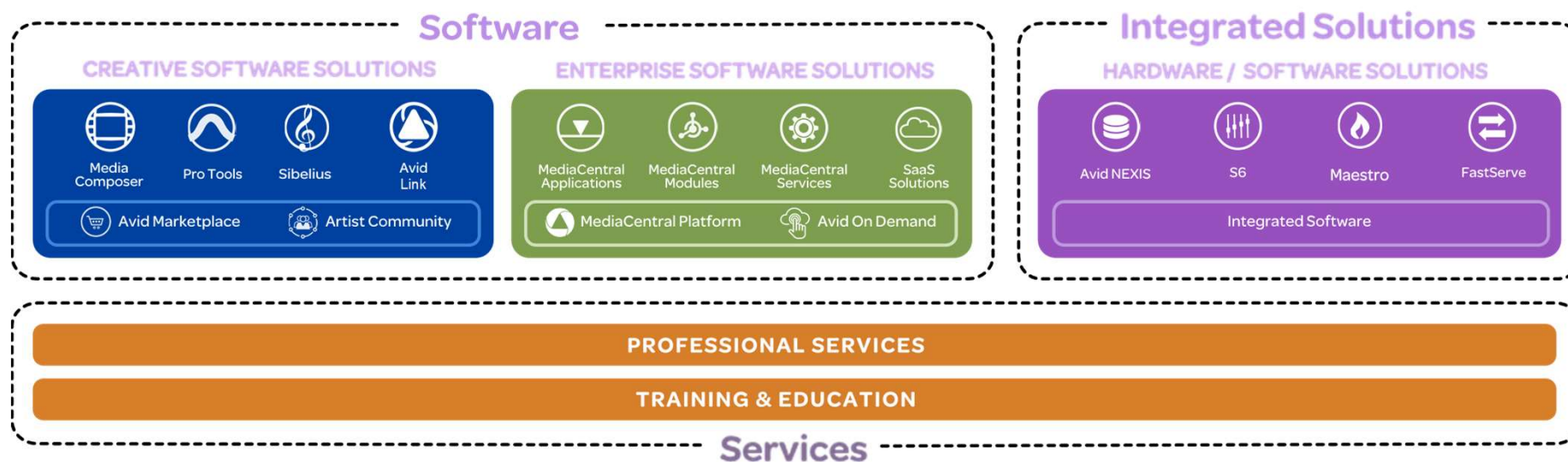
# Avid Offers a Differentiated, High-Value Portfolio

- Large high-margin **software and maintenance** business
- Transitioning from **license to subscription**
- Sets stage for more growth fueled by move to cloud / SaaS

**Q1 2019 rev: \$49.4M | GM: 84.8% | Share: 48%**

- Differentiated, high value-add **integrated solutions**
- Best-in-class hardware platforms with integrated software
- Good growth and margin profile moving forward

**Q1 2019 rev: \$46.3M | GM: 43.8% | Share: 45%**



- Strategically important, but lower margin **services** business
- Moving towards higher value-add services in the future
- Meaningful opportunities to improve margins moving forward

**Q1 2019 rev: \$7.6M | GM: 14.5% | Share: 7%**

Note: Non-GAAP Gross Margin %



# Go-To-Market For Enterprise And Creative Individuals

*Optimizing Along Logical “Swim Lanes” Will Maximize Success*

## Enterprise

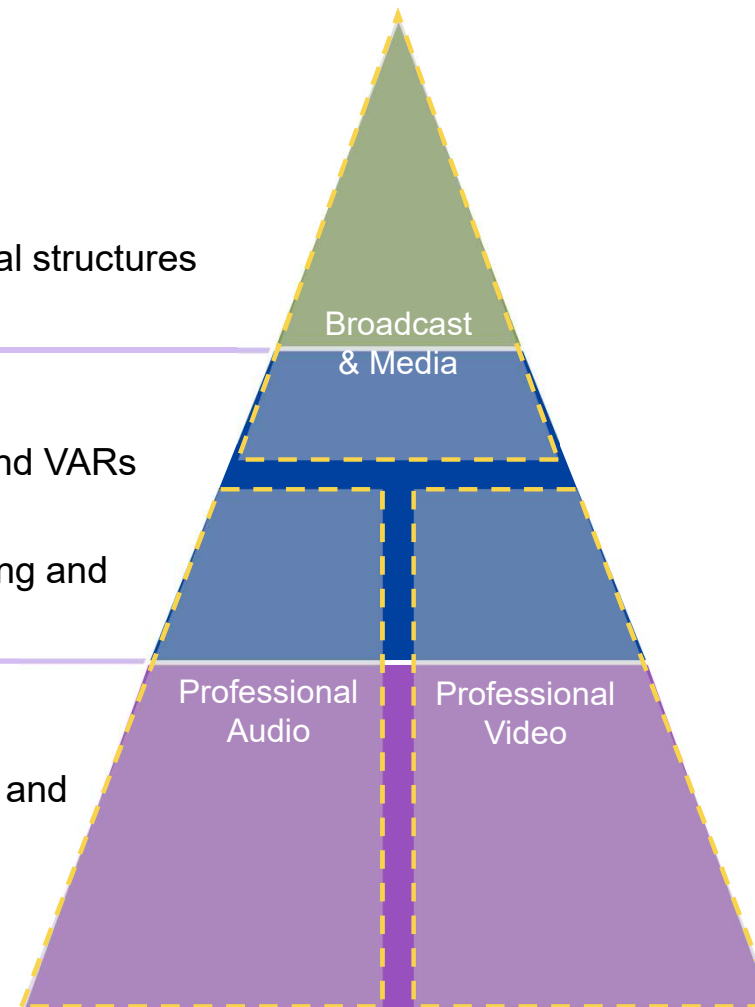
- Account-based marketing model
- Multi-year Enterprise Agreements with key customers
- Flexible deployment models, licensing options and commercial structures

