Investor Video Series

Posted September 12, 2014

Safe Harbor

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Phase 1

Perform better in the markets we serve today

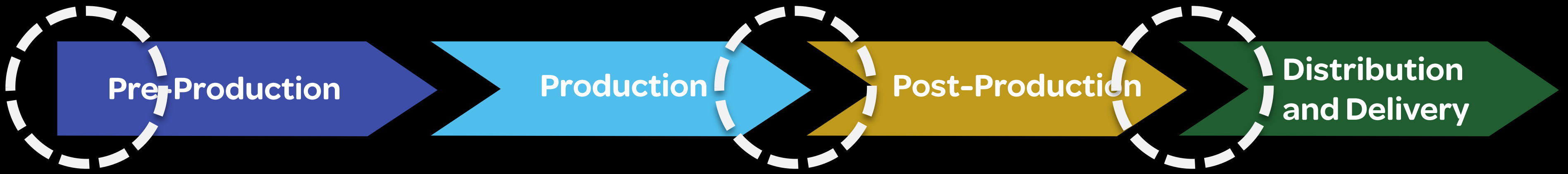
Phase 2

Address higher growth areas in current markets

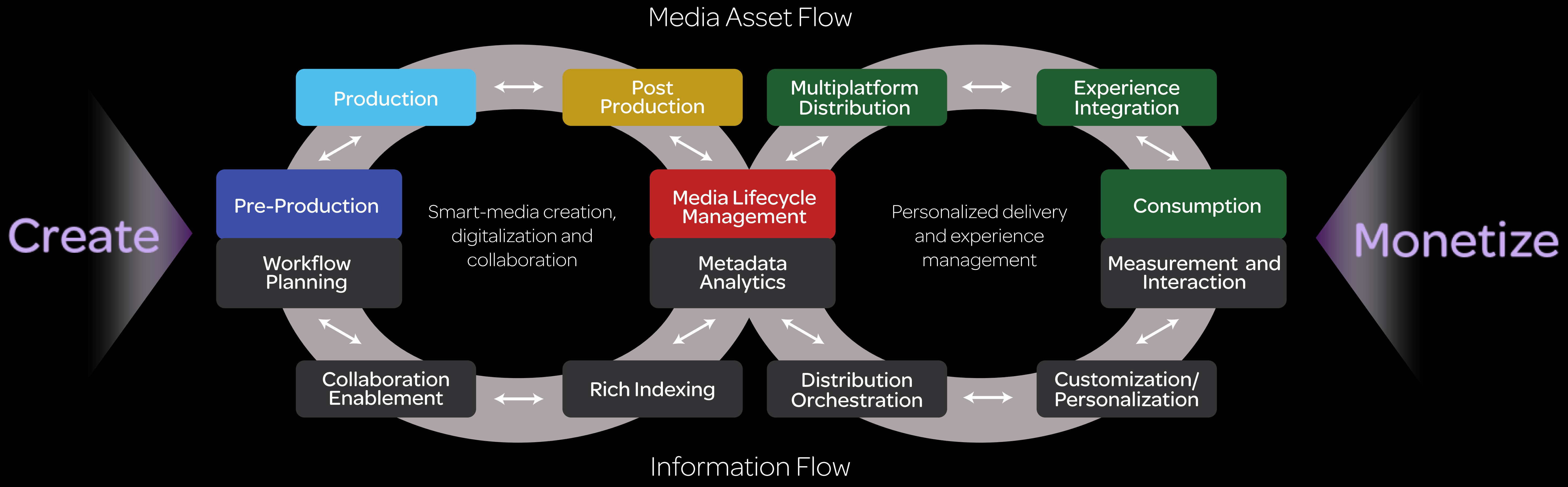
Phase 3

Address higher long-term growth areas and increase relevance

Traditional Value Chain



New Media Value Chain



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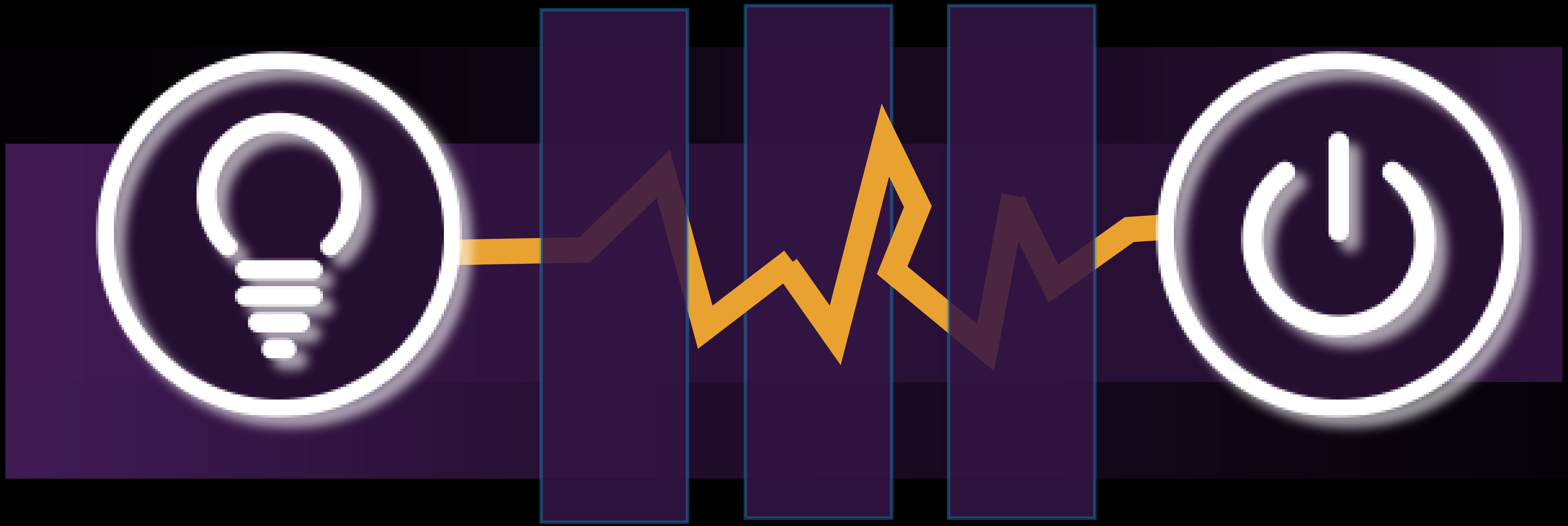

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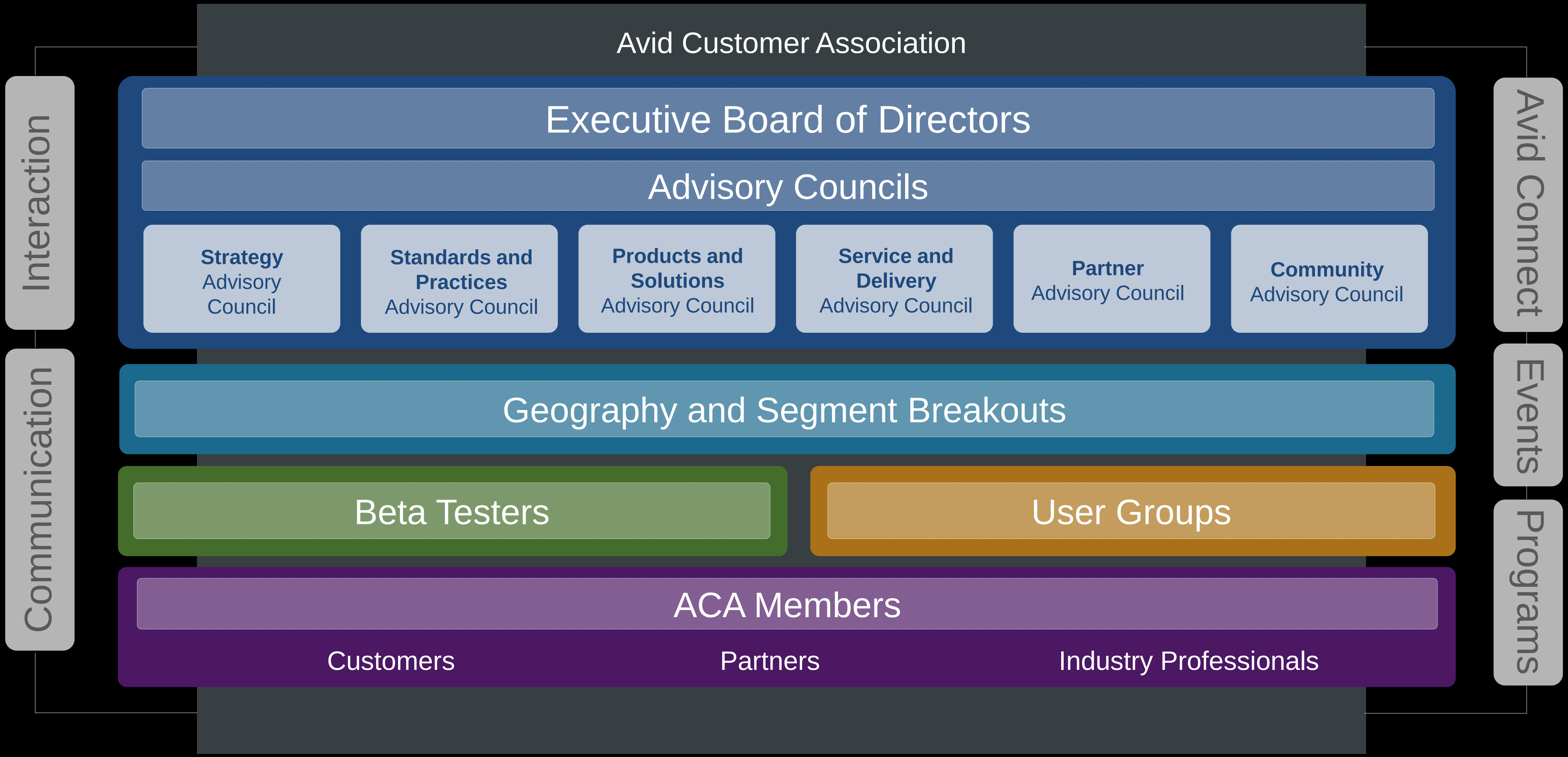

