

# Q3 2021 EARNINGS CALL

Avid Technology (Nasdaq: AVID)

November 9, 2021



**MEDIA COMPOSER  
DISTRIBUTED PROCESSING**

Offload processor-intensive media creation  
workflow tasks to any available local computers





# 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 Net Income
- Non-GAAP Net Income Per Share
- LTM Adjusted EBITDA

## Operational Metrics

- Cloud Enabled Software Subscriptions
- 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 this presentation and in our press release announcing Q3 2021 results published today and filed as an exhibit to our 8-K filed with the SEC today, and definitions of the operational metrics used in this presentation are included in the supplemental financial information datasheet available on [ir.avid.com](http://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 and its variants 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.

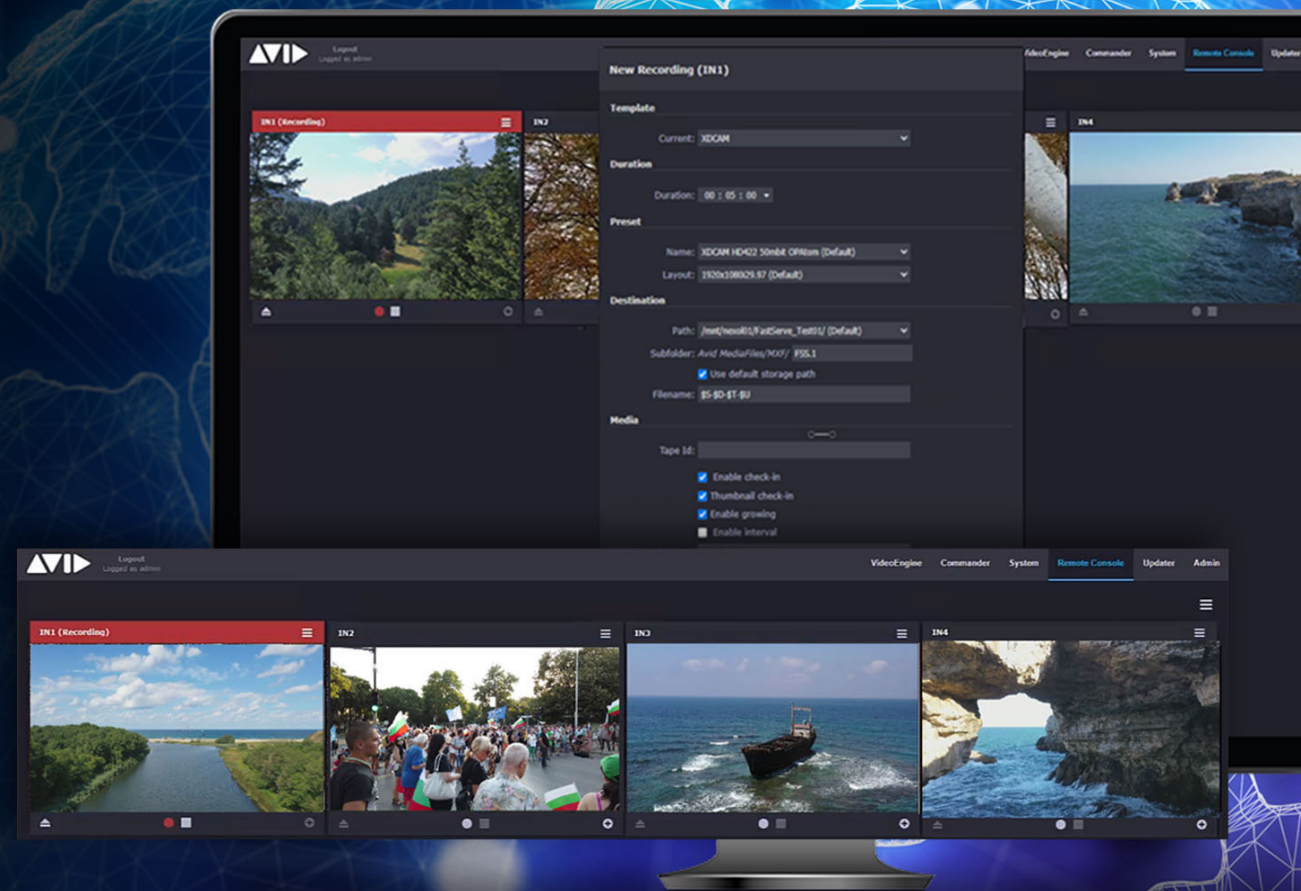




# BUSINESS UPDATE

Jeff Rosica

Chief Executive Officer & President



MEDIACENTRAL | STREAM

Simple, reliable and secure contribution from IP streams into  
Avid's MediaCentral platform for fast turnaround workflows



