

AVID TECHNOLOGY, INC.**Condensed Consolidated Statements of Operations**

(unaudited - in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues:				
Products	\$ 47,655	\$ 75,592	\$ 98,661	\$ 160,101
Services	54,718	58,477	107,819	117,515
Total net revenues	<u>102,373</u>	<u>134,069</u>	<u>206,480</u>	<u>277,616</u>
Cost of revenues:				
Products	26,489	28,488	50,993	55,612
Services	14,181	15,832	28,275	30,241
Amortization of intangible assets	1,950	1,950	3,900	3,900
Total cost of revenues	<u>42,620</u>	<u>46,270</u>	<u>83,168</u>	<u>89,753</u>
Gross profit	<u>59,753</u>	<u>87,799</u>	<u>123,312</u>	<u>187,863</u>
Operating expenses:				
Research and development	16,991	21,433	35,879	42,838
Marketing and selling	29,018	30,177	54,829	61,796
General and administrative	13,644	16,818	28,075	34,537
Amortization of intangible assets	363	782	726	1,568
Restructuring costs, net	6,063	(213)	7,046	2,564
Total operating expenses	<u>66,079</u>	<u>68,997</u>	<u>126,555</u>	<u>143,303</u>
Operating (loss) income	(6,326)	18,802	(3,243)	44,560
Interest and other expense, net	(3,918)	(5,159)	(8,764)	(9,342)
(Loss) income before income taxes	<u>(10,244)</u>	<u>13,643</u>	<u>(12,007)</u>	<u>35,218</u>
Provision for income taxes	587	703	739	1,338
Net (loss) income	<u>\$ (10,831)</u>	<u>\$ 12,940</u>	<u>\$ (12,746)</u>	<u>\$ 33,880</u>
Net (loss) income per common share - basic	<u>\$ (0.26)</u>	<u>\$ 0.33</u>	<u>\$ (0.31)</u>	<u>\$ 0.86</u>
Net (loss) income per common share - diluted	<u>\$ (0.26)</u>	<u>\$ 0.33</u>	<u>\$ (0.31)</u>	<u>\$ 0.85</u>
Weighted-average common shares outstanding - basic	40,953	39,678	40,863	39,622
Weighted-average common shares outstanding - diluted	40,953	39,734	40,863	39,691

AVID TECHNOLOGY, INC.
Reconciliations of GAAP financial measures to Non-GAAP financial measures