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Senior Vice President for Innovation, Strategy and Technology

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Fox Networks

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Frank Governale
VP CBS News Technology and Operations
CBS News

Michael Koetter
SVP of Media Technology and Development
Turner Broadcasting

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Darren Long
Director of Sky Production Services
Sky

Todd C. Donovan
SVP Broadcast Operations & Engineering
ABC Television Network

Steve Cohen
Motion Picture Editor

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Avid Connect 2014: The Inaugural Event

1,000+ Industry Professionals in Attendance

43 Countries Represented

First Meetings of the Executive Board of Directors and Advisory Councils

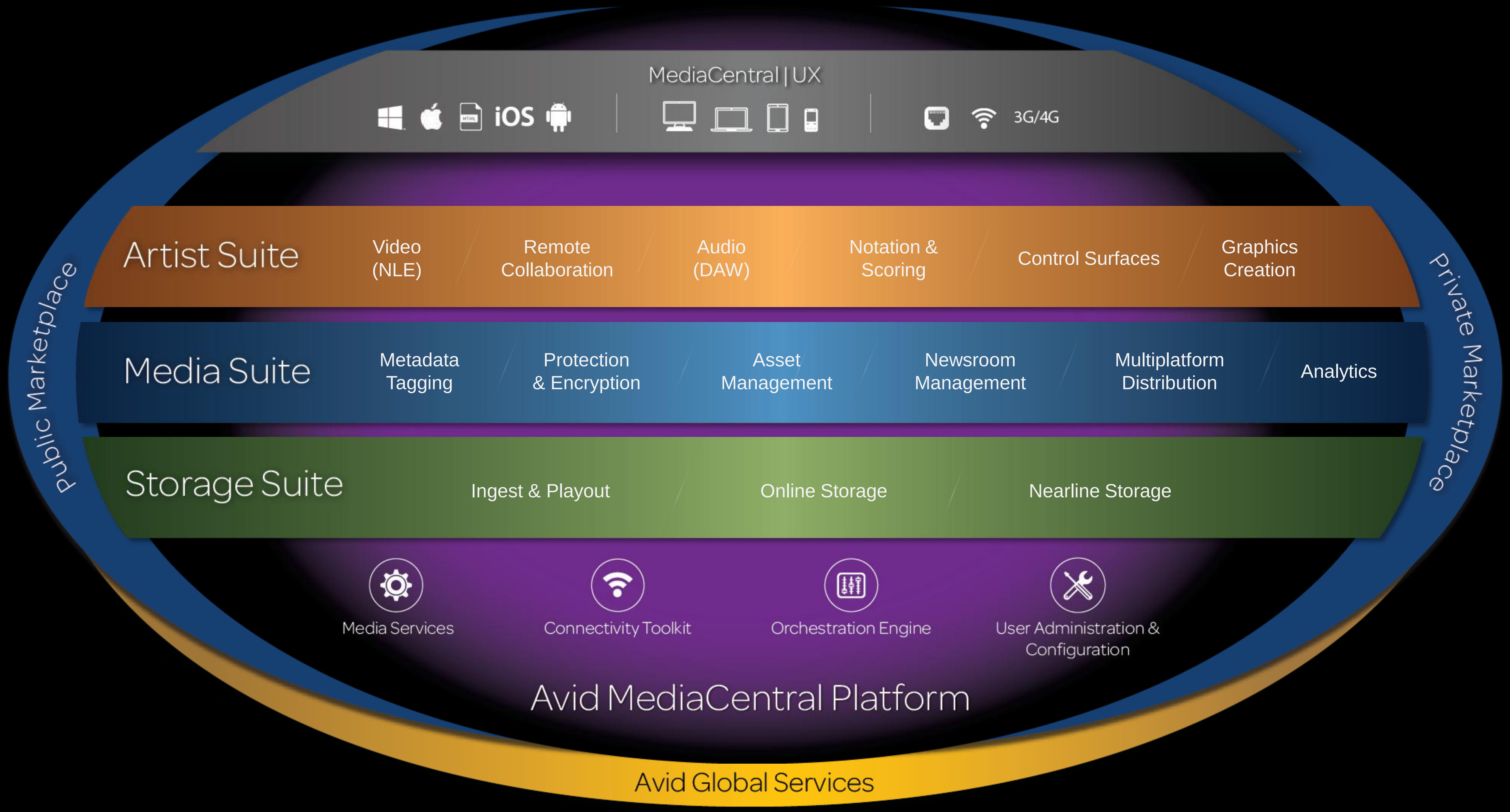
"The product is **revolutionary**! It's just freaking amazing!!! I can't say enough about it! I think I'm more of an Avid fan now than ever!"
– *Broadcast Beat*

@michaelkammes:
VERY impressed with Avid Everywhere. Completely end to end, unified system with expandability for 3rd parties. #AvidConnect @Avid

@colinjbrooker
Hmm @Adobe, @Avid seems to have a better idea for subscriptions …. As in not doing away with perpetual licenses if we want them! #NAB2014

"From Louis Hernandez's electrifying delivery to the **renewed passion** for listening to customers that I saw in Avid employees eyes it has massively exceeded my expectations."
– *Root 6 Blog*

Avid Everywhere – Our Path Forward



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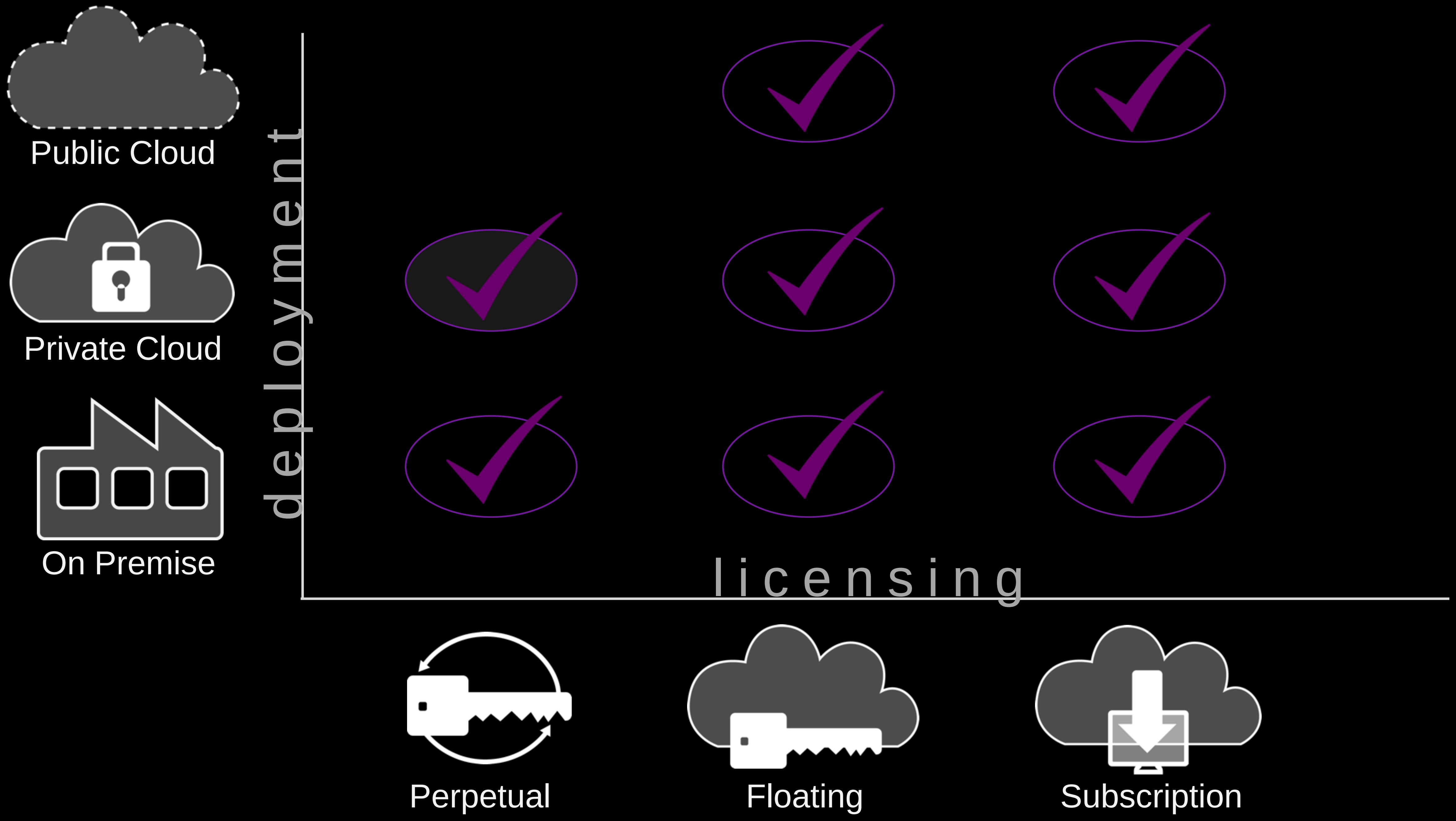
Pre-existing