# Q3 2021 EXECUTIVE SUMMARY



1

Strong subscription revenue growth driven by both creative tools and enterprise solutions

2

Strengthening recovery of end markets also contributed to robust overall growth

3

Continue to deliver consistent profitability and strong Free Cash Flow conversion

Strong performance in Q3 gives us confidence in our expected Q4 business performance trajectory



# 1

## STRONG SUBSCRIPTION REVENUE GROWTH



- Continued healthy growth trajectory for subscription counts and strong revenue trend
- Strong enterprise subscription sales with new and existing customers
- Solid growth in creative tools subscriptions

**+35.0% yoy**

CLOUD-ENABLED  
SOFTWARE  
SUBSCRIPTIONS

**+56.4% yoy**

SUBSCRIPTION  
REVENUE

**+19,300**

CLOUD-ENABLED  
SOFTWARE SUBSCRIPTIONS  
ADDED IN Q3



Note: Cloud-enabled software subscriptions reflect adjustments made in third quarter of 2021. See page 11.

# 2

## STRENGTHENING MARKET RECOVERY CONTRIBUTED TO ROBUST GROWTH



- End market recovery benefitted all business areas and product segments
- Healthy overall integrated solutions business as market recovery continued
- Storage, audio interfaces and control surfaces all realized healthy demand

**\$101.6M**  
TOTAL REVENUE  
+12.4% YoY

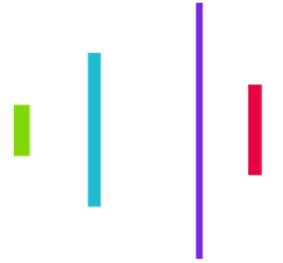
**\$328M**  
ANNUAL CONTRACT VALUE  
+20.6% YoY

**+16.3% YoY**  
INTEGRATED  
SOLUTIONS REVENUE



# 3

## DELIVERED CONSISTENT PROFITABILITY AND STRONG FREE CASH FLOW



- Improved overall gross margin
- Healthy overall profitability and Adjusted EBITDA margin
- Recall that Q3 2020 benefitted from temporary cost reduction measures
- Strong Free Cash Flow conversion



**65.3%**

NON-GAAP GROSS  
MARGIN

+140bps QoQ

**16.8%**

ADJUSTED EBITDA  
MARGIN

+10bps QoQ

**\$14.0M**

FREE CASH FLOW

+152.4% QoQ





# LOOKING FORWARD

- We expect continued solid growth trajectory of subscriptions for creative tools
- We anticipate continued strong enterprise software subscription adoption
- Continued stream of innovative software releases planned to fuel subscription growth
- Keeping focus on cost discipline while investing in digital transformation and innovation for growth
- We expect continued strong margins, profitability and Free Cash Flow conversion



