

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

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

Date of Report (Date of earliest event reported): May 7, 2020

AVID TECHNOLOGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-36254
(Commission File Number)

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

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

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

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

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

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On May 7, 2020, Avid Technology, Inc. (the “Company”) issued a press release announcing its financial results for the fiscal quarter ended March 31, 2020 (the “Press Release”). The full text of the Press Release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

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

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

- Non-GAAP Gross Profit is defined as GAAP gross profit, excluding amortization of intangible assets and stock-based compensation expense.
- Non-GAAP Gross Margin is defined as GAAP gross margin, excluding amortization of intangible assets and stock-based compensation expense.
- Non-GAAP Operating Expenses are defined as GAAP operating expense excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to the restatement, M&A related activity, and efficiency program.
- Non-GAAP Operating Income (Loss) is defined as GAAP operating income (loss) excluding restructuring costs, stock-based compensation, amortization of intangible assets as well as other unusual items such as costs related to the restatement, M&A related activity, and efficiency program.
- Adjusted EBITDA is defined as non-GAAP operating income (loss) excluding depreciation expense.
- Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by GAAP Net Revenues.
- Non-GAAP Interest and Other Expense is defined as GAAP interest and other expense excluding one-time financing fees and loss on extinguishment of debt.
- Non-GAAP Income Tax Provision is defined as the provision for income taxes on non-GAAP profit (loss) before income taxes, which is non-GAAP Operating Income (Loss) excluding Non-GAAP Interest and Other Expense; additionally, the Non-GAAP Income Tax provision excludes deferred tax expense or benefit associated with the creation or release of a valuation allowance for deferred tax assets.
- Non-GAAP Net Income (Loss) is defined as Non-GAAP Operating Income (Loss) less Non-GAAP Interest and Other Expense, and Non-GAAP Income Tax Provision.
- Non-GAAP Net Income (Loss) Per Share is defined as non-GAAP Net Income (Loss) divided by weighted-average common shares outstanding.
- Free Cash Flow is defined as GAAP operating cash flow less capital expenditures.

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

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

measures should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP.

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

- Cloud-enabled software subscriptions as of the end of a quarter represent the number of paid subscription licenses under an active contract as of that date, excluding any licenses that may be receiving service under an active contract but that are not paid for at that time by the customer, whether due to a promotion, cancellation or otherwise. For comparison purposes, subscription numbers for previous quarters have been adjusted from previously published numbers to (i) include multi-year and multi-seat licenses, and (ii) exclude certain terminated subscription licenses.
- Recurring Revenue is defined as the sum of subscription revenue, maintenance revenue and revenue under our long-term contractual agreements.
- LTM Recurring Revenue % is Recurring Revenue divided by Total Net Revenue for the most recent four quarters.
- Annual Contract Value is defined, as of a given date, as the sum of the following three components: (i) the annual value of all long-term contractual agreements in effect on such date, calculated by dividing the total value of each contract (excluding expected maintenance revenue included in (ii) below and expected subscription revenue included in (iii) below) divided by the total number of years of such contract, (ii) maintenance revenue for the quarter ended on such date, multiplied by four, and (iii) subscription revenue for the quarter ended on such date, multiplied by four.
- Revenue Backlog consists of firm orders received and includes both (i) orders where the customer has been invoiced in advance of our performance obligations being fulfilled and (ii) orders for future product deliveries or services that have not yet been invoiced by us.

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

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

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---|
| 99.1 | Press Release announcing financial results, dated May 7, 2020 |

SIGNATURE

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

AVID TECHNOLOGY, INC.

(Registrant)

Date: May 7, 2020

By: /s/ Kenneth Gayron

Name: Kenneth Gayron

Title: Executive Vice President and CFO

Avid Technology Announces Q1 2020 Results

Results Impacted by COVID-19 Global Pandemic and In-Line with April 7th Business Update

Subscription Revenue Growth of 50% Year-Over-Year Drove Double-Digit Growth in Recurring Revenue

Management Implemented \$40 million Cost Savings Plan to Help Manage Business Through Global Pandemic

BURLINGTON, Mass., May 7, 2020 -- Avid® (NASDAQ: AVID), a leading technology provider that powers the media and entertainment industry, today announced its first quarter 2020 financial results, which were in line with the business update provided on April 7, 2020.

