

COMPANY OVERVIEW

Avid Technology (Nasdaq: AVID)

March 2021

We're on a mission to **empower media creators** with innovative technology solutions **to entertain, inform, educate and enlighten the world.**





NON-GAAP MEASURES & OPERATIONAL METRICS



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

Non-GAAP Measures

- Adjusted EBITDA
- Adjusted EBITDA Margin
- Free Cash Flow
- Non-GAAP Gross Profit
- Non-GAAP Gross Margin
- Non-GAAP Operating Expenses
- Non-GAAP Operating Income
- Non-GAAP Net Income Per Share

Operational Metrics

- Cloud Enabled Software Subscriptions
- Recurring Revenue
- LTM Recurring Revenue %
- Annual Contract Value (“ACV”)
- Revenue Backlog

Reconciliations of all non-GAAP measures used in this presentation that are required to be reconciled to their comparable GAAP measures are included in our press release announcing Q4 and FY 2020 results published on March 9, 2021, and filed as an exhibit to our 8-K filed with the SEC on March 9, 2021, and definitions of the operational metrics used in this presentation are included in the supplemental financial information datasheet available on ir.avid.com. Avid believes the non-GAAP measures and the operational metrics provided in this presentation provide helpful information to investors with respect to evaluating the Company’s performance. However, these non-GAAP measures and operational metrics 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 expectations for future Adjusted EBITDA, Non-GAAP Net Income per Share and Free Cash Flow, which are forward-looking non-GAAP financial measures. Reconciliations of these forward-looking non-GAAP measures are not included in this presentation or elsewhere, due to the high variability and difficulty in making accurate forecasts and projections of some of the information excluded from the estimation of the non-GAAP results, together with some of the excluded information not being ascertainable or accessible at this time. As a result, 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 information provided in this presentation includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include statements regarding our future financial performance or position, results of operations, business strategy, plans and objectives of management for future operations, and other statements that are not historical fact. You can identify forward-looking statements by their use of forward-looking words such as “may”, “will”, “anticipate”, “expect”, “believe”, “estimate”, “intend”, “plan”, “should”, “seek”, or other comparable terms.

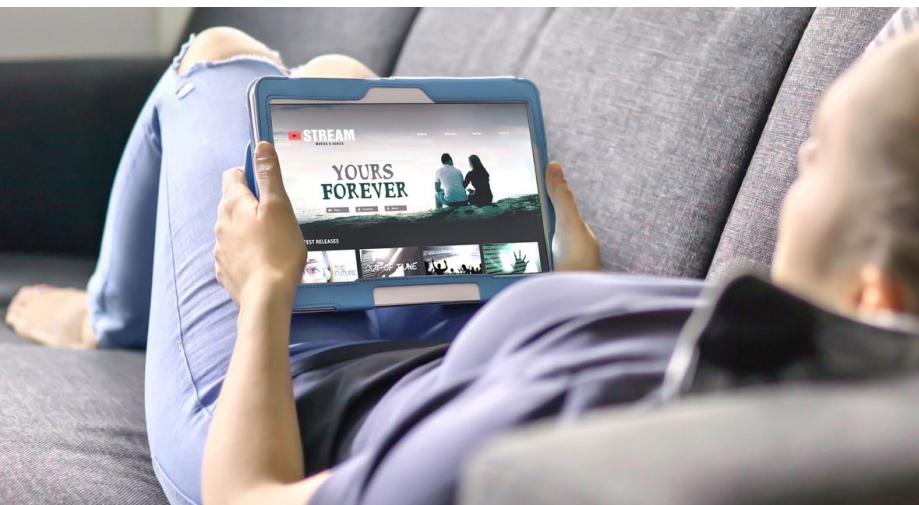
Readers of this presentation should understand that these forward-looking statements are not guarantees of performance or results. Forward-looking statements provide our current expectations and beliefs concerning future events and are subject to risks, uncertainties, and factors relating to our business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

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



BUSINESS UPDATE





If you **enjoy** the movies,
watch television or
listen to music—you're
experiencing **AVID** tools
and solutions at work





Most award-winning artists and the leading studios, broadcasters and media creators rely on **AVID** to create their media content