# Q3 2021 FINANCIAL RESULTS

Ken Gayron

Executive Vice President  
& Chief Financial Officer

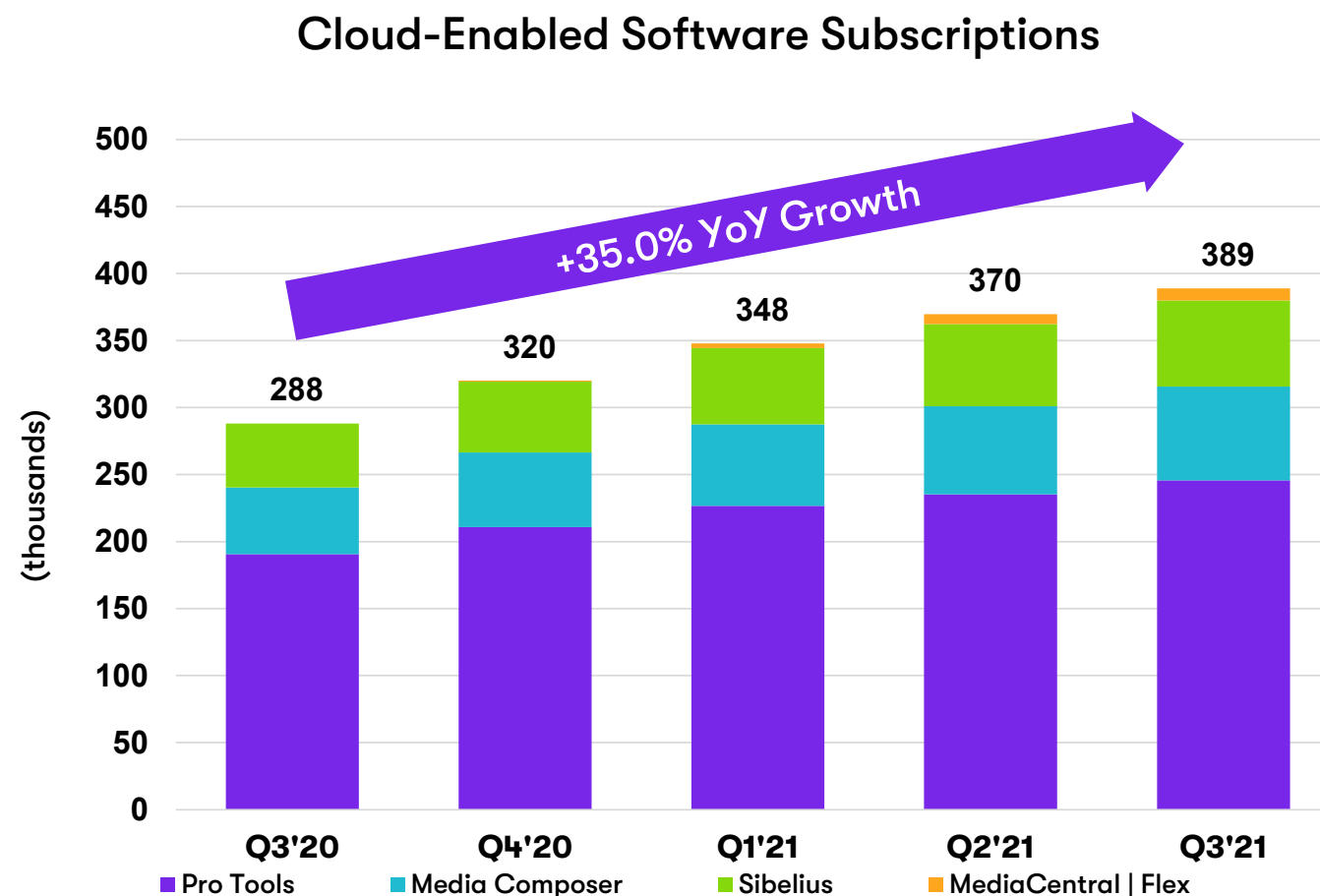
PRO TOOLS 2021.10

Providing everything you need to turn ideas  
into Grammy®-level music productions



# SUBSCRIPTION GROWTH PROGRESSES

- Robust 35.0% YoY growth of Cloud-Enabled Software Subscriptions
- Net increase of approx. 19,300 paid subscriptions in the third quarter
- MediaCentral | Flex subscriptions grew to approx. 9,100, an increase of 22% QoQ



Historical subscription counts shown have been adjusted to include the actual number of paid and active seats under multi-seat licenses

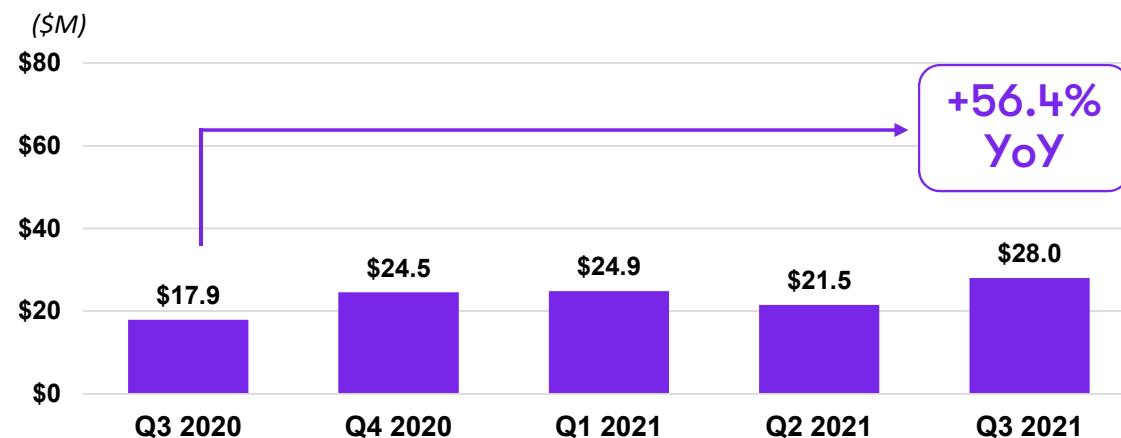


Note: Starting in the third quarter of 2021, the number of Cloud-Enabled Software Subscriptions includes the actual number of paid and active seats under multi-seat licenses. For comparison purposes only, the number of subscriptions in the historical periods shown have been updated from the previously published counts, which were 269,000, 297,000, 327,000, 346,000, and 366,000 in Q3'20, Q4'20, Q1'21, Q2'21 and Q3'21, respectively.