During the first quarter, the Company reported a record increase in cloud-enabled software subscriptions, stable maintenance revenue and growing contribution from long-term agreements with customers which resulted in the Recurring Revenue portion of the Company's business growing 10% year-over-year and Annual Contract Value growing 11% year-over-year. In addition, the Company believes it is currently benefitting from a trend of large and medium sized media companies that are looking to Avid to support their needs for business continuity and work-from-home during the global pandemic. This trend appears to be accelerating adoption of the cloud-based solutions for media production workflows that Avid previously introduced.

Due to the rapid spread of the COVID-19 global pandemic in the second half of March, the non-Recurring Revenue portions of the Company's business, which generally depend disproportionately on sales activity during the last few weeks of a given quarter, were down year-over-year in the first quarter. The COVID-19 global pandemic has caused the postponement or cancellation of many music festivals and major sporting events, and the suspension of many film and television productions, which negatively impacted the Company's product sales for the first quarter. In addition, the travel restrictions put in place in many areas worldwide during March negatively impacted professional services revenue in the first quarter as the restrictions limited the Company's ability to deliver certain professional services and to complete certain project milestones at the end of the quarter.

First Quarter 2020 Financial and Business Highlights

- Subscription revenue was \$14.0 million, up 50.4% year-over-year.
- Record increase in cloud-enabled software subscriptions of approximately 30,000 during Q1 2020, to approximately 218,000 at March 31, 2020, an increase of 58.6% year-over-year in total paid subscriptions.
- Subscription and Maintenance revenue was \$45.8 million, up 10.8% year-over-year, and above the original guidance range provided on March 7, 2020.
- Total revenue was \$86.5 million, down (16.3%) year-over-year primarily due to a reduction in non-recurring product and professional services revenue.
- Recurring Revenue was \$62.9 million, an increase of 10.4% year-over-year.
- Gross margin was 61.5%, up 220 basis points year-over-year. Non-GAAP Gross Margin was 61.7%, up 40 basis points year-over-year.
- Operating expenses were \$53.6 million, a decrease of (4.1%) year-over-year. Non-GAAP Operating Expenses were \$51.3 million, a decrease of (3.4%) year-over-year.
- Operating income was (\$0.5) million, a decrease of (108.4%) year-over-year. Non-GAAP Operating Income was \$2.0 million, a decrease of (80.0%) year-over-year.

- Adjusted EBITDA was \$4.2 million, a decrease of (66.9%) year-over-year. Adjusted EBITDA Margin was 4.8%, down (740) basis points year-over-year.
- Net loss per common share was (\$0.14), down from (\$0.01) in Q1 2019. Non-GAAP Net Loss per Share was (\$0.08), down from Non-GAAP Net Income per Share of \$0.11 in Q1 2019.
- Net cash (used in) operating activities was (\$5.6) million in Q1 2020, a decrease of (\$12.0) million compared to Net cash provided by operating activities of \$6.4 million in Q1 2019.
- Free Cash Flow was (\$7.1) million, a decrease of (\$11.7) million compared to \$4.6 million in Q1 2019.
- LTM Recurring Revenue was 66.3% of the Company's revenue for the twelve months ended March 31, 2020, up 930 basis points from 57.0% for the twelve months ended March 31, 2019.
- Annual Contract Value was \$264 million at the end of Q1 2020, up 11.4% from \$237 million at the end of Q1 2019.

Jeff Rosica, Avid's CEO and President stated, "As the intensification of the COVID-19 global pandemic impacted the Company's business in the second half of March, Avid management responded expeditiously to institute plans to manage the business through the global crisis by implementing cost-savings measures while continuing to build recurring revenue sources from subscriptions and cloud-based services, all with a continued focus on employee safety, ensuring business continuity and supporting customers."