200+ Patents

10 New Patents Granted

18 Applications Pending

Choice and Flexibility



Announced at Avid Connect 2014

Artist Suite	Media Composer subscription and floating licenses	Media Composer | Cloud	Pro Tools Cloud Collaboration, Metadata and Marketplace
Media Suite	Media | Director	Media | Index	Media | Distribute
Storage Suite	ISIS | 2500	Real-time 4K support	
Avid MediaCentral Platform	MediaCentral | UX	Connectivity Toolkit	

Marketplace

Marketplace

16

Early Results Validate Strategy

Growth

Cost

Culture

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Cost

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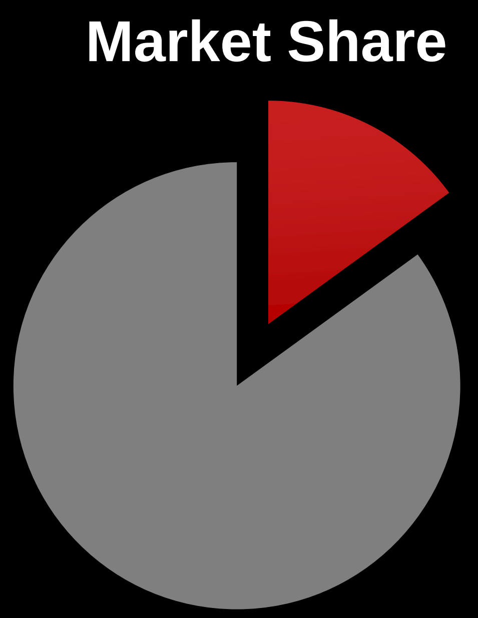
Cost

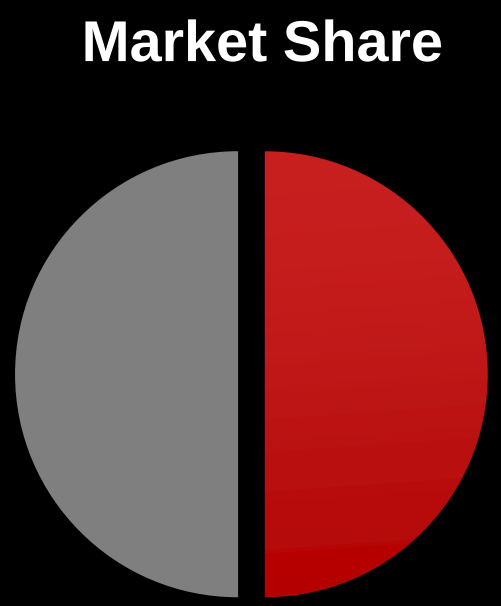
Culture

A Highly Fragmented Industry….

Top 10 Broadcast Media Vendors



Top 10 Financial Tech Vendors



Posted September 12, 2014

Early Results Validate Strategy

Leverages the platform

Provides new distribution

Adds a new anchor for growth

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Restatement Overview

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What We Found

- Determined many of our software updates represented implied post-contract customer support or PCS and that revenue accounting needed to be corrected

- Could not establish fair value for software updates, therefore, some or all of transaction value had to be recognized ratably over the periods the updates were provided

- We found no evidence that our previous revenue accounting was the result of intentional misconduct

- Our internal control over financial reporting was found not to be effective

Our Process

- Retained big four accounting firm to review our historical accounting practices and advise management on acceptability of accounting application
- Reviewed historical practices around upgrades and updates
- Implemented a methodical, comprehensive process for analyzing and assessing accounting impact of multiple bundled offerings
- Initiated a special purpose team to review, address and remediate internal control deficiencies

Our Process

- Developed and documented new accounting framework
- Went back to 2005 and reprocessed over five million transaction lines to determine appropriate accounting treatment for five year period
- Implemented new revenue accounting sub-ledger system to apply appropriate accounting treatment for all customer sales arrangements
- Because prior periods had been reopened—evaluated certain other historical accounting decisions

Internal Controls over Financial Reporting

- As part of restatement process, we reviewed our internal control structure related to our financial reporting and identified material weaknesses which are discussed in more detail in our Form 10-K for fiscal year 2013
- Nearly all efforts have been toward regaining current filing status
- As a result, we have not yet addressed all of the underlying internal control deficiencies but have initiated remediation measures in the interim
- We’ve invested in the accounting and internal audit functions as it relates to people, process and technology and expect to see incremental improvements over the next 12-24 months

Key Financial Metrics*

…leading indicators of revenue growth and liquidity

- Bookings
- Adjusted EBITDA
- Free Cash Flow

* Please reference appendix for additional detail on definition of these metrics, including GAAP to non-GAAP reconciliation for Adjusted EBITDA and Free Cash Flow

Targeted Timeline

- **Today:** Filed 2013 10-K and associated 10-Qs
- **Approximately + One Week:** File Q1 2014 10-Q
- **Approximately + 40 Days:** File Q2 2014 10-Q
- **After Q2 2014 10-Q Filed:** Relisting on NASDAQ
- **Before Year End 2014:** Annual Shareholder Meeting
- **After Q3 2014 10-Q Filed:** Avid 2014 Investor Day

Major Restatement Items

1. Revenue Recognition
2. Impairment of Goodwill
3. Discontinued Operations Classification
4. Restructuring Reserves

1. Major Restatement Items – Revenue Recognition

- Existence of implied post-contract customer support requires Company to defer and amortize a significant portion of revenue
- Impacts the timing but not the total amount of revenue earned
- Revenue accounting treatment different for pre-2011 as compared to post-2010
- Cash flow characteristics of transactions unchanged by change in accounting

2.

Major Restatement Items – Impairment of Goodwill

- Restated financial statements impacted historical assessment of goodwill
- Recorded a full goodwill impairment charge in the year ended December 31, 2011

3. Major Restatement Items – Discontinued Operations

- The divestiture of consumer product lines in July 2012 should have been presented as discontinued operations

- Reclassification of all historical revenues and expenses to income or loss from discontinued operations

4. Major Restatement Items – Restructuring Reserves

- Revised accruals of restructuring charges in fiscal year 2009 and 2012 in a cumulative amount of $1.6 million

- Related to lease obligations and other exit activities

Impact of Restatement on Previously Issued Results

(in millions)	GAAP Revenue			GAAP Net Income (Loss)		
	Year Ended December 31, 2010	Year Ended December 31, 2011	Nine-Months Ended September 30, 2012	Year Ended December 31, 2010	Year Ended December 31, 2011	Nine-Months Ended September 30, 2012
As Previously Reported	**$ 678.5**	**$ 677.9**	**$ 436.7**	**$ (37.0)**	**$ (23.8)**	**$ (69.6)**
Revenue Recognition	(137.7)	244.8	84.6	(137.7)	244.8	84.6
Discontinued Operations	(137.3)	(155.9)	(46.1)	-	-	47.7
Restructuring Costs, net	-	-	-	0.3	2.7	5.4
Other Adjustments (a)	-	-	-	(13.1)	2.7	4.1
Total Restatement Adjustments	(275.0)	89.0	38.5	(150.5)	250.2	141.8
As Restated	**$ 403.5**	**$ 766.9**	**$ 475.2**	**$ (187.5)**	**$ 226.4**	**$ 72.2**

(a) Primarily related to changes in stock-based compensation and inventory valuation

Change in accounting principles resulted in significant shift in revenue from pre-2011 to later periods

Financial Results

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Moving Forward

Growth

Profitability

Culture

Posted September 12, 2014

Moving Forward

Growth

Profitability

Culture

Community Platform

Phase 1

Perform better in the markets we serve today

Phase 2

Address higher growth areas in current markets

Phase 3

Address higher long-term growth areas and increase relevance

2014 Strategic Goals

Drive Growth	▪ Focus investment in highest growth areas ▪ Maximize wallet share within existing customers ▪ Expand penetration of anchor products
Improve Profitability	▪ Maximize procurement cost savings ▪ Extend labor arbitrage to all organizations ▪ Improve software mix and direct material margins
Continue Cultural Transformation	▪ Create culture of urgency and accountability ▪ Minimize legacy cultural issues ▪ Align rewards and recognition to desired culture
Establish Community Platform	▪ Reestablish Avid as thought and technology leader ▪ Avid Customer Association (ACA) ▪ Partners participate in Avid Everywhere Platform

Operational Measure Definition

Bookings

- Bookings represents the total amount of revenue that we expect to earn over the term of the agreement between Avid and a customer for goods and /or services over the course of the agreement
- To count as a booking, we expect there to be persuasive evidence of an agreement between us and our customer and that collectability of the amounts payable under the arrangement to be reasonably assured
- Bookings are subject to cancellations, changes and adjustments and are based on certain assumptions. Bookings may not reflect final revenue earned for a particular arrangement. Bookings do not reflect adjustments related to rebates or other sales incentive programs
- The material weaknesses in our internal control environment may impact the accuracy of recorded bookings

Key Non-GAAP Financial Definitions*

Free Cash Flow

- Free cash flow represents GAAP operating cash flow less capital expenditures and excludes payments or receipts related to M&A, significant legal settlements, restructuring, restatement or other non-operational or non-recurring events

* Please reference appendix for additional detail on definition of these metrics, including a GAAP to non-GAAP reconciliation

Key Non-GAAP Financial Definitions*

Adjusted EBITDA

- Adjusted EBITDA is defined as Non-GAAP operating profit or loss* excluding all depreciation and amortization expense

* Please reference appendix for additional detail on definition of these metrics, including a GAAP to non-GAAP reconciliation