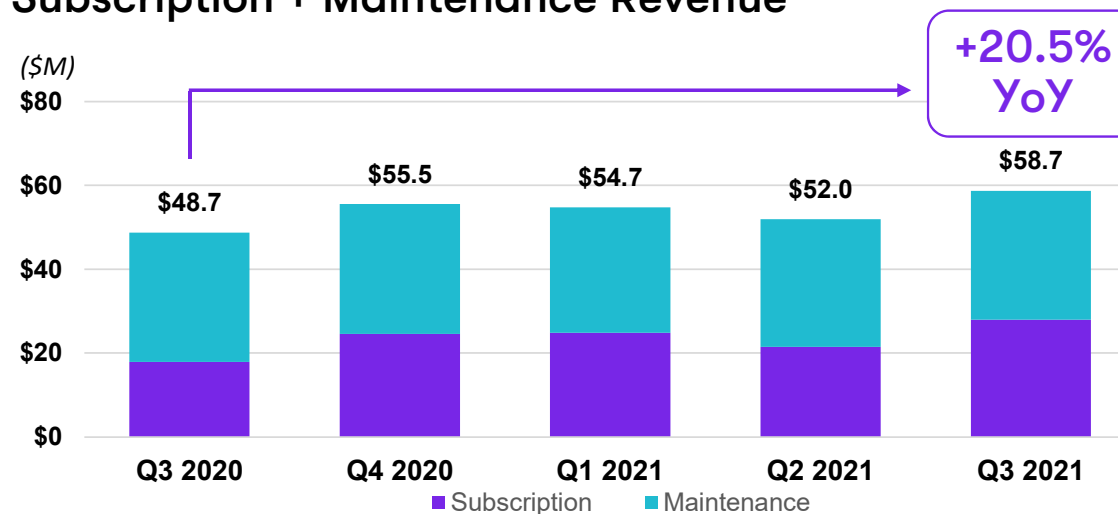
# REVENUE BY TYPE

Strong growth in enterprise subscription driving increase in revenue

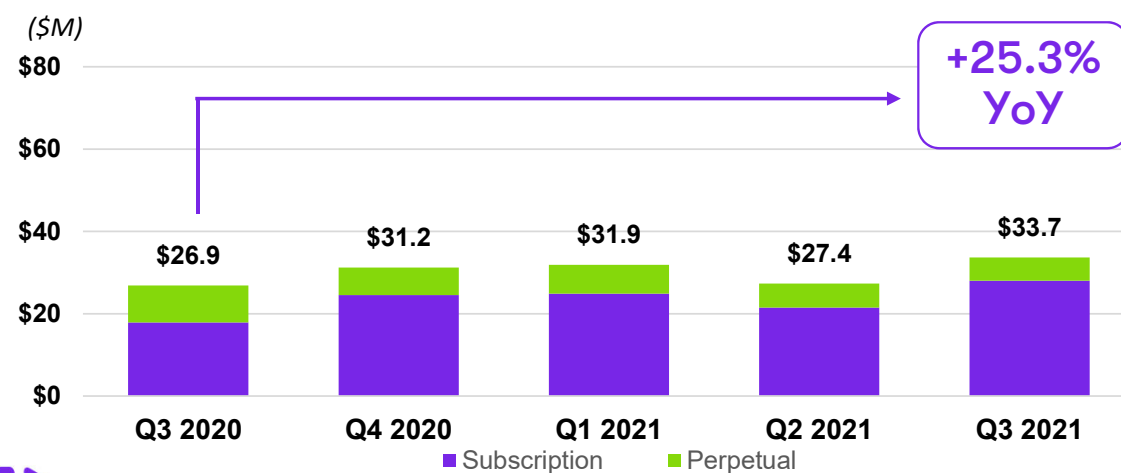
## Subscription Revenue



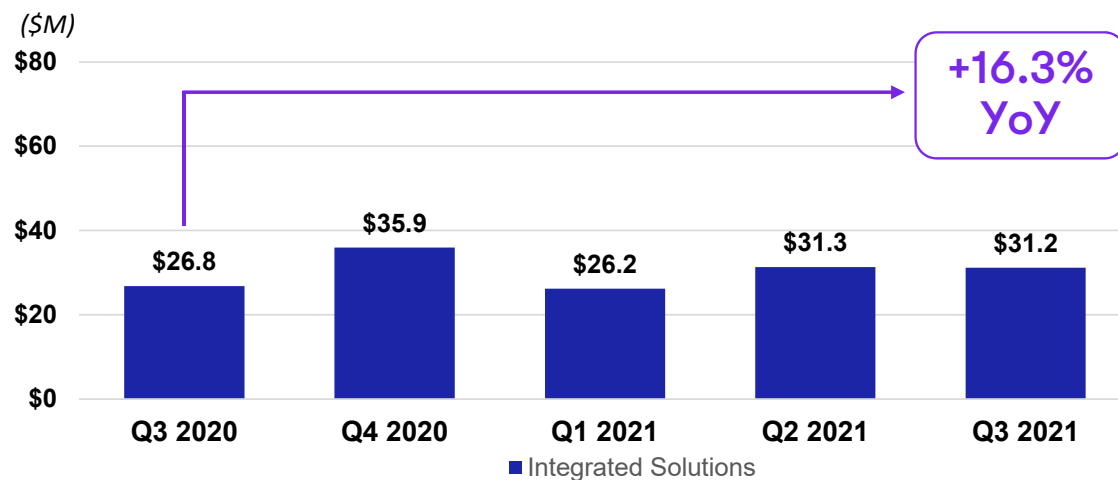
## Subscription + Maintenance Revenue



## Software (Subscription & Perpetual) Revenue



## Integrated Solutions Revenue

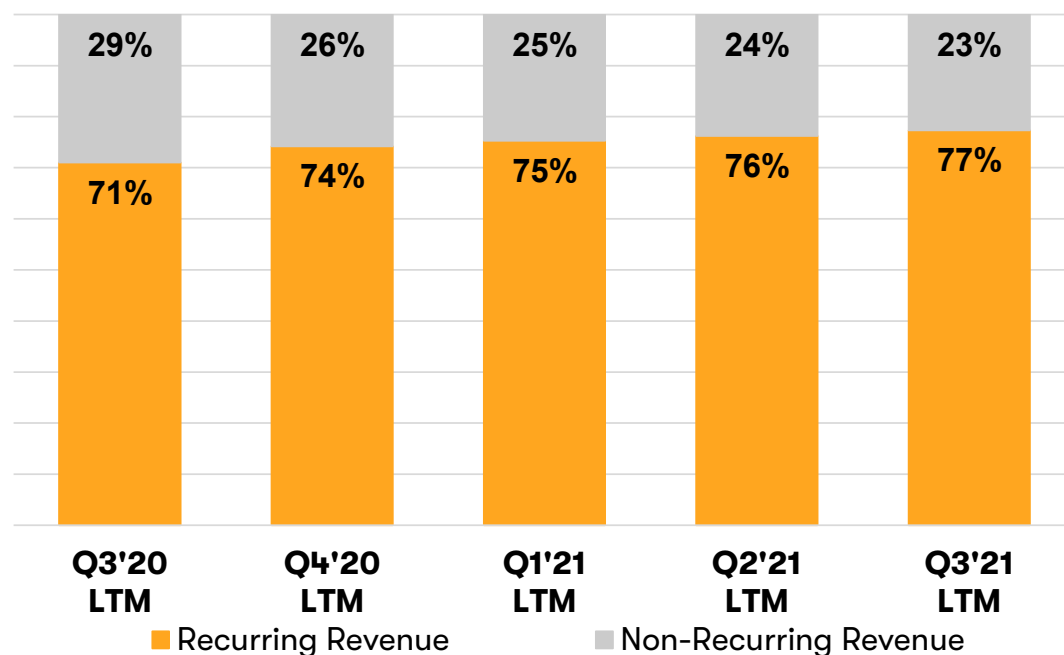




# LTM RECURRING REVENUE % AND ACV METRICS

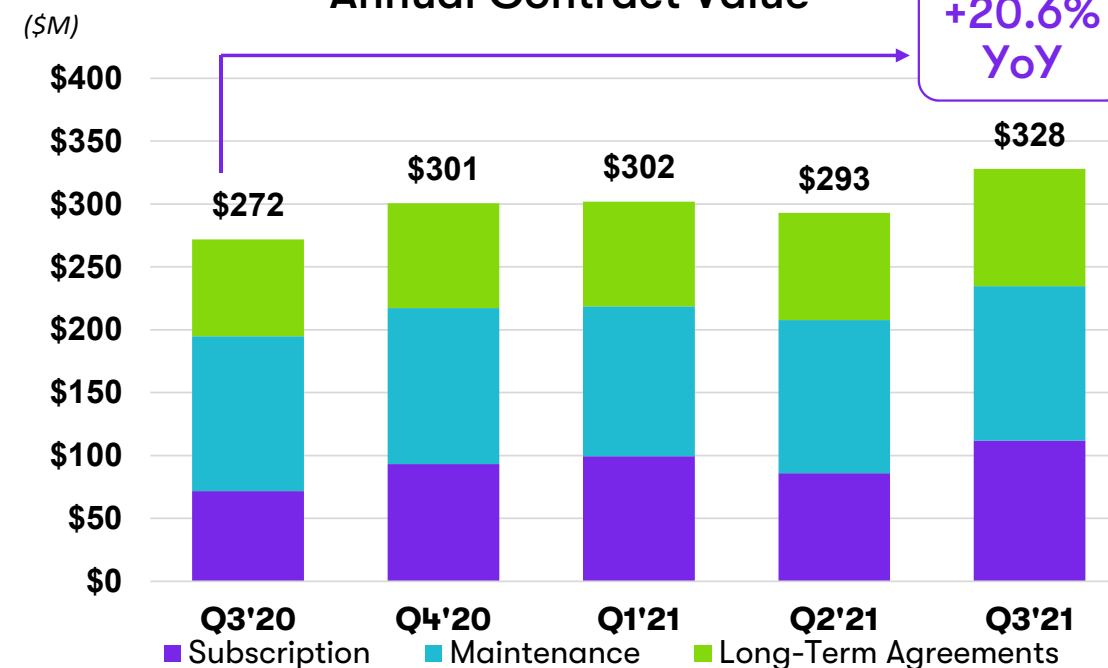
LTM Recurring Revenue % increased 590 bps YoY to 77.1% and Annual Contract Value increased +20.6% YoY