Mr. Rosica continued, "While the COVID-19 global pandemic has generated short-term headwinds for certain portions of the Company's business, we believe it has also created opportunities to grow other, strategic portions of the business. Avid signed a new, significant multimillion dollar cloud services agreement, to be delivered during the first half of 2020, with a major media company to enable that customer to globally deploy cloud-based business continuity solutions to ensure productions could continue with remote workers, including those working-from-home. We have observed that customer interest in the Company's cloud-based business continuity, shared storage and remote production solutions has increased substantially as the COVID-19 situation has progressed, and our recent agreement to extend our partnership with Microsoft solidifies our commitment to delivering cloud-based solutions for our customers."

Ken Gayron, Executive Vice President and Chief Financial Officer of Avid, said, "Given the headwinds that we have experienced in our non-recurring revenue since the middle of March, we have taken what we believe to be appropriate measures to aggressively reduce our cost structure and to manage our cash flow through this situation. We believe these cost savings actions will result in benefits to our cost structure and improve our cash flow profile moving forward."

Cost Saving Actions

Avid has put in place a plan to reduce its operating expenses, non-material cost of goods sold, and capital expenditures to offset its expectations for the decline in revenues for products and professional services due to the impact of the COVID-19 global pandemic. The Company has implemented actions that are expected to reduce Non-GAAP Operating Expenses by at least \$30 million year-over-year in 2020 from a combination of temporary furloughs and wage reductions for all staff, through the end of the third quarter, with senior management and the board of directors taking commensurate reductions; a hiring freeze; elimination of merit increases and 401K match; reduced marketing spending due to the cancellation of trade shows; reduction in usage of consultants, contractors and outside services, and reduction in other business activities, including travel and other discretionary spending. The cost savings actions are also expected to reduce non-material cost of goods sold by at least \$10 million year-over-year in 2020, which is expected to protect gross margin at the expected lower product and professional services volumes.

Supply Chain Update

During the first quarter, the Company did not experience any material production issues related to its supply chain. In early May, the Company's contract manufacturing partners in Mexico resumed needed production of the Company's products. Based on current information, the Company doesn't expect any production issues that would impact its second quarter production. The Company will continue to monitor its supply chain providers globally as the COVID-19 situation evolves.

Conference Call to Discuss First Quarter 2020 Results on May 7, 2020

Avid will host a conference call to discuss its financial results for the first quarter of 2020 on Thursday, May 7, 2020 at 5:00 p.m. ET. The call will be open to the public and can be accessed by dialing +1 323-994-2131 and referencing confirmation code 107655. You may also access the presentation slides and listen to the call on the Avid Investor Relations website. To listen via the website, go to the events tab at ir.avid.com for complete details prior to the start of the conference call. A replay of the call will also be available for a limited time on the Avid Investor Relations website shortly after the completion of the call.

Non-GAAP Financial Measures and Operational Metrics

Avid includes non-GAAP financial measures in this press release, including Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow, Non-GAAP Gross Margin, Non-GAAP Operating Expenses, Non-GAAP Operating Income, and Non-GAAP Net Income (Loss) per Share. The Company also includes the operational metrics of Cloud-enabled software subscriptions, Recurring Revenue, LTM Recurring Revenue % and Annual Contract Value in this release. Avid believes the non-GAAP financial measures and operational metrics provided in this release provide helpful information to investors with respect to evaluating the Company's performance. Unless noted, all financial and operating information is reported based on actual exchange rates. Definitions of the non-GAAP financial measures and operational metrics are included in our Form 8-K filed today. Reconciliations of the non-GAAP financial measures presented in this press release to the Company's comparable GAAP financial measures for the periods presented are set forth below and are also included in the supplemental financial and operational data sheet available on our investor relations webpage at ir.avid.com, which also includes definitions of all operational metrics. Unless noted, all financial and operating information is reported based on actual exchange rates.