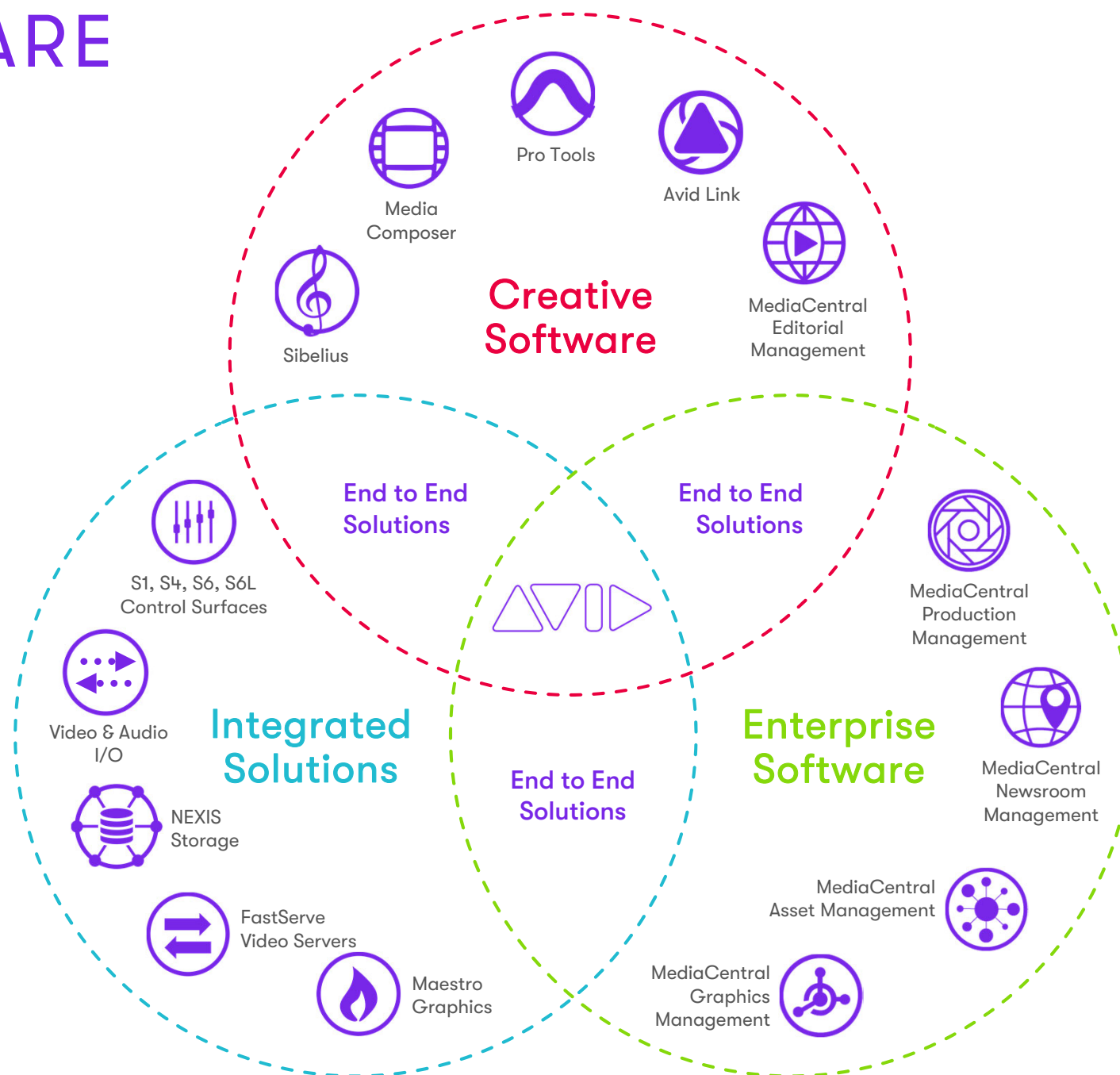


AVID IS POWERING GREATER CREATORS



TRUSTED SOFTWARE AND SOLUTIONS

- The industry's preferred suite of **powerful creative software tools** for creating high-quality media content
- Integrated hardware/software solutions that offer **advanced capabilities** and **uniquely position** the company's offering
- Media's leading **cloud-enabled, secure and open platform** for enterprise media production that is the preeminent choice to create better content, more efficiently
- Ensuring **customer success** with services, customer support, training and education



LEADING MEDIA INTO THE CLOUD

- On Demand SaaS offerings bring the power of Avid Media Composer and Avid NEXIS to the public cloud
- Managed SaaS helps lower total cost for clients by re-engineering their global media value chain
- Flexible cloud deployment options available—public cloud, private cloud, or on-prem hybrid
- Strategic Microsoft partnership enables companies to combine their efforts in leading media industry to the cloud



GO-TO-MARKET FOR ENTERPRISES AND CREATIVE INDIVIDUALS

Enterprise Direct

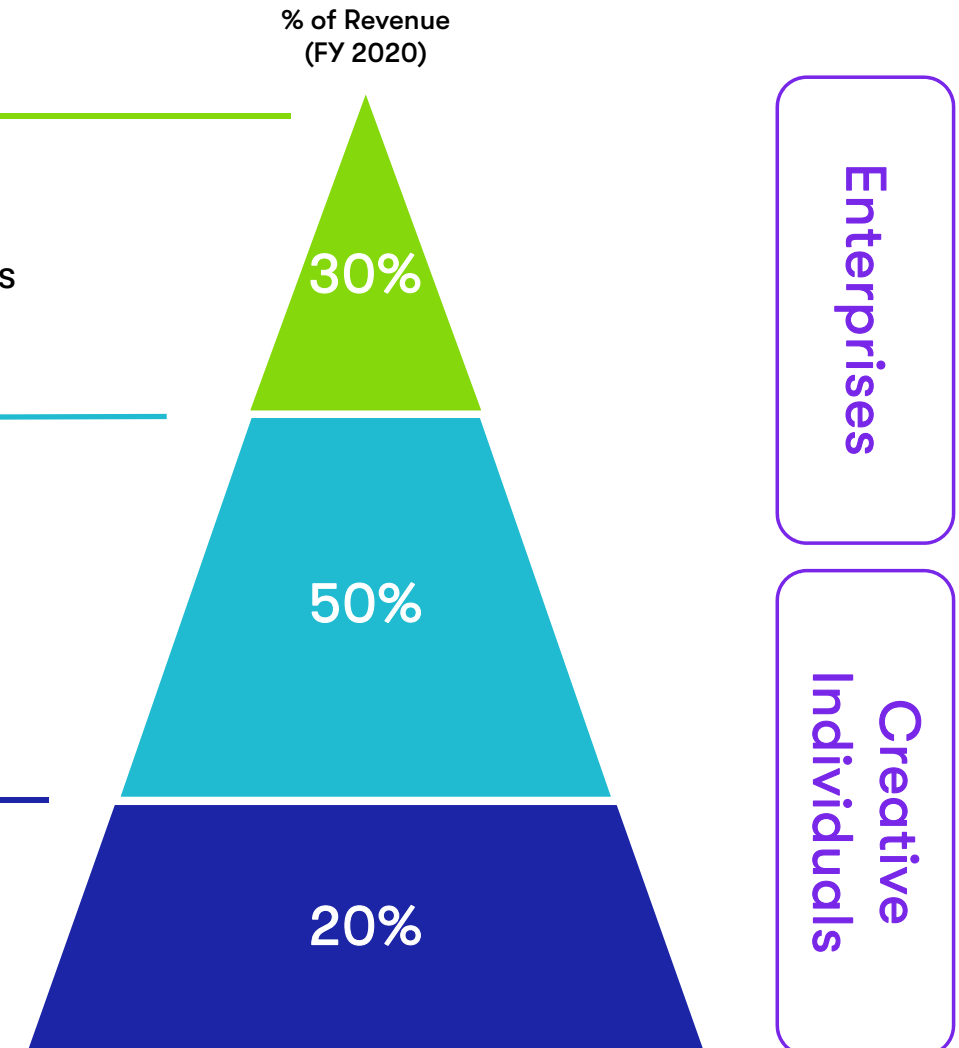
- Largest 200+ accounts
- Multi-year Enterprise Agreements with key customers
- Flexible deployment models, licensing options & commercial structures