LTM Recurring Revenue %



Continued increase in LTM Recurring Revenue %, driven by strength in subscription and maintenance revenue and Long-Term Agreements

Annual Contract Value



ACV improved YoY and QoQ due to enterprise Subscription growth and Long-Term Agreements



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



# Q3 & 9-MONTH 2021 FINANCIAL RESULTS

Growth in revenue yielded continued healthy profitability

(\$M, except per share)	Q3'20 <sup>2</sup>	Q2'21	Q3'21	YoY change Fav/(Unfav)	QoQ change Fav/(Unfav)	9-months 2020 <sup>2</sup>	9-months 2021	Change Fav/(Unfav)
Revenue	\$90.4	\$94.9	\$101.6	12.4%	7.1%	\$256.2	\$290.9	13.6%
Subscription & Maintenance Revenue	48.7	52.0	58.7	20.5%	13.0%	141.5	165.4	16.9%
Non-GAAP Gross Profit	58.7	60.6	66.3	13.0%	9.5%	163.9	188.8	15.2%
Non-GAAP Gross Margin	64.9%	63.9%	65.3%	40 bps	140 bps	64.0%	64.9%	90 bps
Non-GAAP Operating Expenses	\$41.4	\$47.0	\$51.3	(24.1%)	(9.2%)	\$133.2	\$144.6	(8.6%)
Non-GAAP Net Income	12.2	11.6	12.4	1.9%	7.1%	13.9	37.0	166.6%
Non-GAAP Net Income per Share	\$0.27	\$0.25	\$0.27	\$0.00	\$0.02	\$0.31	\$0.80	\$0.49
Adjusted EBITDA	19.3	15.8	17.0	(11.9%)	7.7%	37.0	50.5	36.6%
Adjusted EBITDA Margin %	21.4%	16.7%	16.8%	(460 bps)	10 bps	14.4%	17.4%	300 bps
Free Cash Flow	\$15.5	\$5.6	\$14.0	(\$1.5)	\$8.5	\$3.2	\$30.7	\$27.4
Change in Working Capital <sup>1</sup>	\$3.0	(\$6.5)	\$2.9	(\$0.0)	\$9.5	(\$16.2)	(\$3.7)	\$12.5
Capital Expenditures	(\$2.4)	(\$1.0)	(\$2.5)	(\$0.1)	(\$1.5)	(\$5.6)	(\$4.8)	\$0.9



(1) (Increase) decrease in working capital during a period is the change in operating assets and liabilities, as shown on the consolidated statement of cash flows.  
(2) Q2'20 and Q3'20 periods included significant temporary cost savings measures due to COVID-19, including (\$6.0M)/qtr. savings from employee furloughs.

# BALANCE SHEET AS OF SEPTEMBER 30, 2021

(\$M)	<u>9/30/20</u>	<u>12/31/20</u>	<u>9/30/21</u>
Cash and Cash Equivalents	\$49.1	\$79.9	\$50.5
Accounts Receivable	59.7	78.6	58.1
Contract Assets	15.3	18.6	22.6
Net Inventory	28.4	26.6	22.2
Accounts Payable	13.5	21.8	22.4
Deferred Revenue	81.2	99.3	86.8
Total Debt	208.2	207.7	172.1
Net Debt	159.1	127.8	121.7
Net Debt / LTM Adjusted EBITDA	2.7x	2.2x	1.7x



(1) Net Debt = Total Debt – Cash and Cash Equivalents

# FY 2021 GUIDANCE REVISED

(\$M, except per share)	Prior Guidance Full-Year 2021		New Guidance Full-Year 2021	
	Low	High	Low	High
<b>Revenue</b>	\$382	\$402	\$398	\$404
<b>Subscription &amp; Maintenance Revenue</b>	\$217	\$225	\$225	\$230
<b>Non-GAAP Net Income per Share <sup>(1)</sup></b>	\$1.05	\$1.27	\$1.18	\$1.26
<b>Adjusted EBITDA</b>	\$69	\$79	\$73	\$78
<b>Free Cash Flow</b>	\$49	\$57	\$52	\$57



(1) Assumes 46.6M shares for FY 2021 in prior guidance and 46.3M shares for FY 2021 in new guidance as a result of share repurchases during the third quarter.