(unaudited - in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Non-GAAP revenue				
GAAP revenue	\$ 102,373	\$ 134,069	\$ 206,480	\$ 277,616
Amortization of acquired deferred revenue	-	325	-	594
Non-GAAP revenue	<u>102,373</u>	<u>134,394</u>	<u>206,480</u>	<u>278,210</u>
Pre-2011 Revenue	360	7,798	765	17,136
Elim PCS	-	15,200	1,700	32,800
Non-GAAP Revenue w/o Pre-2011 and Elim	<u>102,013</u>	<u>111,396</u>	<u>204,015</u>	<u>228,274</u>
Non-GAAP gross profit				
GAAP gross profit	59,753	87,799	123,312	187,863
Amortization of acquired deferred revenue	-	325	-	594
Amortization of intangible assets	1,950	1,950	3,900	3,900
Stock-based compensation	420	152	484	332
Non-GAAP gross profit	<u>62,123</u>	<u>90,226</u>	<u>127,696</u>	<u>192,689</u>
Pre-2011 Revenue	360	7,798	765	17,136
Elim PCS	-	15,200	1,700	32,800
Non-GAAP gross profit w/o Pre-2011 and Elim	<u>61,763</u>	<u>67,228</u>	<u>125,231</u>	<u>142,753</u>
Non-GAAP operating expenses				
GAAP operating expenses	66,079	68,997	126,555	143,303
Less Amortization of intangible assets	(363)	(782)	(726)	(1,568)
Less Stock-based compensation	(1,563)	(2,149)	(2,909)	(4,056)
Less Restructuring costs, net	(6,063)	213	(7,046)	(2,564)
Less Restatement costs	(320)	(68)	(442)	(148)
Less Acquisition, integration and other costs	(138)	(279)	(140)	(794)
Less Efficiency program costs	(1,049)	(1,286)	(2,571)	(2,001)
Non-GAAP operating expenses	<u>56,583</u>	<u>64,646</u>	<u>112,721</u>	<u>132,172</u>
Non-GAAP operating income				
GAAP operating (loss) income	(6,326)	18,802	(3,243)	44,560
Amortization of acquired deferred revenue	-	325	-	594
Amortization of intangible assets	2,313	2,732	4,626	5,468
Stock-based compensation	1,983	2,301	3,393	4,388
Restructuring costs, net	6,063	(213)	7,046	2,564
Restatement costs	320	68	442	148
Acquisition, integration and other costs	138	279	140	794
Efficiency program costs	1,049	1,286	2,571	2,001
Non-GAAP operating income	<u>5,540</u>	<u>25,580</u>	<u>14,975</u>	<u>60,517</u>
Adjusted EBITDA				
Non-GAAP operating income (from above)	5,540	25,580	14,975	60,517
Depreciation	3,335	3,811	6,906	7,422
Adjusted EBITDA	<u>8,875</u>	<u>29,391</u>	<u>21,881</u>	<u>67,939</u>
Adjusted EBITDA margin	9%	22%	11%	24%
Pre-2011 Revenue	360	7,798	765	17,136
Elim PCS	-	15,200	1,700	32,800
Adjusted EBITDA w/o Pre-2011 and Elim	<u>8,515</u>	<u>6,393</u>	<u>19,416</u>	<u>18,003</u>
Adjusted free cash flow				
GAAP net cash provided by (used in) operating activities	2,538	(33,806)	6,072	(45,016)
Capital expenditures	(1,379)	(2,803)	(3,108)	(7,321)
Free Cash Flow	<u>1,159</u>	<u>(36,609)</u>	<u>2,964</u>	<u>(52,337)</u>
Non-Operational / One-time Items				
Restructuring payments	3,700	3,952	6,994	7,485
Restatement payments	151	-	210	-
Acquisition, integration and other payments	4	848	19	1,621
Efficiency program payments	1,144	1,602	2,729	3,583
Sub-Total Non-Operational / One-Time Items	<u>4,999</u>	<u>6,402</u>	<u>9,952</u>	<u>12,689</u>
Adjusted free cash flow	<u>\$ 6,158</u>	<u>\$ (30,207)</u>	<u>\$ 12,916</u>	<u>\$ (39,648)</u>
Adjusted free cash flow conversion of adjusted EBITDA	69%	-103%	59%	-58%

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.
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 47,434	\$ 44,948
Accounts receivable, net of allowances of \$8,445 and \$8,618 at June 30, 2017 and December 31, 2016, respectively	34,433	43,520
Inventories	41,219	50,701
Prepaid expenses	10,058	6,031
Other current assets	4,920	5,805
Total current assets	<u>138,064</u>	<u>151,005</u>
Property and equipment, net	23,977	30,146
Intangible assets, net	18,307	22,932
Goodwill	32,643	32,643
Long-term deferred tax assets, net	1,319	1,245
Other long-term assets	10,427	11,610
Total assets	<u>\$ 224,737</u>	<u>\$ 249,581</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 27,495	\$ 26,435
Accrued compensation and benefits	29,141	25,387
Accrued expenses and other current liabilities	30,130	34,088
Income taxes payable	1,958	1,012
Short-term debt	5,000	5,000
Deferred revenues	129,858	146,014
Total current liabilities	<u>223,582</u>	<u>237,936</u>
Long-term debt	189,857	188,795
Long-term deferred tax liabilities, net	173	913
Long-term deferred revenues	74,181	79,670
Other long-term liabilities	11,699	12,178
Total liabilities	<u>499,492</u>	<u>519,492</u>
Stockholders' deficit:		
Common stock	423	423
Additional paid-in capital	1,038,093	1,043,063
Accumulated deficit	(1,283,894)	(1,271,148)
Treasury stock at cost	(24,270)	(32,353)
Accumulated other comprehensive loss	(5,107)	(9,896)
Total stockholders' deficit	<u>(274,755)</u>	<u>(269,911)</u>
Total liabilities and stockholders' deficit	<u>\$ 224,737</u>	<u>\$ 249,581</u>