Channel

- Strategic Purchasing Agreements with market leading distributors, retailers, system integrators and VARs
- Scalable service and localized approach to help end-users access products, training and support quickly

eCommerce

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





SIGNIFICANT GROWTH OPPORTUNITY AHEAD OF US

Substantial opportunity
to continue growing
the creative tools
subscription base



Next-generation content creators

Professional video market

Broader music creation market

Monetizing legacy Avid users

Expanded education position

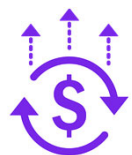
Enterprise subscriptions

Freemium conversions

Current paid subscribers
to Avid creative tools



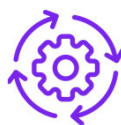
STRATEGIC PRIORITIES



Grow Recurring Revenue from Subscriptions, Maintenance and Long-Term Agreements



Deliver more consistent growth, and enhanced profitability and Free Cash Flow



Improve business operations and expense control, while making focused R&D investments



Create innovative software and solutions to power content creators and media enterprises



Enable enterprise cloud/SaaS solutions for secure, powerful media creation workflows



FINANCIAL UPDATE



Q4 & FY 2020 EXECUTIVE SUMMARY

1

Continued strong growth in subscriptions and sequential increase in maintenance in Q4 contributed to improving Annual Contract Value



2

Sequential growth in non-recurring integrated solutions product revenue as end markets continued to strengthen



3

Strong profitability and significantly improved Free Cash Flow in Q4 from lower operating expenses and better working capital trends



Delivered sequential growth & strong profitability in Q4, leading to highest annual Free Cash Flow since 2007, as end markets continued their recovery



Q4 2020 PERFORMANCE HIGHLIGHTS

+54.9% YoY

 SUBSCRIPTION
REVENUE

+12.7% YoY

 SUBSCRIPTION + MAINTENANCE
REVENUE

+12.1% YoY

 eCOMMERCE
REVENUE

\$30.6M +80% YoY

 FREE CASH
FLOW

Accelerating growth in high-quality revenue streams and strategic elements of the business contributed to improved profitability and Free Cash Flow



FY 2020 HIGHLIGHTS

- ✓ Navigated pandemic while improving profitability and Free Cash Flow
- ✓ Record number of net new creative tool subscriptions added during the year
- ✓ Launched enterprise subscription offering with strong initial results realized
- ✓ Added significant cloud/SaaS talent to accelerate next phase of growth
- ✓ Continued to drive major new innovations
- ✓ Optimized the overall cost structure
- ✓ Set stage for successful capital structure improvement



\$33.9M
FREE CASH FLOW
+172% YoY

+61.2% YoY
SUBSCRIPTION
REVENUE

+108k
NET SUBSCRIPTION
ADDS

+12.2% YoY
SUBSCRIPTION +
MAINTENANCE REVENUE

+22.2% YoY
eCOMMERCE GROWTH

+27.3% YoY
NON-GAAP NET INCOME
PER SHARE GROWTH

\$231.3M
REVENUE BACKLOG
EXPECTED TO CONVERT IN 2021
+16% YoY

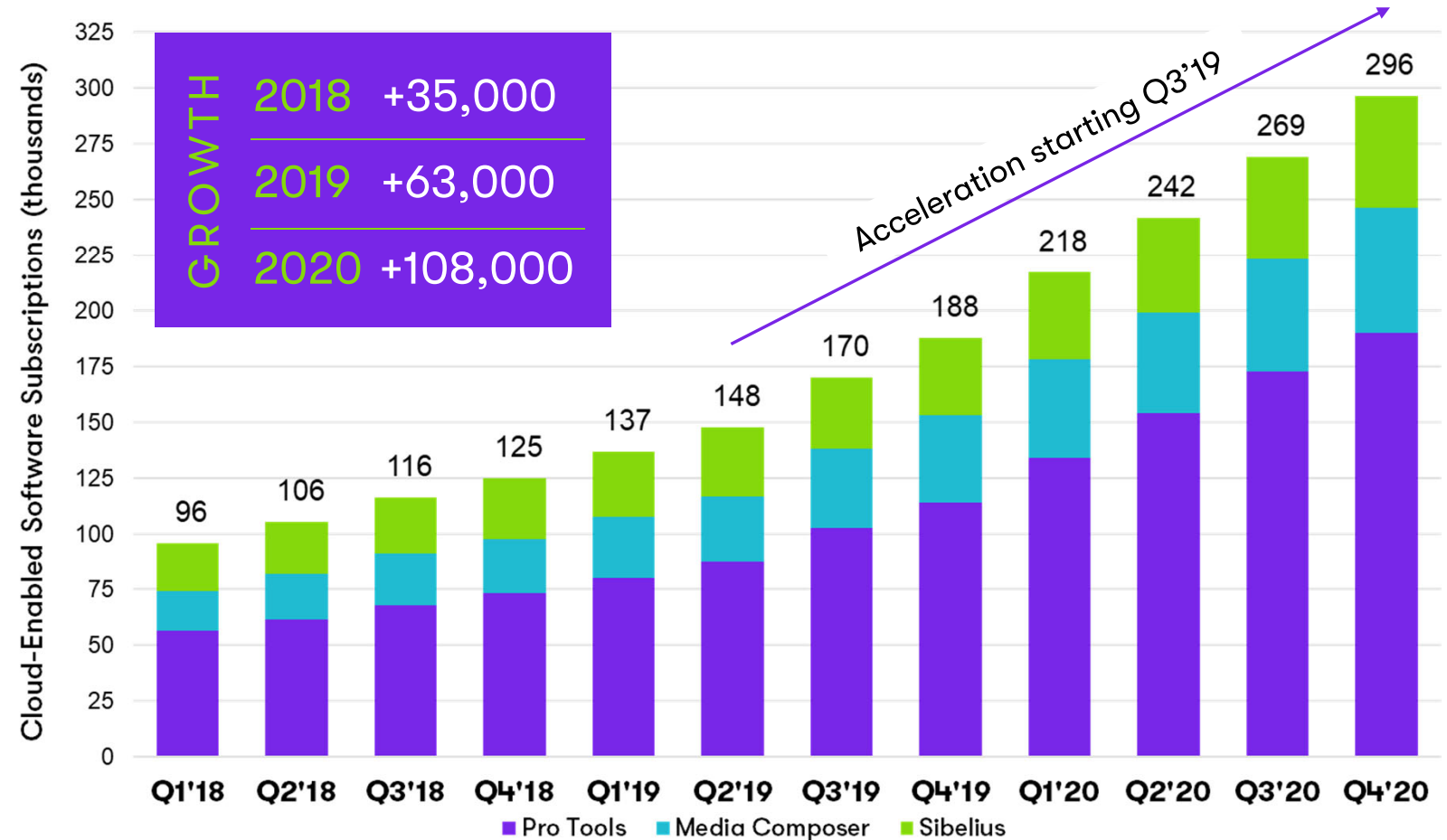
\$27.1M
NON-GAAP
OPERATING EXPENSE
REDUCTION