Q&A



# REVENUE & NON-GAAP GROSS MARGIN BY TYPE

(\$M)	<u>Q3 2020</u>	<u>Q2 2021</u>	<u>Q3 2021</u>	<u>Q3 2021 Q/Q %</u>	<u>Q3 2021 Y/Y %</u>
<b>Revenue</b>					
Subscriptions	\$17.9	\$21.5	\$28.0	30.2%	56.4%
Maintenance	30.8	30.4	30.7	0.9%	(0.4%)
<b>Subscriptions and Maintenance</b>	<b>\$48.7</b>	<b>\$52.0</b>	<b>\$58.7</b>	<b>13.0%</b>	<b>20.5%</b>
Perpetual Licenses	9.0	5.9	5.7	(3.1%)	(36.7%)
<b>SW Licenses and Maintenance</b>	<b>\$57.7</b>	<b>\$57.8</b>	<b>\$64.4</b>	<b>11.4%</b>	<b>11.6%</b>
Integrated Solutions	26.8	31.3	31.2	(0.5%)	16.3%
Professional Services & Training	5.9	5.7	6.1	5.8%	2.7%
<b>Total Revenue</b>	<b>\$90.4</b>	<b>\$94.9</b>	<b>\$101.6</b>	<b>7.1%</b>	<b>12.4%</b>
<b>Software Revenue (Subscriptions + Perpetual Licenses)</b>	<b>\$26.9</b>	<b>\$27.4</b>	<b>\$33.7</b>	<b>23.1%</b>	<b>25.3%</b>
<b>Non-GAAP Gross Margin</b>					
SW Licenses and Maintenance	85.2%	79.8%	82.5%	270 bps	(270 bps)
Integrated Solutions	30.3%	44.7%	40.7%	(400 bps)	1040 bps
Professional Services & Training	23.7%	8.2%	9.2%	100 bps	(1450 bps)
<b>Total Non-GAAP Gross Margin %</b>	<b>64.9%</b>	<b>63.9%</b>	<b>65.3%</b>	<b>140 bps</b>	<b>40 bps</b>



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





# RECONCILIATION OF NON-GAAP GROSS PROFIT AND NON-GAAP OPERATING EXPENSES

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q3 2021	Q2 2021	Q3 2020
<b>GAAP Revenue</b>			
GAAP Revenue	\$ 101,640	\$ 94,876	\$ 90,431
<b>Non-GAAP Gross Profit</b>			
GAAP Gross Profit	65,903	60,138	58,257
Stock-based compensation	444	478	433
Non-GAAP Gross Profit	<u>\$ 66,347</u>	<u>\$ 60,616</u>	<u>\$58,690</u>
GAAP Gross Margin	64.8%	63.4%	64.4%
Non-GAAP Gross Margin	65.3%	63.9%	64.9%
<b>Non-GAAP Operating Expenses</b>			
GAAP Operating Expenses	56,355	51,140	45,140
Less Amortization of intangible assets	(105)	(105)	(105)
Less Stock-based compensation	(3,337)	(3,159)	(2,865)
Less Restructuring costs, net	88	(15)	(723)
Less Acquisition, integration and other costs	(876)	(838)	-
Less Efficiency program costs	-	-	(79)
Less Digital Transformation	(808)	-	-
Less COVID-19 related expenses	-	(20)	(3)
Non-GAAP Operating Expenses	<u>\$ 51,317</u>	<u>\$ 47,003</u>	<u>\$ 41,365</u>

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





# RECONCILIATION OF NON-GAAP OPERATING INCOME, ADJUSTED EBITDA, AND ADJUSTED EBITDA MARGIN

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q3 2021	Q2 2021	Q3 2020
<b>Non-GAAP Operating Income and Adjusted EBITDA</b>			
GAAP net income	14,775	7,006	7,987
Interest and other expense	(6,218)	1,633	4,423
Provision for income taxes	991	359	707
GAAP Operating Income	9,548	8,998	13,117
Amortization of intangible assets	105	105	105
Stock-based compensation	3,781	3,637	3,297
Restructuring costs, net	(88)	15	723
Acquisition, integration and other costs	876	838	-
Efficiency program costs	-	-	79
Digital Transformation	808	-	-
COVID-19 related expenses	-	20	3
Non-GAAP Operating Income	<u>\$ 15,030</u>	<u>\$ 13,613</u>	<u>\$ 17,324</u>
Depreciation	2,002	2,202	2,004
Adjusted EBITDA	<u>\$ 17,032</u>	<u>\$ 15,815</u>	<u>\$ 19,328</u>
GAAP net income margin	14.5%	7.4%	8.8%
Adjusted EBITDA Margin	16.8%	16.7%	21.4%