Key Financial Metrics – 2014 Targets*

Bookings

Targeting year over year improvement of approximately **3%**

Adjusted EBITDA

Targeting **significant** year over year improvement excluding pre-2011 revenue amortization

Free Cash Flow Generation

Targeting FCF of $20 million

…earnings and bookings growth should convert to higher enterprise value, reflecting the value our community places on us

* Please reference appendix for additional detail on definition of these metrics, including GAAP to non-GAAP reconciliation

Expected Deferred Revenue Amortization as of December 31, 2013

GAAP Results

(in millions, except per share data)	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2013
Revenues	**635.7**	**563.4**
Gross Margin	**386.7**	**339.5**
% Revenue	60.8%	60.3%
Operating Expenses	**333.5**	**314.7**
Operating Profit	**53.2**	**24.8**
Interest and other expense, net	(2.0)	(0.7)
Provision for income taxes, net	4.0	2.9
Income from discontinued operations, net of tax	45.8	-
Net income	**$ 92.9**	**$ 21.2**
Net income per common share - diluted	$ 2.39	$ 0.54

Pre-2011 revenue amortization can mask underlying performance

Non-GAAP Methodology

Non-GAAP results remove unusual or non-operational events

Standard exclusions

- Restructuring costs
- Stock-based compensation
- Amortization of intangible assets
- Impairment of intangibles
- Associated impact on taxes

Examples of non-recurring events

- Restatement costs
- Proceeds / loss on M&A activity
- Significant legal settlements
- Gain / loss on asset sales

GAAP and Non-GAAP Results*

	2012			2013			2014
(in millions)	GAAP	Adj	Non-GAAP	GAAP	Adj	Non-GAAP	Guidance
Bookings			**$ 545.1**			**$ 523.1**	+ 3% YoY
Revenue	$ 635.7	$ -	$ 635.7	$ 563.4	$ -	$ 563.4	Down Approximately 5%
Gross Margin	386.7	3.6	390.3	339.5	2.3	341.8	
% Revenue	60.8%		61.4%	60.3%		60.7%	Aproximately 59%
Operating Expense	333.5	(40.3)	293.2	314.7	(34.6)	280.1	$265 - $275
Operating Profit	$ 53.2	$ 43.9	$ 97.1	$ 24.8	$ 36.9	$ 61.6	
% Revenue	8.4%		15.3%	4.4%		10.9%	
Adjusted EBITDA			**$ 117.7**			**$ 80.3**	**$58 - $65**
Free Cash Flow			**$ 44.4**			**$ 5.5**	**$20**

* Please reference appendix for additional detail on definition of these metrics, including GAAP to non-GAAP reconciliation for Adjusted EBTIDA and Free Cash Flow

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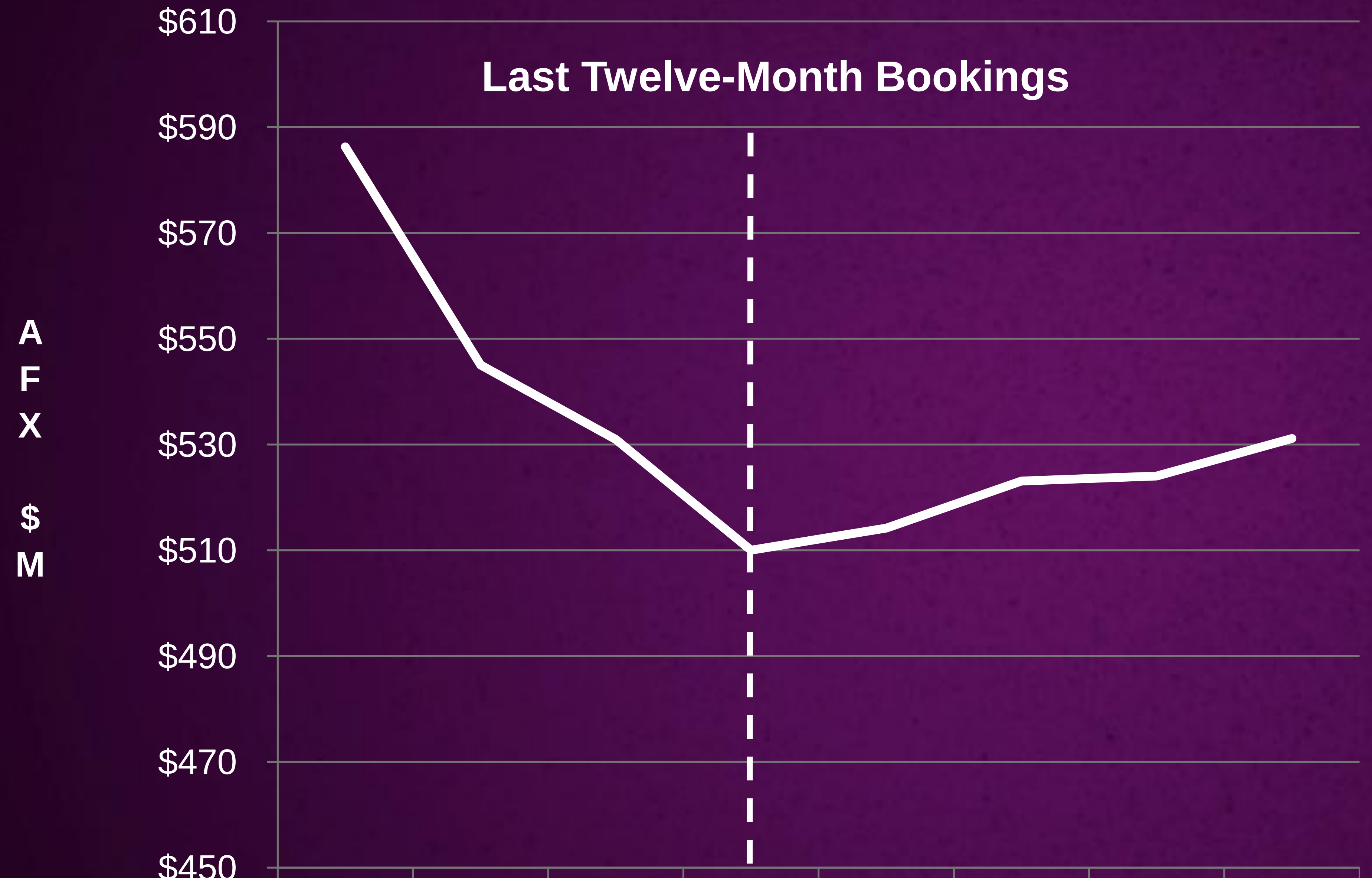
Resumption of Bookings Growth



	Q3'12	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14
LTM Bookings	$586	$545	$531	$510	$514	$523	$524	$531
Quarterly Bookings	$123	$141	$125	$121	$127	$150	$126	$128

- 4 consecutive quarters of YoY growth
- Believe third quarter 2013 represented inflection point in return to growth
- Growth relatively modest but consistent
- We expect continued modest growth as we transition to higher growth markets

Rationalization of Non-GAAP Non-Material Spending

- Strategic initiatives have identified areas of cost saving opportunities without impacting investment into future growth

Non-GAAP Non-Material Spending down $35 million since 2011

* Note: Definition of Non-GAAP Non-Material spending and GAAP to non-GAAP reconciliation available in appendix

Net Cash Bridge ($M)

Avid has generated cash from operations over the past seven-quarter period

* Results for six-month period ended June 30, 2014 are preliminary and subject to change

Balance Sheet

(in millions)	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
Cash	$ 42.8	$ 32.9	$ 70.4	$ 48.2
Account receivable	92.3	94.7	68.0	56.8
Inventory	103.2	106.5	69.1	60.1
Other current assets	24.3	23.0	29.6	25.8
Total current assets	262.6	257.1	237.1	190.9
Property and equipment, net	62.5	53.4	41.4	35.2
Other assets	459.6	30.1	15.8	9.1
Total assets	$ 784.6	$ 340.6	$ 294.4	$ 235.1
Accounts payable	47.1	42.5	35.4	34.0
Accrued expenses and other current liabilities	89.2	74.1	67.4	78.5
Deferred revenues	440.0	368.0	230.3	211.4
Total current liabilities	576.4	484.6	333.1	323.9
Long-term deferred revenues	497.5	329.2	328.2	255.4
Other long-term liabilities	21.0	17.7	18.7	15.1
Total liabilities	1,094.9	831.5	680.0	594.5
Stockholders' deficit	(310.3)	(490.9)	(385.6)	(359.4)
Total liabilities and stockholders' deficit	$ 784.6	$ 340.6	$ 294.4	$ 235.1
Current and long-term deferred revenue	$ 937.5	$ 697.2	$ 558.5	$ 466.8