PAID SUBSCRIPTIONS REACH NEW HIGHS

Continued robust growth of cloud-enabled software subscriptions, up 58% YoY, with net increase of approx. 27,000 paid subscriptions in the fourth quarter

Adoption of subscription licensing by enterprise customers contributed to growth in the fourth quarter

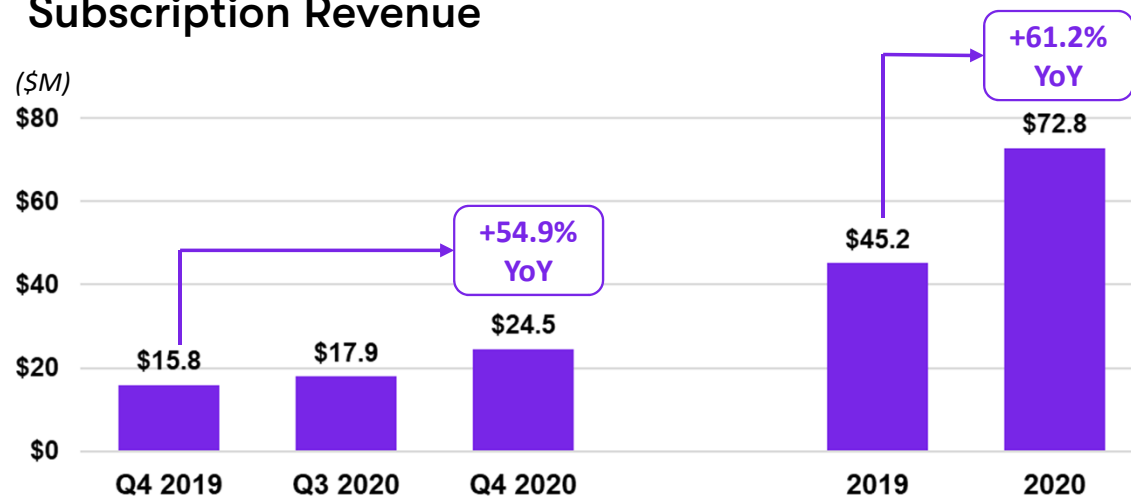
Software Subscriptions at End of Quarter