## Channel

- Strategic Partner agreements with market leading resellers and VARs
- Scalable service and support
- Localized approach to help end-users access products, training and support quickly

## Digital

- Best-in-class eCommerce engine serving creative individuals and small teams
- Proactive support model with recurring subscriptions



# Key Business Observations

- Key financial indicators in Q1 2019 demonstrate the momentum we had exiting 2018 is continuing
  - ✓ Continued GAAP YoY revenue growth
  - ✓ Strong Adjusted EBITDA and Free Cash Flow
- Good progress on moving to more recurring revenue with continued growth in subscriptions and long-term agreements
- Continued focus on operational improvements and our smart savings initiatives to deliver \$20M savings target
- Positive response to our new product introductions at the recent Avid Connect 2019 and the NAB show
- New enterprise agreements with some of the largest media companies to upgrade and reimagine their workflows





# Q1 2019 Business Performance

(\$M, except per share)	Q1 2019	YoY Change
Revenue	\$103.3	+5%
Non-GAAP Gross Margin	61.3%	+240bps
Adjusted EBITDA	\$12.6	+99%
Free Cash Flow	\$4.6	+41%
Non-GAAP Earnings per Share	\$0.11	+\$0.17

- E-commerce revenue up 33% YoY
- Paid software subscriptions over 137,000, up 43% YoY
- Avid First free downloads reached 1.4M cumulative





# Balance Sheet & Backlog as of 3/31/2019

(\$M)		<u>3/31/18</u>	<u>12/31/18</u>	<u>3/31/19</u>
<b>Cash and Cash Equivalents*</b>		<b>\$48.0</b>	<b>\$56.1</b>	<b>\$55.3</b>
<b>Accounts Receivable</b>		<b>52.5</b>	<b>67.8</b>	<b>61.3</b>
DSO		48	55	53
<b>Contract Assets</b>		<b>\$11.8</b>	<b>\$16.5</b>	<b>\$18.7</b>
<b>Net Inventory</b>		<b>32.9</b>	<b>33.0</b>	<b>34.3</b>
<b>Accounts Payable</b>		<b>28.1</b>	<b>39.2</b>	<b>38.4</b>
<b>Deferred Revenue</b>	<b>a</b>	<b>106.4</b>	<b>99.6</b>	<b>101.3</b>
<b>Contractually Committed Backlog</b>	<b>b</b>	<b>328.6</b>	<b>357.2</b>	<b>358.4</b>
<b>Total Revenue Backlog</b>	<b>a+b</b>	<b>435.0</b>	<b>456.8</b>	<b>459.7</b>
<b>Long-Term Debt</b>		<b>203.3</b>	<b>220.6</b>	<b>218.2</b>

- Growth in A/R and Inventory funded by A/P
- A/P to come down in 2H'19 with planned reduction in Inventory

- Cash balance remains strong, up \$7.3M YoY
- Accounts receivable up \$9M YoY on strong billings in back half of Q1'19
- Contract assets up \$7M YoY on growth in subscription business
- Inventory up \$1M YoY on supply chain transition – expected to decline in 2H'19 as transition completes
- Contractually committed backlog was \$358M at end of Q1'19, up \$30M YoY on increased long term agreements and subscriptions
- Long Term Debt of \$218M, increased \$15M YoY due to additional borrowings in May 2018, offset by repurchase of \$18M convertible notes

\*Cash balance excludes \$8.5 million of restricted cash at 3/31/18 and 12/31/18 and \$9.0 million at 3/31/19



# Capital Structure Improvements

- Amendment to financing agreement announced April 8, 2019
  - Adds \$100M new term loan
  - Proceeds to be used to repurchase Convertible Notes due June 2020
  - Lowers interest rate on entire facility to LIBOR +6.25%
  - Entire facility (\$225M term loans + \$22.5M revolver) matures in May 2023
- Tender offer for Convertible Notes closed May 9, 2019
  - 71.93% of outstanding notes tendered at price of 98.25%
  - \$28.9M principal value notes remain outstanding
- Immaterial change in total long term debt following transactions
  - Remaining funds from new term loan available to repurchase Convertible Notes
- Cash interest expense will increase by \$1.6M per quarter, assuming 100% of notes repurchased
  - 2019 Free Cash Flow guidance accounts for this increase and includes \$19M cash interest expense



# Q2 and Full Year 2019 Guidance

	Q2 2019 Guidance		Full Year 2019 Guidance	
(\$M)	Low	High	Low	High
<b>Revenue</b>	\$97.0	\$105.0	\$420	\$430
<b>Adjusted EBITDA</b>	\$8.5	\$13.5	\$60	\$65
<b>Free Cash Flow</b>			\$12	\$17





# Share Price Performance Since February 2018



Source: S&P Capital IQ (data through 5/21/19)