Financial Model

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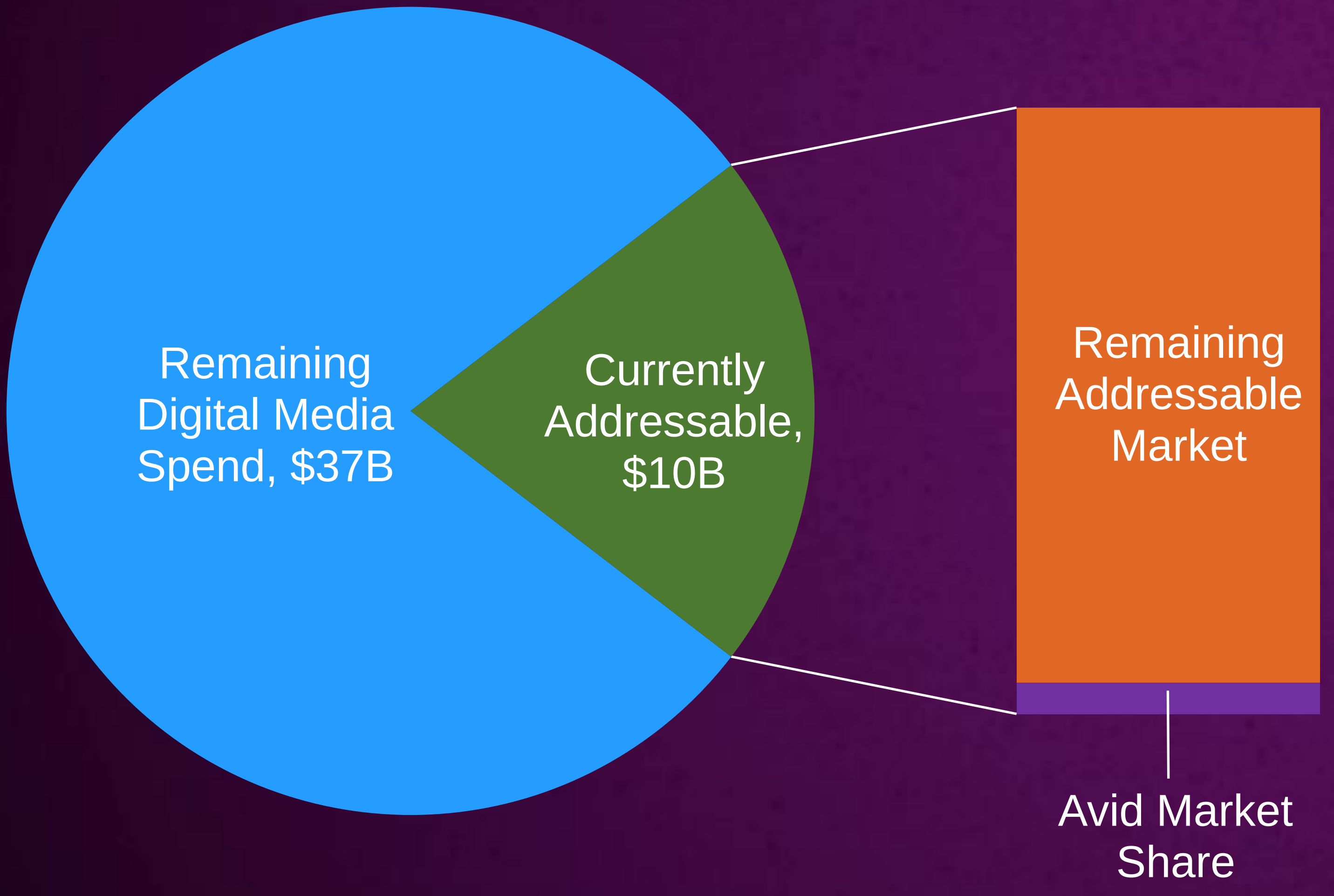
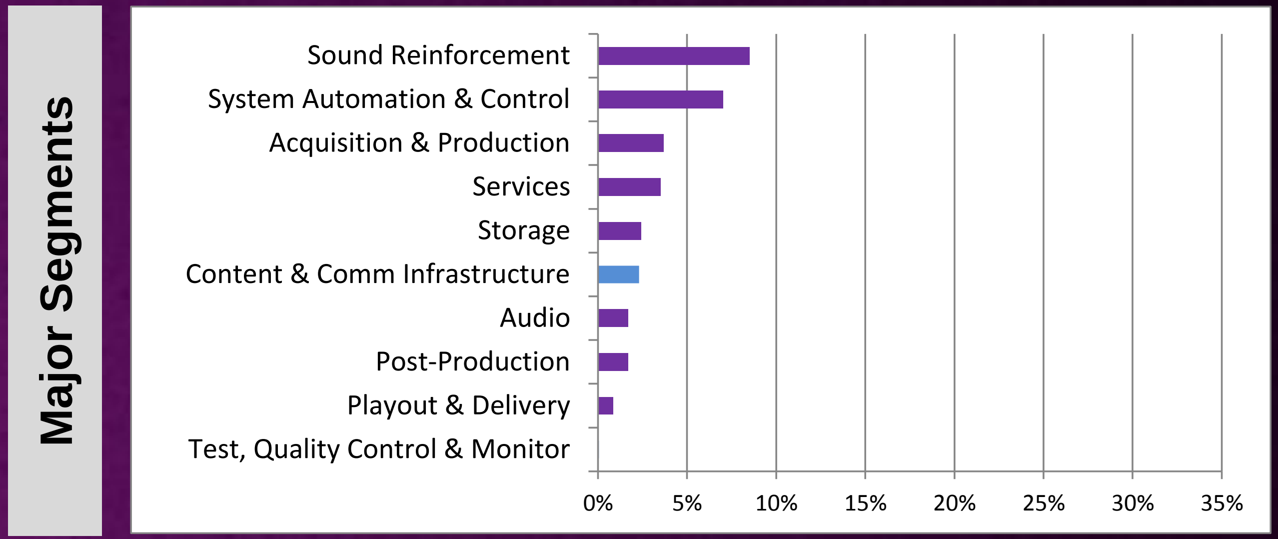
Room to Grow

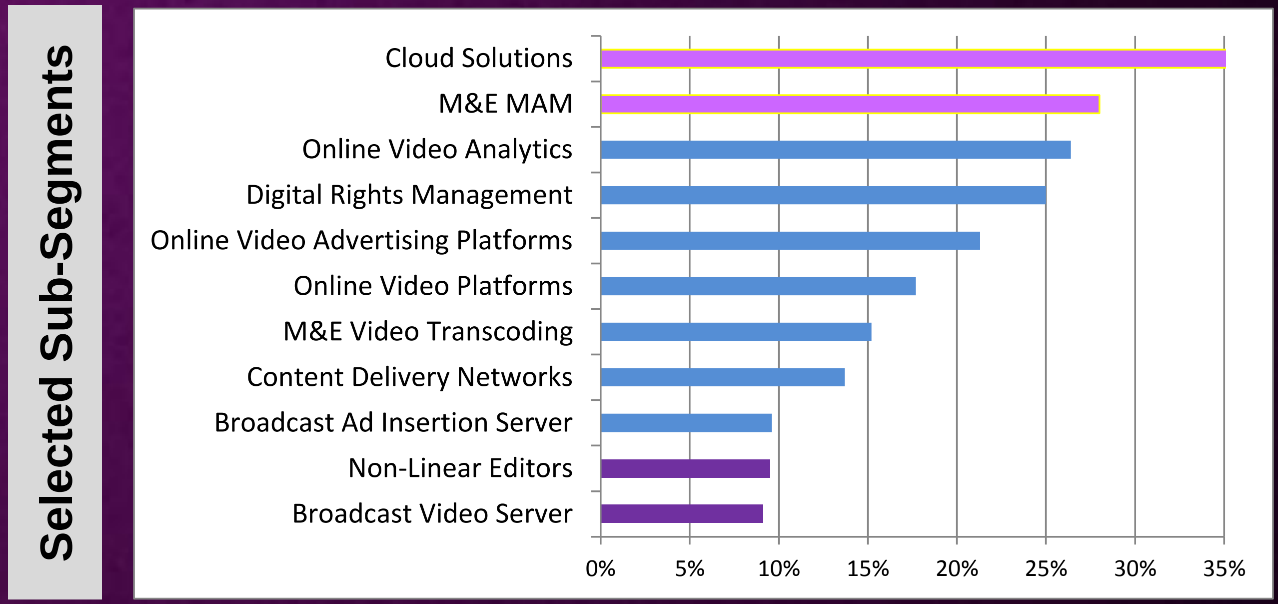
Avid Operates in a Significant Portion of a Massive Technology Market