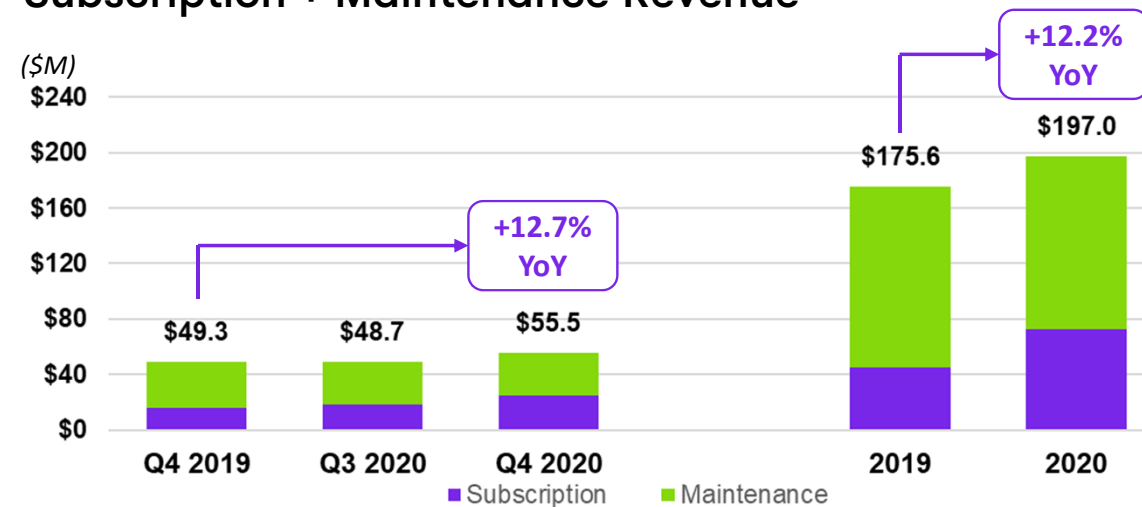
REVENUE BY TYPE & REVENUE BACKLOG

Continued strong growth in subscriptions driving growth

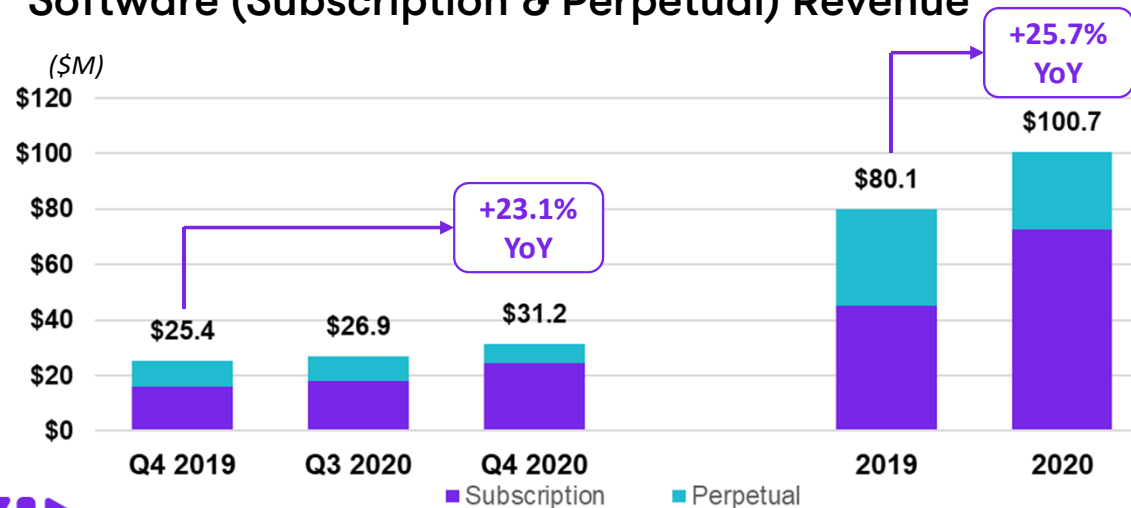
Subscription Revenue



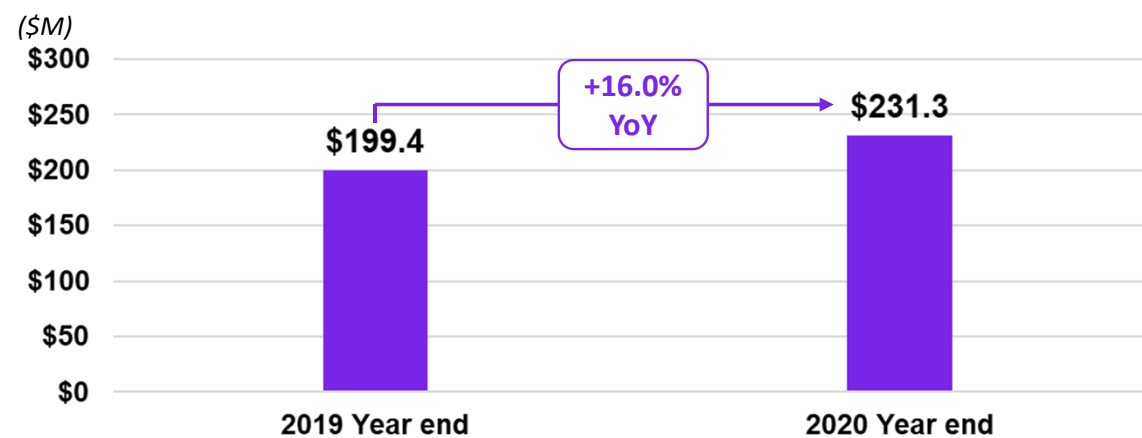
Subscription + Maintenance Revenue



Software (Subscription & Perpetual) Revenue



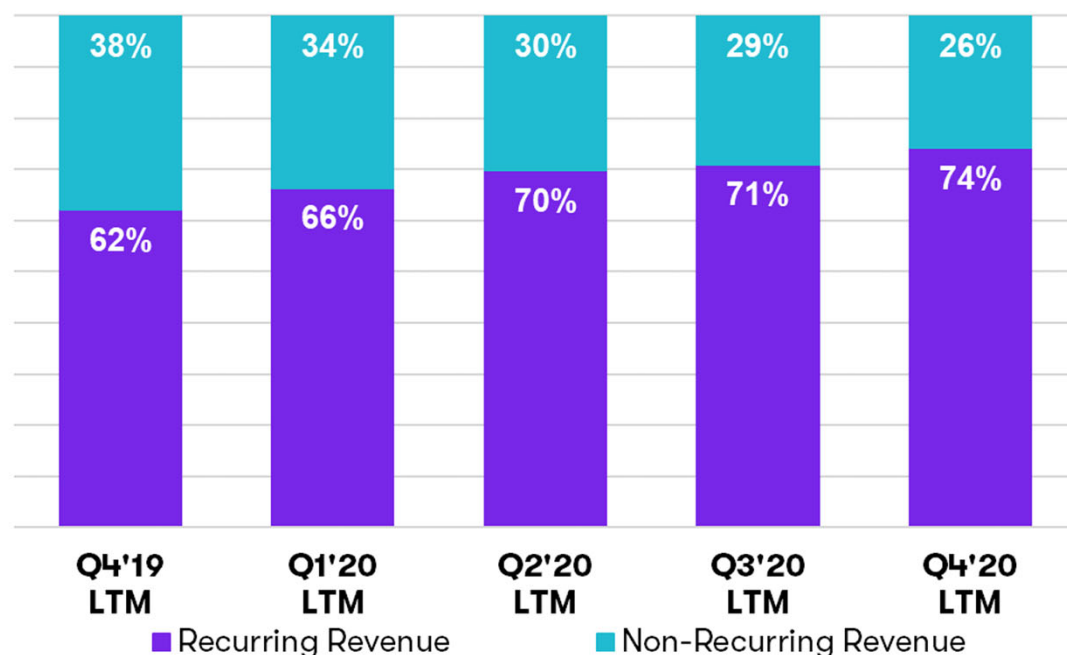
Revenue Backlog Expected to Convert in <12Mo



LTM RECURRING REVENUE % AND ACV METRICS

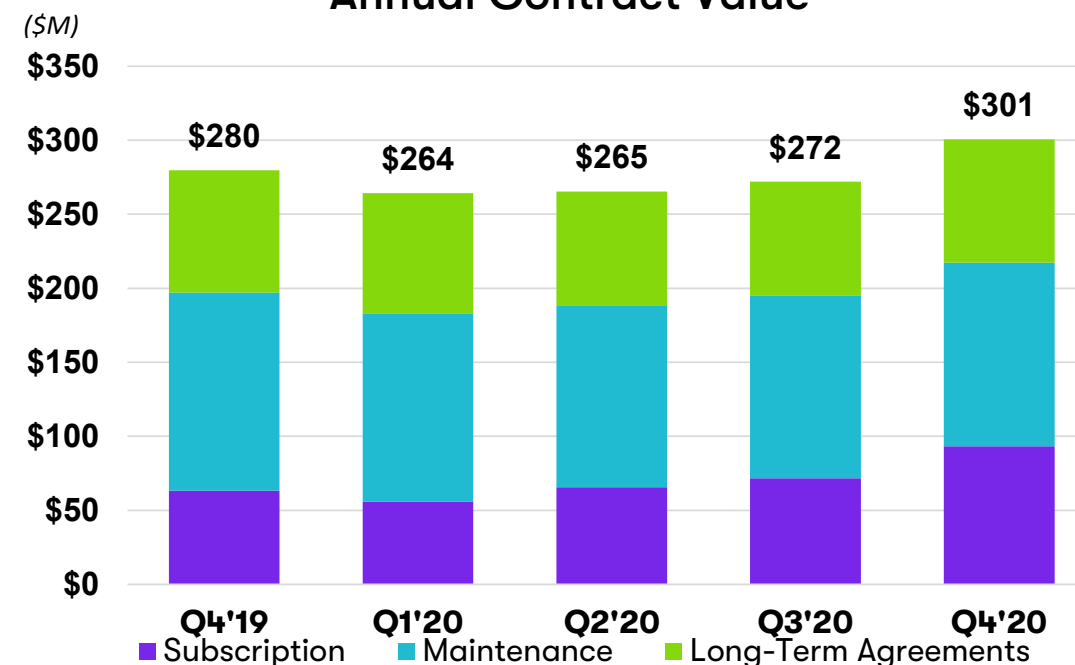
LTM Recurring Revenue % increased 1,210 bps YoY to 74% and Annual Contract Value increased \$21 million, or +7.4%, YoY

