

AVID TECHNOLOGY, INC.
Form 10-Q
November 04, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

S

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

For the quarterly period ended September 30, 2010

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

For the transition period from _____ to _____

Commission File Number: 0-21174

Avid Technology, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes S No o

Indicate by check mark whether the registrant has submitted and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer S
Non-accelerated Filer <input type="checkbox"/>	Smaller Reporting
(Do not check if smaller reporting company)	Company <input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock as of November 1, 2010 was 38,136,389.

AVID TECHNOLOGY, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 27A of the Securities Act of 1933, as amended, or the Securities Act. For this purpose, any statements contained in this quarterly report regarding our strategy, future plans or operations, financial position, future revenues, projected costs, prospects, and objectives of management, other than statements of historical facts, may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations expressed or implied in forward-looking statements. There are a number of factors that could cause actual events or results to differ materially from those indicated or implied by such forward-looking statements, many of which are beyond our control, including the factors

discussed in Part I - Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, and as referenced in Part II - Item 1A of this report. In addition, the forward-looking statements contained herein represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements or otherwise.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net revenues:				
Products	\$ 134,231	\$ 123,522	\$ 397,044	\$ 369,075
Services	30,828	28,597	86,131	85,216
Total net revenues	165,059	152,119	483,175	454,291
Cost of revenues:				
Products	64,421	57,097	193,527	176,774
Services	14,194	13,586	41,373	43,515
Amortization of intangible assets	745	519	2,657	1,465
Restructuring costs	—	—	—	799
Total cost of revenues	79,360	71,202	237,557	222,553
Gross profit	85,699	80,917	245,618	231,738
Operating expenses:				
Research and development	28,929	29,262	89,348	90,974
Marketing and selling	43,199	44,705	129,419	127,480
General and administrative	19,698	12,093	48,179	39,765
Amortization of intangible assets	2,283	2,782	7,557	7,779
Restructuring and other costs, net	185	7,891	5,532	17,132
(Gain) loss on sales of assets	(1,527)	3,398	(1,527)	3,398
Total operating expenses	92,767	100,131	278,508	286,528
Operating loss	(7,068)	(19,214)	(32,890)	(54,790)
Interest income	82	177	222	680
Interest expense	(175)	(406)	(636)	(641)
Other income (expense), net	63	(11)	282	(68)
Loss before income taxes	(7,098)	(19,454)	(33,022)	(54,819)
Provision for (benefit from) income taxes, net	2,897	(2,246)	3,361	(4,385)
Net loss	\$ (9,995)	\$ (17,208)	\$ (36,383)	\$ (50,434)
Net loss per common share – basic and diluted	\$ (0.26)	\$ (0.46)	\$ (0.96)	\$ (1.35)
Weighted-average common shares outstanding – basic and diluted	38,045	37,341	37,826	37,251

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,361	\$ 91,517
Marketable securities	—	17,360
Accounts receivable, net of allowances of \$15,733 and \$16,347 at September 30, 2010 and December 31, 2009, respectively	89,674	79,741
Inventories	96,306	77,243
Deferred tax assets, net	2,292	770
Prepaid expenses	8,232	7,789
Other current assets	17,258	22,516
Total current assets	248,123	296,936
Property and equipment, net	65,088	37,217
Intangible assets, net	32,564	29,235
Goodwill	244,282	227,195
Other assets	9,859	20,455
Total assets	\$ 599,916	\$ 611,038
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 45,250	\$ 30,230
Accrued compensation and benefits	28,501	25,281
Accrued expenses and other current liabilities	31,878	55,591
Income taxes payable	6,391	3,228
Deferred revenues	46,822	39,107
Total current liabilities	158,842	153,437
Long-term liabilities	22,116	14,483
Total liabilities	180,958	167,920
Contingencies (Note 13)		
Stockholders' equity:		
Common stock	423	423
Additional paid-in capital	1,001,891	992,489
Accumulated deficit	(494,927)	(444,661)
Treasury stock at cost, net of reissuances	(92,355)	(112,389)
Accumulated other comprehensive income	3,926	7,256
Total stockholders' equity	418,958	443,118
Total liabilities and stockholders' equity	\$ 599,916	\$ 611,038

The accompanying notes are an integral part of the condensed consolidated financial statements.

AVID TECHNOLOGY, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands, unaudited)

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (36,383)	\$ (50,434)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	25,026	24,058
Provision for doubtful accounts	285	1,654
Non-cash provision for restructuring	291	2,098
(Gain) loss on sales of assets	(1,527)	3,398
(Gain) loss on disposal of fixed assets	(70)	46
Compensation expense from stock grants and options	10,614	9,908
Changes in deferred tax assets and liabilities, excluding initial effects of acquisitions	(1,393)	(2,015)
Changes in operating assets and liabilities, excluding initial effects of acquisitions:		
Accounts receivable	(6,337)	19,322
Inventories	(15,344)	3,313
Prepaid expenses and other current assets	6,420	