Digital Media Spend = $47B



Projected Multi-Year CAGRs of Industry Segments and Sub-Segments Vary Widely



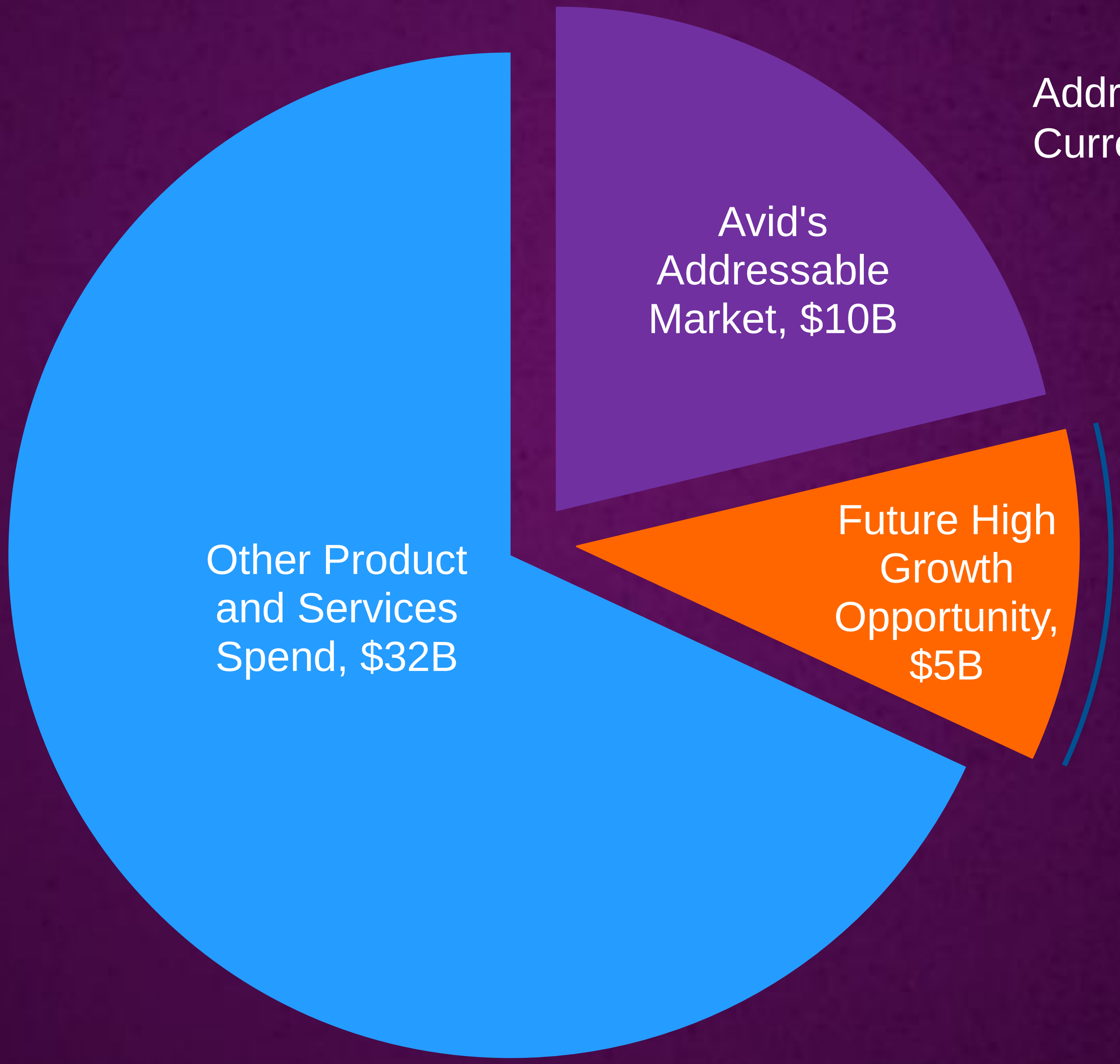


Source: IABM, NAMM, Frost & Sullivan, InfoComm studies as well as internal AVID management estimates

Market Potential and Customer Value

This is a $47 billion/year market where relationships extend for 5 or more years

Addressable by Avid today –
Current penetration is ~6%

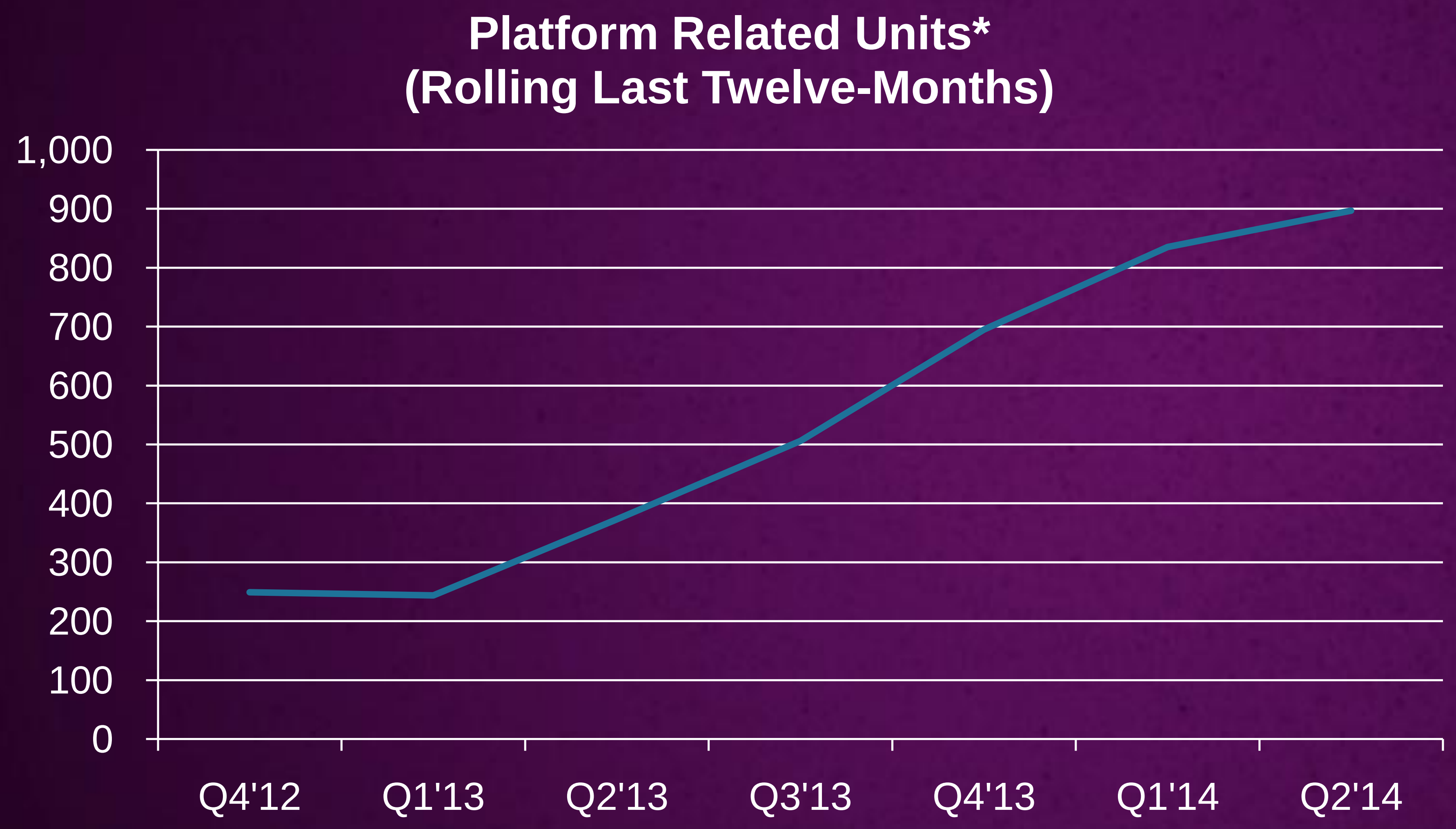


Includes solutions focused on:

- Distribution, monetization & analytics
- Multi-platform distribution
- Cloud-based technology
- Live events
- Non-media segments

Low and moderate growth segments not addressable by Avid

Early Progress on Platform Unit Sales



* - Includes MediaCentral, Interplay Production and Interplay MAM

- Platform sales inform us of future cross sale opportunity
- Platform message is resonating even during early phases of product launch
- MediaCentral has demonstrated most pronounced growth

2014 Guidance

Process began with our initial 100-day research, customer wallet share assessment and a run-rate cost analysis and we determined …

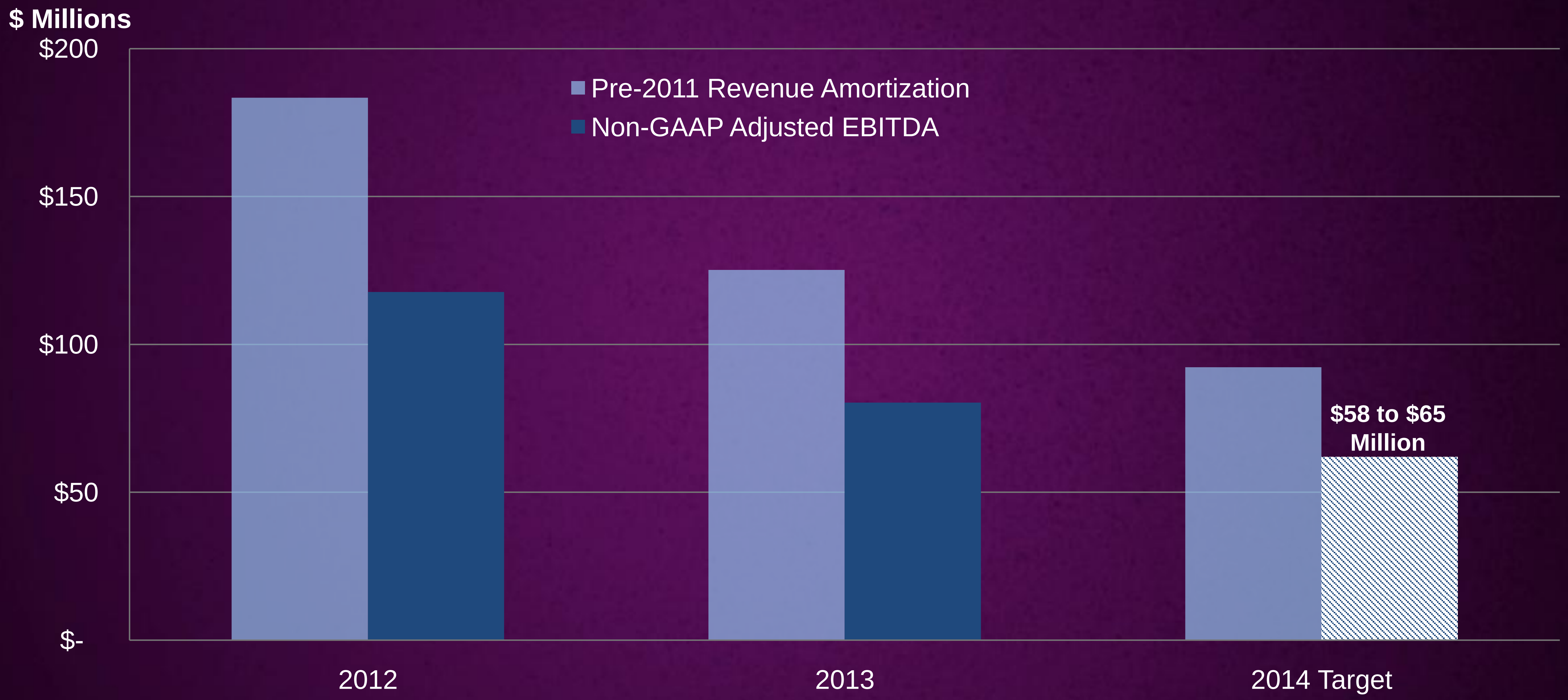
1. We were financially lagging our peer group