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

	Six Months Ended	
	June 30,	
	2017	2016
Cash flows from operating activities:		
Net (loss) income	\$ (12,746)	\$ 33,880
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,531	12,890
(Recovery) provision for doubtful accounts	(214)	367
Stock-based compensation expense	3,393	4,388
Non-cash provision for restructuring	2,477	-
Non-cash interest expense	5,214	5,394
Unrealized foreign currency transaction losses	4,763	1,578
Benefit from deferred taxes	(746)	(1,365)
Changes in operating assets and liabilities:		
Accounts receivable	9,343	13,683
Inventories	9,482	(5,829)
Prepaid expenses and other assets	(3,287)	(3,994)
Accounts payable	980	(10,373)
Accrued expenses, compensation and benefits and other liabilities	(3,419)	(13,910)
Income taxes payable	991	(510)
Deferred revenues	(21,690)	(81,215)
Net cash provided by (used in) operating activities	6,072	(45,016)
Cash flows from investing activities:		
Purchases of property and equipment	(3,108)	(7,321)
Increase in other long-term assets	(23)	(12)
Decrease (Increase) in restricted cash	1,700	(4,544)
Net cash used in investing activities	(1,431)	(11,877)
Cash flows from financing activities:		
Proceeds from long-term debt	-	100,000
Repayment of debt	(2,500)	(1,250)
Proceeds from the issuance of common stock under employee stock plans	217	285
Common stock repurchases for tax withholdings for net settlement of equity awards	(497)	(441)
Proceeds from revolving credit facilities	-	25,000
Payments on revolving credit facilities	-	(30,000)
Payments for credit facility issuance costs	-	(4,971)
Net cash (used in) provided by financing activities	(2,780)	88,623
Effect of exchange rate changes on cash and cash equivalents	625	733
Net increase in cash and cash equivalents	2,486	32,463
Cash and cash equivalents at beginning of the period	44,948	17,902
Cash and cash equivalents at end of the period	\$ 47,434	\$ 50,365

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

	June 30, 2017	March 31, 2017	June 30, 2016
<u>Revenue Backlog*</u>			
Pre-2011	\$ 331	\$ 691	\$ 8,732
Post-2010	\$ 203,708	\$ 222,342	\$ 258,420
Deferred Revenue	\$ 204,039	\$ 223,033	\$ 267,152
Other Backlog	\$ 283,765	\$ 271,184	\$ 197,591
Total Revenue Backlog	\$ 487,804	\$ 494,217	\$ 464,743

The expected timing of recognition of revenue backlog as of June 30, 2017 is as follows:

	2017	2018	2019	Thereafter	Total
Orders executed prior to January 1, 2011	\$ 220	\$ 112	\$ -	\$ -	\$ 331
Orders executed or materially modified on or after January 1, 2011	\$ 73,221	\$ 55,460	\$ 30,583	\$ 44,444	\$ 203,708
Other Backlog	\$ 76,862	\$ 91,361	\$ 55,156	\$ 60,385	\$ 283,765
Total Revenue Backlog	\$ 150,303	\$ 146,933	\$ 85,739	\$ 104,829	\$ 487,804

*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.

Note: current estimates could change based on a number of factors, including (i) the timing of delivery of products and services, (ii) customer cancellations or change order, (iii) changes in the estimated period of time Implied Maintenance Release PCS is provided to customers, including as a result of changes in business practices.