This earnings press release also includes forward-looking non-GAAP financial measures, including Non-GAAP Operating Expenses. Reconciliations of these forward-looking non-GAAP financial measures are not included in the earnings release 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 financial measures, 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.

Forward-Looking Statements

Certain information provided in this press release includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. Examples of forward-looking statements include statements regarding our future financial performance or position, results of operations,

business strategy, plans and objectives of management for future operations, and other statements that are not historical fact. You can identify forward-looking statements by their use of forward-looking words such as “may”, “will”, “anticipate”, “expect”, “believe”, “estimate”, “intend”, “plan”, “should”, “seek”, or other comparable terms.

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

These risks, uncertainties, and factors include, but are not limited to: 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 impact of the coronavirus (COVID-19) outbreak on our business, suppliers, consumers, customers and employees; 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.

About Avid

Avid delivers the most open and efficient media platform, connecting content creation with collaboration, asset protection, distribution, and consumption. Avid's preeminent customer community uses Avid's comprehensive tools and workflow solutions to create, distribute and monetize the most watched, loved and listened to media in the world—from prestigious and award-winning feature films to popular television shows, news programs and televised sporting events, and celebrated music recordings and live concerts. With the most flexible deployment and pricing options, Avid's industry-leading solutions include Media Composer®, Pro Tools®, Avid NEXIS®, MediaCentral®, iNEWS®, AirSpeed®, Sibelius®, Avid VENUE™, Avid FastServe®™, Maestro™, and PlayMaker™. For more information about Avid solutions and services, visit www.avid.com, connect with Avid on Facebook, Instagram, Twitter, YouTube, LinkedIn, or subscribe to Avid Blogs.

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Contacts

Investor contact:

PR contact:

Whit Rappole

Jim Sheehan

Avid

Avid

ir@avid.com

jim.sheehan@avid.com

(978) 275-2032

(978) 640-3152

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

| | Three Months Ended | |
|--|---------------------------|------------------|
| | March 31, | |
| | 2020 | 2019 |
| Net revenues: | | |
| Products | \$ 34,711 | \$ 54,396 |
| Services | 51,742 | 48,923 |
| Total net revenues | <u>86,453</u> | <u>103,319</u> |
| Cost of revenues: | | |
| Products | 20,962 | 27,600 |
| Services | 12,340 | 12,487 |
| Amortization of intangible assets | — | 1,950 |
| Total cost of revenues | <u>33,302</u> | <u>42,037</u> |
| Gross profit | <u>53,151</u> | <u>61,282</u> |
| Operating expenses: | | |
| Research and development | 15,425 | 16,285 |
| Marketing and selling | 25,289 | 24,878 |
| General and administrative | 12,744 | 13,788 |
| Amortization of intangible assets | — | 363 |
| Restructuring costs, net | 145 | 558 |
| Total operating expenses | <u>53,603</u> | <u>55,872</u> |
| Operating (loss) income | (452) | 5,410 |
| Interest and other expense, net | (5,283) | (5,185) |
| (Loss) income before income taxes | <u>(5,735)</u> | <u>225</u> |
| Provision for income taxes | 122 | 438 |
| Net loss | <u>\$ (5,857)</u> | <u>\$ (213)</u> |
| Net loss per common share – basic and diluted | <u>\$ (0.14)</u> | <u>\$ (0.01)</u> |
| Weighted-average common shares outstanding – basic and diluted | 43,254 | 42,046 |

AVID TECHNOLOGY, INC.

Reconciliations of GAAP financial measures to Non-GAAP financial measures

(unaudited - in thousands, except per share data)