2. We had significant cost opportunities arising from lack of alignment with our key strategies which led to inefficient operations and misaligned investments

3. We needed more effective strategic-based sales planning programs to drive incremental sales through our existing customer accounts

…and, with learnings in hand, we established a market based profitability target

Non-GAAP Adjusted EBITDA*



* Please reference appendix for additional detail on definition of these metrics, including GAAP to non-GAAP reconciliation

Key Financial Metrics – 2014 Targets*

Bookings

Targeting year over year improvement of approximately **3%**

Adjusted EBITDA

Targeting $58 to $65 million

Free Cash Flow Generation

Targeting FCF of $20 million

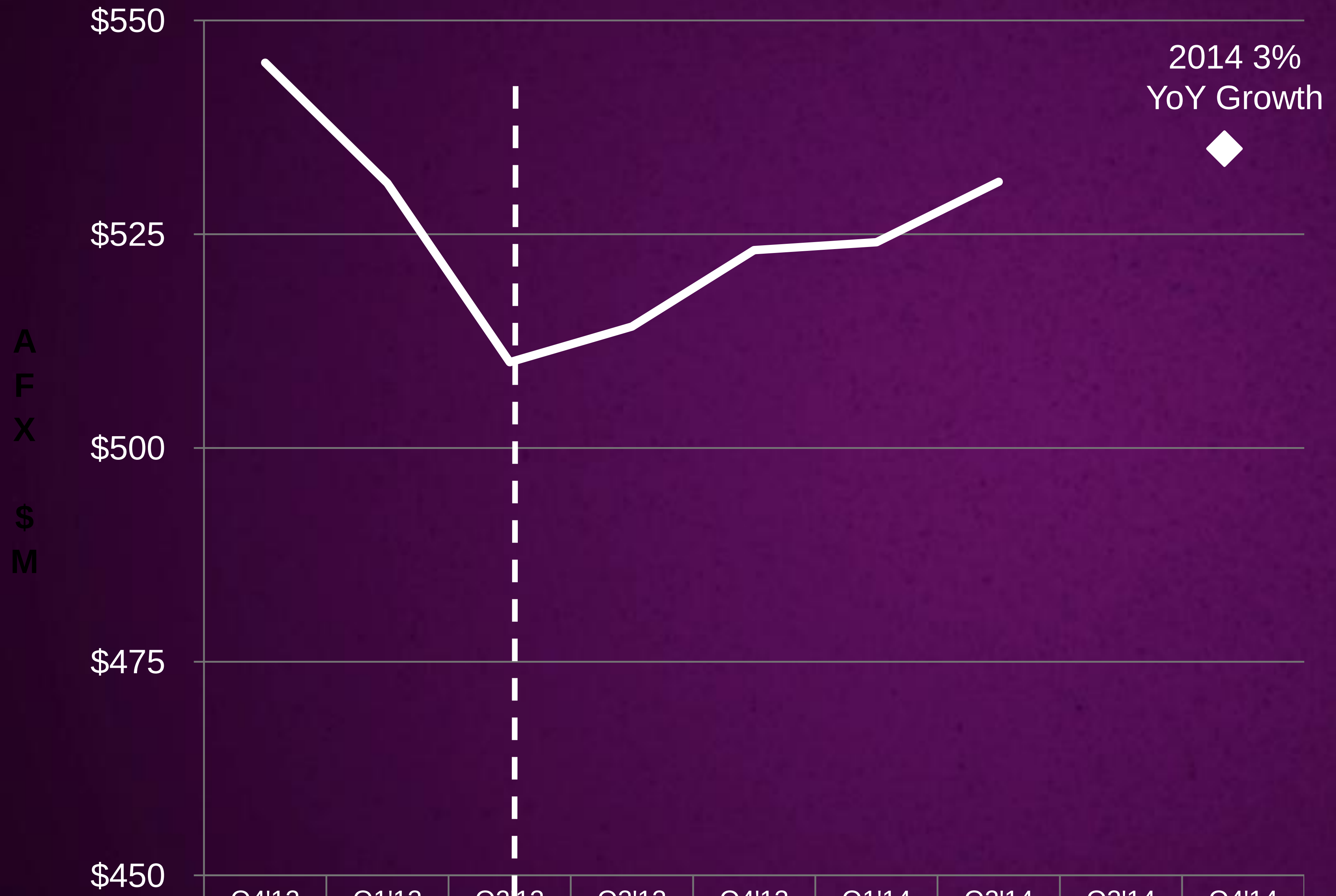
…earnings and bookings growth should convert to higher enterprise value, reflecting the value our community places on us

* Please reference appendix for additional detail on definition of these metrics, including GAAP to non-GAAP reconciliation

Financial Modeling Fundamentals

- Bookings growth should, subject to inherent limitations, convert to Adjusted EBITDA
- The portion of Adjusted EBITDA that converts to cash should increase each year until 2017
- We believe GAAP revenue and Adjusted EBITDA will continue to be challenged due to restatement deferred revenue run-off
- We are working on strategic projects that should drive a decline in operating costs

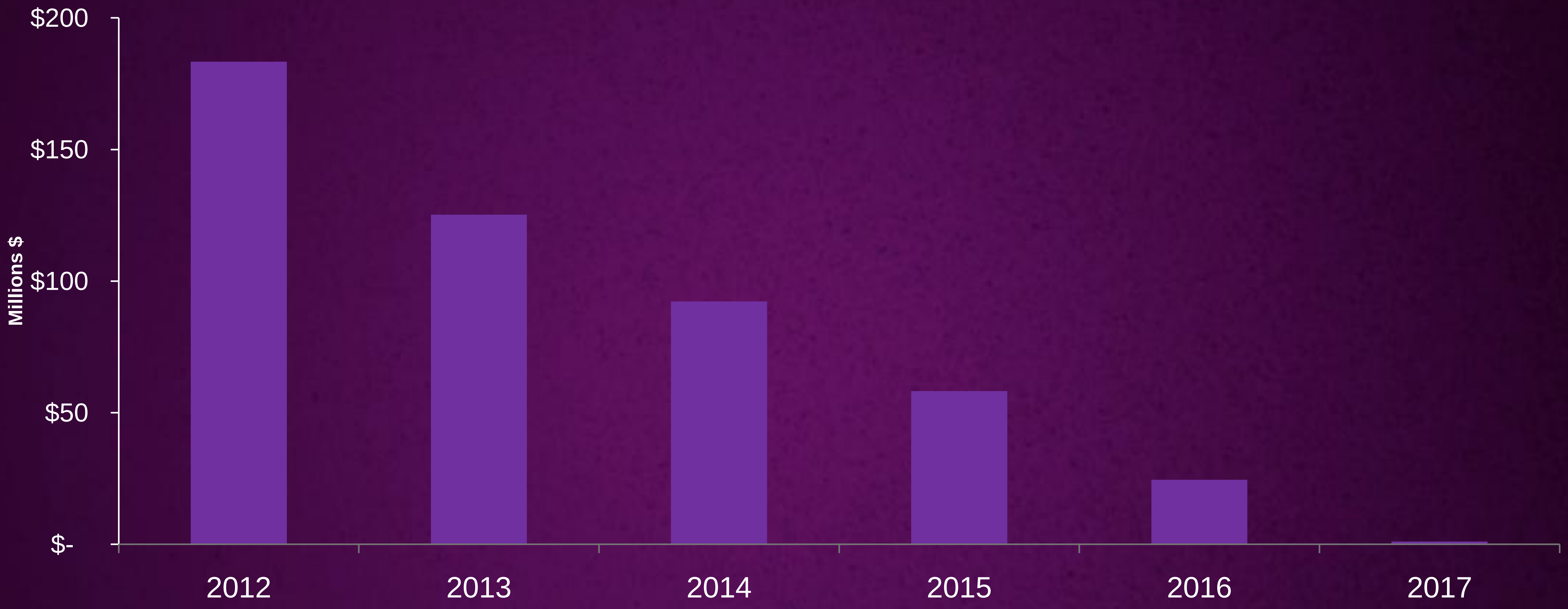
Last 12 Months (LTM) Bookings



	Q4'12	Q1'13	Q2'13	Q3'13	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
LTM Booking	$545	$531	$510	$514	$523	$524	$531		