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# RECONCILIATION OF NON-GAAP NET INCOME, NON-GAAP NET INCOME PER SHARE AND FREE CASH FLOW

## AVID TECHNOLOGY, INC.

### Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Q3 2021	Q2 2021	Q3 2020
<b>Non-GAAP Net Income</b>			
GAAP net income	14,775	7,006	7,987
Amortization of intangible assets	105	105	105
Stock-based compensation	3,781	3,637	3,297
Restructuring costs, net	(88)	15	723
Acquisition, integration and other costs	876	838	-
Efficiency program costs	-	-	79
Digital Transformation	808	-	-
Gain on forgiveness of PPP Loan	(7,800)	-	-
COVID-19 related expenses	-	20	3
Loss on Extinguishment of debt	-	-	-
Tax impact of non-GAAP adjustments	(25)	(10)	5
Non-GAAP Net Income	<u>\$ 12,432</u>	<u>\$ 11,611</u>	<u>\$ 12,199</u>
Weighted-average share count (Basic)	45,564	45,211	44,019
Weighted-average share count (Diluted)	46,428	46,550	44,758
Non-GAAP Earnings per Share (Basic)	\$ 0.27	\$ 0.26	\$ 0.28
Non-GAAP Earnings per Share (Diluted)	\$ 0.27	\$ 0.25	\$ 0.27
<b>Free Cash Flow</b>			
Net cash provided by operating activities	16,521	6,585	17,955
Capital expenditures	(2,475)	(1,021)	(2,407)
Free Cash Flow	<u>\$ 14,046</u>	<u>\$ 5,564</u>	<u>\$ 15,548</u>
Free Cash Flow conversion from Adjusted EBITDA	82.5%	35.2%	80.4%

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# RECONCILIATION OF LTM ADJUSTED EBITDA AND LTM ADJUSTED EBITDA MARGIN

AVID TECHNOLOGY, INC.

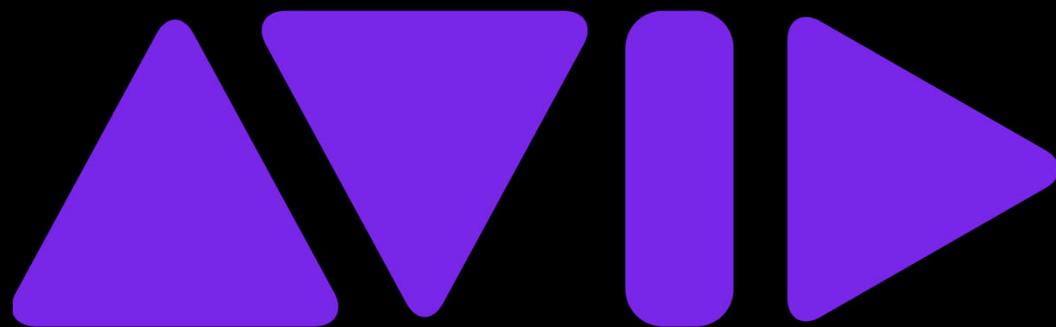
Reconciliations of GAAP Financial Measures to Non-GAAP Financial Measures

(unaudited - in thousands)

	Nine Months Ended September 30,		Year Ended December 31,	Last Twelve Months (LTM)
	2021	2020	2020	Q3 2021
GAAP revenue	\$ 290,880	\$ 256,165	\$ 360,466	\$ 395,181
<b>Non-GAAP Operating Income and Adjusted EBITDA</b>				
GAAP net income	26,172	3,975	11,062	33,259
Interest and other expense	1,088	15,204	19,133	5,017
Provision for income taxes	1,832	1,546	1,372	1,658
GAAP operating income	29,092	20,725	31,567	39,934
Amortization of intangible assets	315	306	411	420
Stock-based compensation	10,835	8,132	10,664	13,367
Restructuring costs, net	1,001	1,008	5,046	5,039
Acquisition, integration and other costs	2,083	(183)	832	3,098
Efficiency program costs	48	445	1,331	934
Digital Transformation	808	-	-	808
COVID-19 related expenses	22	251	278	49
Non-GAAP Operating Income	\$ 44,204	\$ 30,684	\$ 50,129	\$ 63,649
Depreciation	6,323	6,317	8,505	8,511
Adjusted EBITDA	\$ 50,527	\$ 37,001	\$ 58,634	LTM Adjusted EBITDA \$ 72,160
GAAP net income margin	9.0%	1.6%	3.1%	8.4%
Adjusted EBITDA Margin	17.4%	14.4%	16.3%	18.3%

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POWERING  
GREATER  
CREATORS