LTM Recurring Revenue %



Continuing strength in subscription revenue is driving growth in LTM Recurring Revenue %

Annual Contract Value



ACV seasonally high due to impact from new Q4 enterprise subscriptions



Note: Long-Term Agreement contribution to ACV excludes maintenance and subscription portion

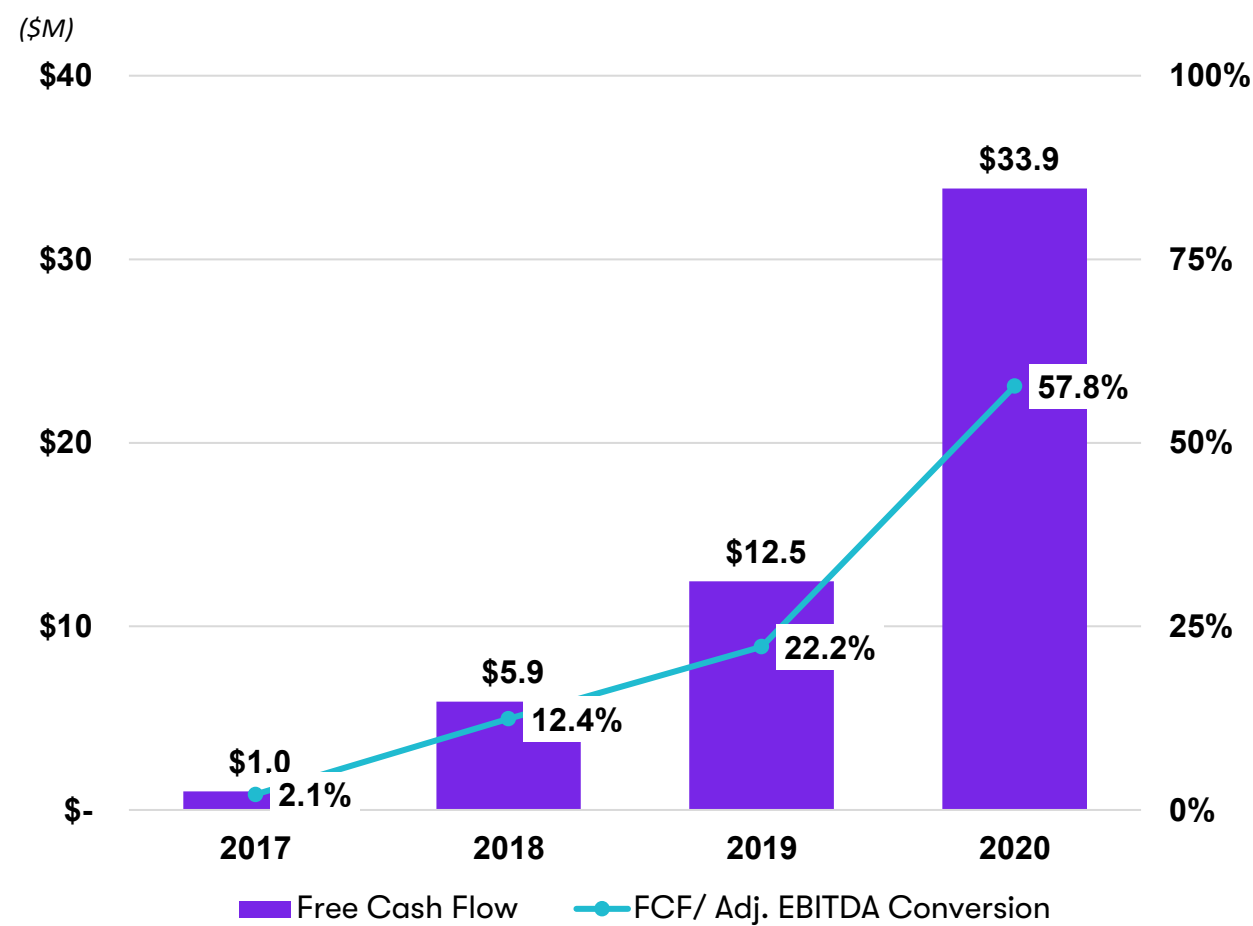
FREE CASH FLOW

Strong Free Cash Flow in 2020 and continuation of improving Free Cash Flow conversion from Adjusted EBITDA

Strong Free Cash Flow from growth in recurring revenue, improving gross margin, operating expense reductions and working capital management

Improving FCF / Adjusted EBITDA conversion from improved operating income, lower interest expense, reduced non-cash revenue, and working capital management