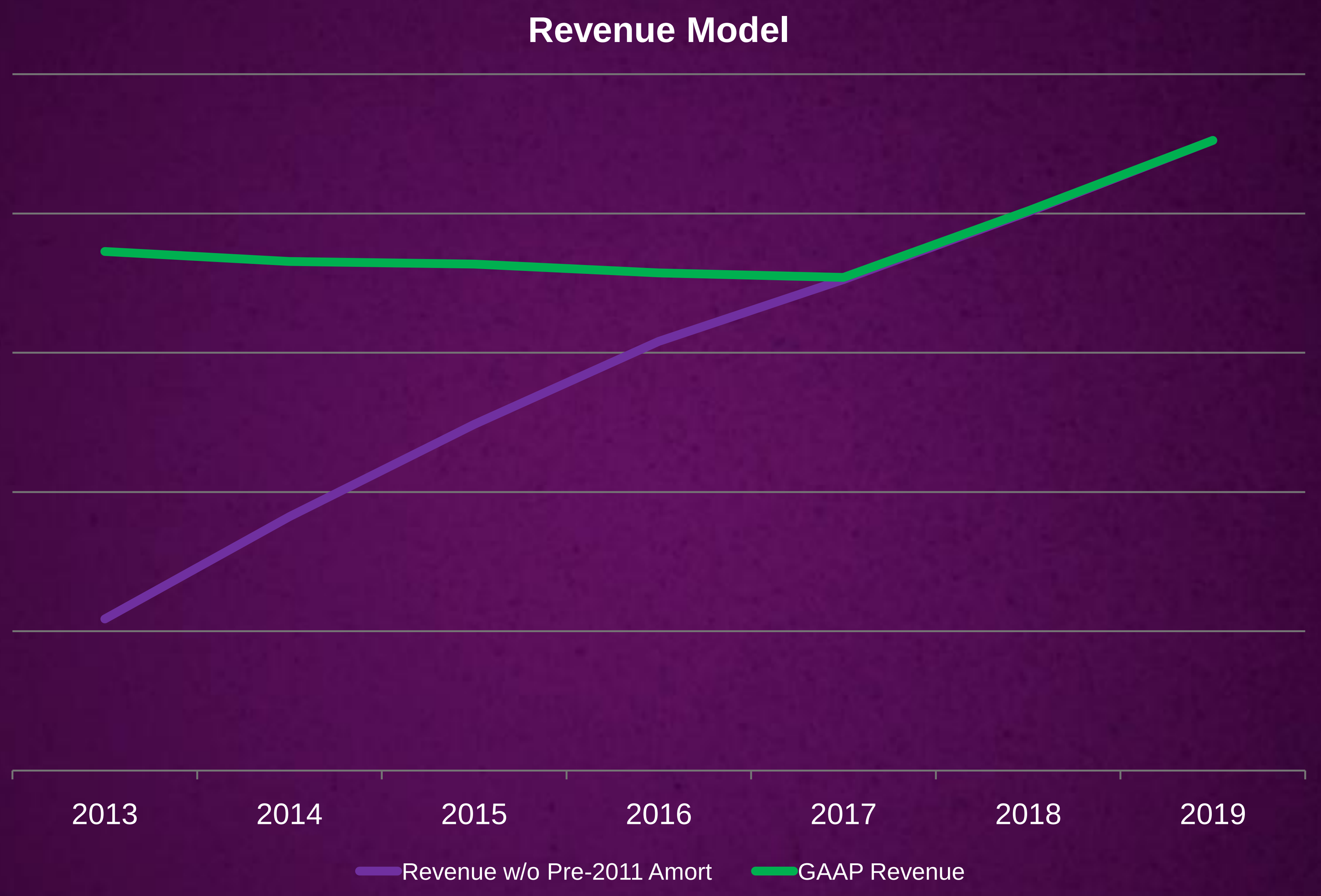
- Believe third quarter 2013 represented inflection point in return to growth
- Growth relatively modest but consistent
- Slower growth until we transition to higher growth markets

Expected Pre-2011 Related Revenue Amortization ($M)



As Pre-2011 Deferred Revenue amortizes it will create meaningful annual accounting related headwinds for the next few years

Revenue Model (Hypothetical – not intended as guidance)



We believe the amortization of pre-2011 restatement related deferred revenue will be impactful on our results through 2017 at which point the impact of the restatement will no longer be reflected in our financial results.

Appendix – Non-GAAP

Posted September 12, 2014

Non-GAAP Financial Definitions

Free Cash Flow

- Free cash flow represents GAAP operating cash flow less capital expenditures and excludes payments or receipts related to M&A, significant legal settlements, restructuring, restatement or other non-operational or non-recurring events

Adjusted EBITDA

- Adjusted EBITDA is defined as non-GAAP operating profit or loss excluding all depreciation and amortization expense

Non-GAAP Operating Profit or Loss

- Non-GAAP operating profit or loss in GAAP operating profit excluding restructuring costs, stock based compensation, amortization and impairment of intangibles as well as other unusual items such as costs related to the restatement; M&A related activity; or impact of significant legal settlements

Non-GAAP Non-Material Spending

- Non-GAAP Non-Material Spending is Non-GAAP operating expense plus Non-GAAP cost of sales less direct product material cost

GAAP to Non-GAAP Reconciliation

(unaudited - in thousands, except per share data)		December 31, 2013	December 31, 2012	December 31, 2011 (Restated)
GAAP	**Net Revenues**	**$ 563,412**	**$ 635,703**	**$ 766,885**
	Cost of revenues	223,909	249,008	261,718
	Gross Profit	339,503	386,695	505,167
	Operating Expenses	314,735	333,518	340,127
	Operating Income	24,768	53,177	165,040
	Interest and other expense, net	(676)	(2,041)	(1,945)
	Provision for income taxes, net	2,939	4,049	635
	Income from continuing operations, net of tax	$ 21,153	$ 47,087	$ 162,460
	Weighted-average common shares outstanding - diluted	39,070	38,836	38,534
	Income per share from continuing operations, net of tax - diluted	**$ 0.54**	**$ 1.21**	**$ 4.22**
Adjustments to GAAP Results	**Cost of Revenues**			
	Amortization of intangible assets	1,468	2,574	2,693
	Stock-based compensation	796	992	1,200
	Operating Expenses			
	Amortization of intangible assets	2,648	4,254	8,528
	Restructuring costs, net	5,370	24,838	6,534
	Restatement costs	20,591	-	-
	Acquisition and other costs	-	1,048	556
	(Gain) loss on sale of assets	(125)	(252)	597
	Stock-based compensation			
	R&D	581	985	1,638
	Sales & Marketing	1,786	3,754	4,349
	G&A	3,752	5,700	5,421
	Other			
	Tax adjustment	(860)	(965)	(1,579)
Non-GAAP	**Net revenues**	**563,412**	**635,703**	**766,885**
	Cost of revenues	221,645	245,441	257,824
	Gross Profit	341,767	390,262	509,061
	Operating Expenses	280,132	293,190	312,504
	Operating Income	**61,635**	**97,071**	**196,557**
	Interest and other expense, net	(676)	(2,041)	(1,945)
	Provision for income taxes, net	3,799	5,014	2,214
	Income from continuing operations, net of tax	57,160	90,016	192,398
	Income per share from continuing operations, net of tax - diluted	**$ 1.46**	**$ 2.32**	**$ 4.99**

GAAP to Non-GAAP Reconciliation

(unaudited - in thousands, except per share data)		December 31,					
			2013		2012		2011
							(Restated)
Adjusted EBITDA	**Non-GAAP Operating Income (from above)**		**61,635**		**97,071**		**196,557**
	Depreciation		17,837		19,846		19,543
	Amortization of capitalized software development costs		815		846		1,218
	Adjusted EBITDA	**$**	**80,286**	**$**	**117,763**	**$**	**217,318**
Free Cash Flow	**GAAP net cash (used in) provided by operating activities**		**(9,145)**		**34,709**		**2,967**
	Capital Expenditures		(11,625)		(9,703)		(10,795)
	Restructuring Payments		(13,151)		(19,420)		(17,206)
	Restatement Payments		(13,161)		-		-
	Free Cash Flow	**$**	**5,542**	**$**	**44,426**	**$**	**9,378**
Non-GAAP Non-Mat'l Spd	Non-GAAP Cost of Revenues		221,645		245,441		257,824
	Non-GAAP Operating Expense		280,131		293,190		312,504
	Total		**501,776**		**538,631**		**570,328**
	Product Material Cogs		107,634		137,690		141,435
	Non-GAAP Non-Material Spending	**$**	**394,142**	**$**	**400,941**	**$**	**428,893**

Appendix – Definitions

Posted September 12, 2014

Operational Measures

Bookings

- Bookings represents the total amount of revenue that we expect to earn over the term of the agreement between Avid and a customer for goods and /or services over the course of the agreement
- To count as a booking, we expect there to be persuasive evidence of an agreement between us and our customer and that collectability of the amounts payable under the arrangement to be reasonably assured
- Bookings are subject to cancellations, changes and adjustments and are based on certain assumptions. Bookings may not reflect final revenue earned for a particular arrangement. Bookings do not reflect adjustments related to rebates or other sales incentive programs
- The material weaknesses in our internal control environment may impact the accuracy of recorded bookings

Bookings & Expected Revenue Timing

(unaudited - in millions)

Bookings	For the Period Ended June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Quarterly	$ 127.7	$ 126.1	$ 150.4	$ 127.0	$ 120.7	$ 125.1	$ 141.5	$ 122.8
Last twelve months (LTM)	$ 531.1	$ 524.1	$ 523.1	$ 514.2	$ 510.0	$ 531.0	$ 545.0	$ 586.3

Revenue Backlog	December 31, 2013	December 31, 2012
Deferred Revenue	$ 466.8	$ 558.5
Other Backlog	$ 92.2	$ 51.2
Total Revenue Backlog	$ 559.0	$ 609.7

The expected timing of recognition of revenue backlog as of December 31, 2013 is as follows:

	Twelve Months Ended December 31, 2014	2015	2016	2017	2018	Thereafter	Total
Orders executed prior to January 1, 2011	$ 92.3	$ 58.2	$ 24.5	$ 1.0	$ 0.1	$ -	$ 176.1
Orders executed or materially modified on or after January 1, 2011	$ 200.9	$ 86.7	$ 53.0	$ 27.5	$ 14.7	$ 0.1	$ 382.9
	$ 293.2	$ 144.9	$ 77.5	$ 28.5	$ 14.8	$ 0.1	$ 559.0