| | Three Months Ended | |
|---|---------------------------|-------------------|
| | March 31, | |
| | 2020 | 2019 |
| <u>GAAP revenue</u> | | |
| GAAP revenue | \$ 86,453 | \$ 103,319 |
| <u>Non-GAAP Gross Profit</u> | | |
| GAAP gross profit | \$ 53,151 | \$ 61,282 |
| Amortization of intangible assets | — | 1,950 |
| Stock-based compensation | 200 | 69 |
| Non-GAAP Gross Profit | \$ 53,351 | \$ 63,301 |
| Non-GAAP Gross Margin | 61.7 % | 61.3% |
| <u>Non-GAAP Operating Expenses</u> | | |
| GAAP operating expenses | \$ 53,603 | \$ 55,872 |
| Less Amortization of intangible assets | (96) | (363) |
| Less Stock-based compensation | (1,909) | (1,669) |
| Less Restructuring costs, net | (145) | (558) |
| Less Restatement costs | — | 8 |
| Less Acquisition, integration and other costs | 183 | (151) |
| Less Efficiency program costs | (131) | (3) |
| Less COVID-19 related expenses | (186) | — |
| Non-GAAP Operating Expenses | \$ 51,319 | \$ 53,136 |
| <u>Non-GAAP Operating Income</u> | | |
| GAAP operating (loss) income | \$ (452) | \$ 5,410 |
| Amortization of intangible assets | 96 | 2,313 |
| Stock-based compensation | 2,109 | 1,738 |
| Restructuring costs, net | 145 | 558 |
| Restatement costs | — | (8) |
| Acquisition, integration and other costs | (183) | 151 |
| Efficiency program costs | 131 | 3 |
| COVID-19 related expenses | 186 | — |
| Non-GAAP Operating Income | \$ 2,032 | \$ 10,165 |
| <u>Adjusted EBITDA</u> | | |
| Non-GAAP Operating Income (from above) | \$ 2,032 | \$ 10,165 |
| Depreciation | 2,142 | 2,428 |
| Adjusted EBITDA | \$ 4,174 | \$ 12,593 |
| Adjusted EBITDA Margin | 4.8 % | 12.2% |

Non-GAAP Net (Loss) Income

| | | |
|---|-------------------|------------------|
| Non-GAAP Operating Income (from above) | \$ 2,032 | \$ 10,165 |
| Less Non-GAAP Interest and other expense | (5,276) | (5,185) |
| Less Non-GAAP Income Tax | (132) | (476) |
| Non-GAAP Net (Loss) Income | \$ (3,376) | \$ 4,504 |
| Weighted-average common shares outstanding - diluted | 43,254 | 42,585 |
| Non-GAAP (Loss) Earnings Per Share - diluted | \$ (0.08) | \$ 0.11 |

Free Cash Flow

| | | |
|---|-------------------|-----------------|
| GAAP net cash (used in) provided by operating activities | \$ (5,605) | \$ 6,376 |
| Capital expenditures | (1,479) | (1,767) |
| Free Cash Flow | \$ (7,084) | \$ 4,609 |
| Free Cash Flow conversion of Adjusted EBITDA | (169.7)% | 36.6% |

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

AVID TECHNOLOGY, INC.
Consolidated Balance Sheets
(unaudited - in thousands)

| | March 31, | December 31, |
|--|-------------------|---------------------|
| | 2020 | 2019 |
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 81,182 | \$ 69,085 |
| Restricted cash | 1,663 | 1,663 |
| Accounts receivable, net of allowances of \$1,453 and \$958 at March 31, 2020 and December 31, 2019, respectively. | 59,965 | 73,773 |
| Inventories | 32,601 | 29,166 |
| Prepaid expenses | 10,101 | 9,425 |
| Contract assets | 22,162 | 19,494 |
| Other current assets | 7,147 | 6,125 |
| Total current assets | 214,821 | 208,731 |
| Property and equipment, net | 18,873 | 19,580 |
| Goodwill | 32,643 | 32,643 |
| Right of use assets | 29,002 | 29,747 |
| Long-term deferred tax assets, net | 7,640 | 7,479 |
| Other long-term assets | 5,456 | 6,113 |
| Total assets | \$ 308,435 | \$ 304,293 |
| <u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 34,989 | \$ 39,888 |
| Accrued compensation and benefits | 19,185 | 19,524 |
| Accrued expenses and other current liabilities | 33,044 | 36,759 |
| Income taxes payable | 1,964 | 1,945 |
| Short-term debt | 31,400 | 30,554 |
| Deferred revenue | 82,441 | 83,589 |
| Total current liabilities | 203,023 | 212,259 |
| Long-term debt | 220,426 | 199,034 |
| Long-term deferred revenue | 12,971 | 14,312 |
| Long-term lease liabilities | 28,063 | 28,127 |
| Other long-term liabilities | 5,414 | 5,646 |
| Total liabilities | 469,897 | 459,378 |
| Stockholders' deficit: | | |
| Common stock | \$ 434 | \$ 430 |
| Additional paid-in capital | 1,028,115 | 1,027,824 |
| Accumulated deficit | (1,185,266) | (1,179,409) |
| Accumulated other comprehensive loss | (4,745) | (3,930) |
| Total stockholders' deficit | (161,462) | (155,085) |
| Total liabilities and stockholders' deficit | \$ 308,435 | \$ 304,293 |