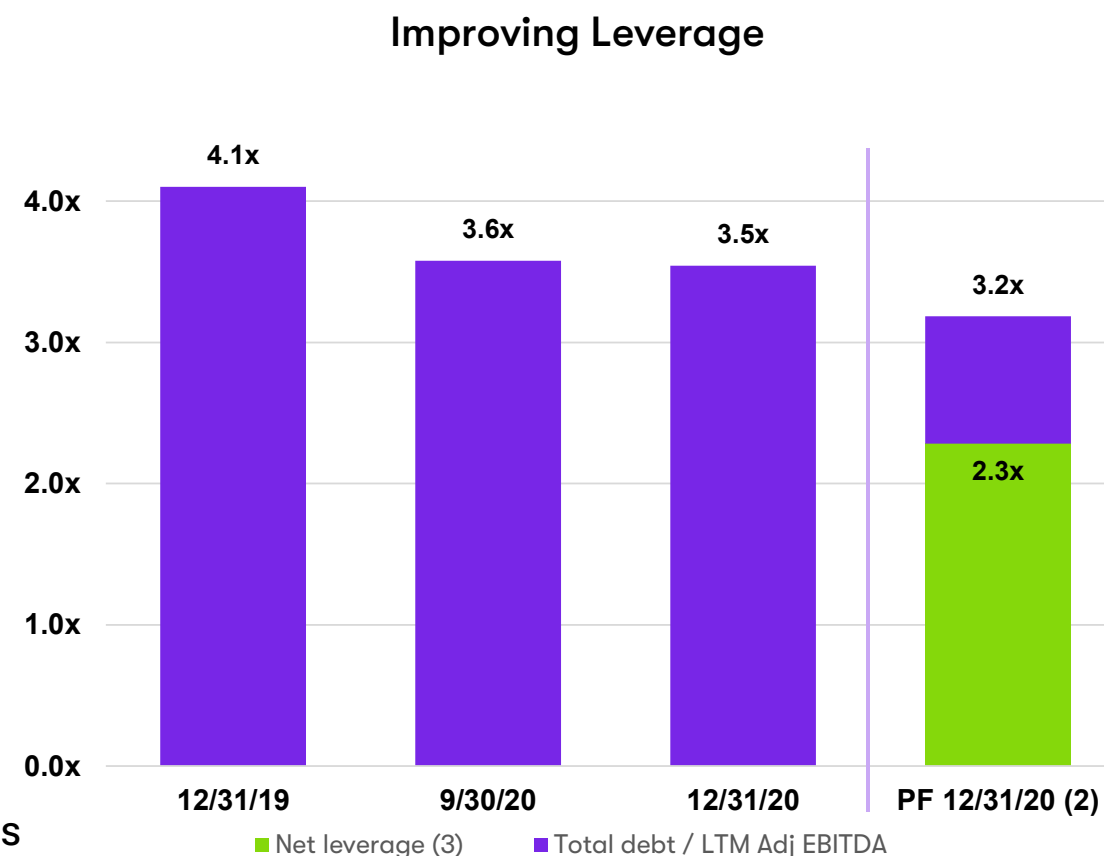
Free Cash Flow and FCF / Adj. EBITDA Conversion



NEW CREDIT FACILITY EXPECTED TO DELIVER \$10 MILLION ANNUAL INTEREST SAVINGS

Entered into new \$250M credit facility on January 5, 2021

- New credit facility expected to improve Free Cash Flow by approximately \$10 million in 2021 and Non-GAAP Net Income per Share by approximately \$0.22 in 2021
- New credit facility consists of \$180 million term loan and \$70 million unfunded revolving credit facility
- Proceeds and available cash used to repay \$201 million outstanding under prior credit facility which was then terminated
- Refinancing reduces funded debt by approximately \$21 million and the effective cash interest rate by 450bps from 7.75% to 3.25% ⁽¹⁾
- Terms of the new credit facility provide significant incremental flexibility to support strategy and growth plans



(1) Initial interest rate spread of LIBOR + 3.00% with 0.25% LIBOR floor

(2) Pro forma for term loan refinance completed on January 5, 2021

(3) Net leverage is (total debt – cash) / LTM Adjusted EBITDA

LOOKING FORWARD

- Recovering end markets
 - Expected rebound in non-recurring revenue
- Growing subscription business
 - Creative subscriber growth
 - Enterprise subscription momentum
 - Building SaaS business
- Improving key financial and business metrics
 - Strong Revenue Backlog
 - Cost structure optimization
 - Significantly reduced interest expense
- Innovating for growth





Q1 AND FY 2021 GUIDANCE

| (\$M, except per share) | | |
|--|--------|--------|
| Q1 2021 Guidance | Low | High |
| Revenue | \$88 | \$94 |
| Subscription & Maintenance Revenue | \$50 | \$53 |
| Adjusted EBITDA | \$12.2 | \$15.8 |
| Non-GAAP Net Income per Share ⁽¹⁾ | \$0.17 | \$0.24 |
| Full-Year 2021 Guidance | Low | High |
| Subscription & Maintenance Revenue | \$214 | \$221 |
| Free Cash Flow | \$45 | \$52 |

(1) Assumes 44.9 shares



SUPPLEMENTAL INFORMATION



REVENUE & NON-GAAP GROSS MARGIN BY TYPE

Continued strong growth in subscriptions and sequential recovery in non-recurring perpetual, integrated solutions and professional services

| (\$M) | Q4 2019 | Q3 2020 | Q4 2020 | Q4 2020 Q/Q % | Q4 2020 Y/Y % | 2019 | 2020 | 2020 Y/Y % |
|--|----------------|---------------|----------------|------------------|------------------|----------------|----------------|----------------|
| Revenue | | | | | | | | |
| Subscriptions | \$15.8 | \$17.9 | \$24.5 | 37.0% | 54.9% | \$45.2 | \$72.8 | 61.2% |
| Maintenance | 33.4 | 30.8 | 31.0 | 0.5% | (7.3%) | 130.4 | 124.2 | (4.8%) |
| Subscriptions and Maintenance | \$49.3 | \$48.7 | \$55.5 | 13.9% | 12.7% | \$175.6 | \$197.0 | 12.2% |
| Perpetual Licenses | 9.5 | 9.0 | 6.7 | (25.4%) | (29.7%) | 34.9 | 27.9 | (20.3%) |
| SW Licenses and Maintenance | \$58.8 | \$57.7 | \$62.2 | 7.8% | 5.8% | \$210.6 | \$224.9 | 6.8% |
| HW & Integrated Software | 50.3 | 26.8 | 35.9 | 34.1% | (28.5%) | 172.5 | 112.9 | (34.6%) |
| Professional Services & Training | 7.2 | 5.9 | 6.1 | 3.6% | (15.1%) | 28.7 | 22.7 | (21.0%) |
| Total Revenue | \$116.3 | \$90.4 | \$104.3 | 15.3% | (10.3%) | \$411.8 | \$360.5 | (12.5%) |
| Software Revenue (Subscriptions + Perpetual Licenses) | \$25.4 | \$26.9 | \$31.2 | 16.2% | 23.1% | \$80.1 | \$100.7 | 25.7% |
| Non-GAAP Gross Margin | | | | | | | | |
| SW Licenses and Maintenance | 85.8% | 85.2% | 84.2% | (100 bps) | (160 bps) | 85.6% | 85.0% | (60 bps) |
| HW & Integrated Software | 43.1% | 30.3% | 34.2% | 390 bps | (890 bps) | 39.9% | 31.2% | (870 bps) |
| Professional Services & Training | 18.8% | 23.7% | 18.5% | (520 bps) | (30 bps) | 14.8% | 14.5% | (30 bps) |
| Total Non-GAAP Gross Margin % | 63.2% | 64.9% | 63.1% | (180 bps) | (10 bps) | 61.5% | 63.7% | 220 bps |