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

| | Three Months Ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net loss | \$ (5,857) | \$ (213) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 2,142 | 4,740 |
| Allowance for (recovery from) doubtful accounts | 497 | (9) |
| Stock-based compensation expense | 2,109 | 1,738 |
| Non-cash interest expense | 2,820 | 3,359 |
| Unrealized foreign currency transaction losses (gains) | 51 | (586) |
| Benefit from deferred taxes | (207) | (1) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 13,311 | 6,444 |
| Inventories | (3,435) | (1,372) |
| Prepaid expenses and other assets | (1,631) | (3,861) |
| Accounts payable | (4,858) | (810) |
| Accrued expenses, compensation and benefits and other liabilities | (5,323) | (2,837) |
| Income taxes payable | 40 | 261 |
| Deferred revenue and contract assets | (5,264) | (477) |
| Net cash (used in) provided by operating activities | (5,605) | 6,376 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,479) | (1,767) |
| Net cash used in investing activities | (1,479) | (1,767) |
| Cash flows from financing activities: | | |
| Proceeds from revolving line of credit | 22,000 | — |
| Repayment of debt | (351) | (3,928) |
| Proceeds from the issuance of common stock under employee stock plans | — | 309 |
| Common stock repurchases for tax withholdings for net settlement of equity awards | (1,818) | (1,690) |
| Partial unwind capped call cash receipt | — | (22) |
| Net cash provided by (used in) financing activities | 19,831 | (5,331) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (402) | (55) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 12,345 | (777) |
| Cash, cash equivalents and restricted cash at beginning of period | 72,575 | 68,094 |
| Cash, cash equivalents and restricted cash at end of period | \$ 84,920 | \$ 67,317 |
| Supplemental information: | | |
| Cash and cash equivalents | \$ 81,182 | \$ 55,326 |
| Restricted cash | 1,663 | 9,020 |
| Restricted cash included in other long-term assets | 2,075 | 2,971 |
| Total cash, cash equivalents and restricted cash shown in the statement of cash flows | \$ 84,920 | \$ 67,317 |

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

Backlog Disclosure for Quarter Ended March 31, 2020

| | March 31, 2020 | December 31, 2019 | March 31, 2019 |
|------------------------------|---------------------------|------------------------------|---------------------------|
| Revenue Backlog* | | | |
| Deferred Revenue | \$95.4 | \$97.9 | \$101.3 |
| Other Backlog | 339.6 | 342.3 | 358.4 |
| Total Revenue Backlog | \$435.0 | \$440.2 | \$459.7 |

The expected timing of recognition of revenue backlog as of March 31, 2020 is as follows:

| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>Thereafter</u> | <u>Total</u> |
|------------------------------|--------------------|--------------------|--------------------|--------------------------|---------------------|
| Deferred Revenue | \$74.2 | \$14.7 | \$4.1 | \$2.4 | \$95.4 |
| Other Backlog | 102.0 | 99.3 | 75.7 | 62.6 | 339.6 |
| Total Revenue Backlog | \$176.2 | \$114.0 | \$79.8 | \$65.0 | \$435.0 |

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