Note: Non-GAAP Gross Margin by revenue type excludes stock based compensation and amortization of intangible assets



Q4 2020 FINANCIAL RESULTS

Growth in subscription & maintenance revenue and focus on controlling expenses yielded improved profitability

(\$M, except per share)

| | <u>Q4'19</u> | <u>Q3'20</u> | <u>Q4'20</u> | <u>YoY change Fav/(Unfav)</u> | <u>Q/Q change Fav/(Unfav)</u> |
|---|--------------|--------------|--------------|-----------------------------------|-----------------------------------|
| Revenue | \$116.3 | \$90.4 | \$104.3 | (10.3%) | 15.3% |
| Subscription & Maintenance Revenue | 49.3 | 48.7 | 55.5 | 12.7% | 13.9% |
| Non-GAAP Gross Profit | 73.5 | 58.7 | 65.8 | (10.5%) | 12.1% |
| <i>Non-GAAP Gross Margin</i> | 63.2% | 64.9% | 63.1% | (10 bps) | (180 bps) |
| Non-GAAP Operating Expenses | \$54.4 | \$41.4 | \$46.3 | 14.9% | (12.0%) |
| Adjusted EBITDA | 21.2 | 19.3 | 21.6 | 2.0% | 11.9% |
| <i>Adjusted EBITDA Margin %</i> | 18.2% | 21.4% | 20.7% | 250 bps | (70 bps) |
| Non-GAAP Net Income | 12.2 | 12.2 | 15.2 | 25.3% | 24.8% |
| <i>Non-GAAP Net Income per Share</i> | \$0.28 | \$0.27 | \$0.33 | \$0.05 | \$0.06 |
| Free Cash Flow | \$17.0 | \$15.5 | \$30.6 | \$13.7 | \$15.1 |
| Change in Working Capital¹ | \$4.1 | \$3.0 | \$13.1 | \$9.1 | \$10.2 |



(1) (Increase) in working capital during a period is the change in operating assets and liabilities, as shown on the consolidated statement of cash flows.

FY 2020 FINANCIAL RESULTS

Growth in subscription & maintenance revenue and focus on controlling expenses yielded improved profitability

(\$M, except per share)

| | <u>FY'19</u> | <u>FY'20</u> | <u>YoY change Fav/(Unfav)</u> |
|---|--------------|--------------|-----------------------------------|
| Revenue | \$411.8 | \$360.5 | (12.5%) |
| Subscription & Maintenance Revenue | 175.6 | 197.0 | 12.2% |
| Non-GAAP Gross Profit | 253.4 | 229.7 | (9.4%) |
| <i>Non-GAAP Gross Margin</i> | 61.5% | 63.7% | 220 bps |
| Non-GAAP Operating Expenses | \$206.6 | \$179.5 | 13.1% |
| Adjusted EBITDA | 56.0 | 58.6 | 4.7% |
| <i>Adjusted EBITDA Margin %</i> | 13.6% | 16.3% | 270 bps |
| Non-GAAP Net Income | 22.2 | 29.1 | 31.3% |
| <i>Non-GAAP Net Income per Share</i> | \$0.51 | \$0.65 | \$0.14 |
| Free Cash Flow | \$12.5 | \$33.9 | \$21.4 |
| Change in Working Capital¹ | (\$13.4) | (\$3.1) | \$10.3 |



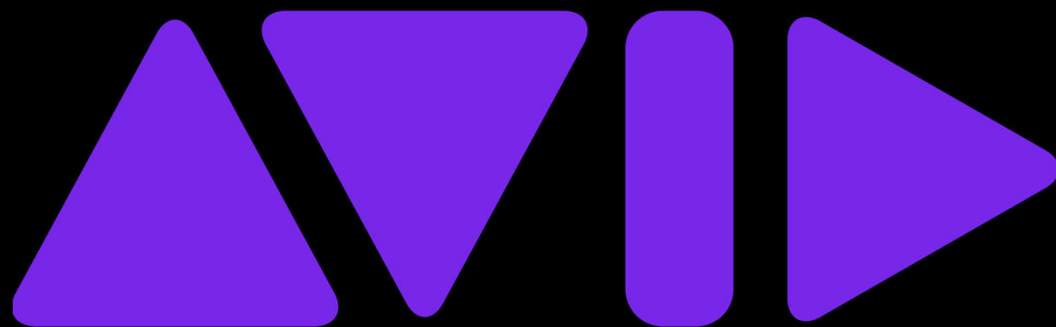
(1) (Increase) in working capital during a period is the change in operating assets and liabilities, as shown on the consolidated statement of cash flows.

BALANCE SHEET AS OF DECEMBER 31, 2020

Healthy cash balance, higher accounts receivable balance and improved accounts payable provides strong foundation for robust Free Cash Flow

| (\$M) | <u>12/31/19</u> | <u>12/31/20</u> |
|---------------------------|-----------------|-----------------|
| Cash and Cash Equivalents | \$69.1 | \$79.9 |
| Accounts Receivable | 73.8 | 78.6 |
| Contract Assets | 19.5 | 18.6 |
| Net Inventory | 29.2 | 26.6 |
| Accounts Payable | 39.9 | 21.8 |
| Deferred Revenue | 97.9 | 99.3 |
| Total Debt | 229.6 | 207.7 |





POWERING
GREATER
CREATORS