

# Altium Limited ASX Announcement



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**For immediate release**

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## **Chairman's Address, Annual General Meeting 2007**

Good afternoon, ladies and gentlemen. Welcome to Altium's Annual General Meeting on Thursday 4th October 2007, held at the Hilton Sydney.

As in previous years, we have continued to see change in the electronics industry, and our customers and potential customers struggle with the demands these changes make on their organizations. These changes include the realization of the need to differentiate, the need to use innovative approaches, the need to bring new products to market quicker, the challenges around protecting intellectual property in electronics devices, and cost.

Altium's job continues to be to provide the design tools, support and training that overcome these challenges, so that engineers and electronics designers collaborate, harness the benefits of today's electronics products, and design and build great products.

Our vision remains what it has been from the creation of the company, to break down the barriers to innovation and technological advancement, and provide every engineer and system designer with easy access to the best possible electronics design tools. This requires a redefinition of what design tools we must provide. Altium Designer, encapsulating our unified design approach, provides the solution. And Altium remains the only mainstream company that provides a new approach to the design process, one that rejects the organizational silos often found today, instead looking at design holistically.

In the next few days, the latest upgrade to our solution, Altium Designer 6, will be available to our users and prospects. This is the eighth upgrade to Altium Designer version 6, and it has more than 20 new features, and more than 70 improvements. We are also announcing a new version of our electronics hardware development platform, the NanoBoard.

No competitor has that level of focused product development, and overall we've introduced new features at the rate of over two every working day in the past year – a rate that remains unsurpassed.

But these features are not simply attractive or effective in their own right – although they are both of these things. Most importantly, they are part of a move towards a unified design environment that will see these, and new features in the future combine, to remove the constraints of today's design practices.

Delivering a new, alternative way of approaching electronics design – the unified alternative – provides Altium with an interesting scale of opportunity.

We can ultimately help every electronics designer wanting to create an intelligent device. As we hinted at a year ago, asking a customer's organization to approach design in a brand new way – essentially asking them to re-tool their organization – requires Altium to know how to sell the benefits at all levels of an organization.

In that our sales have increased by 26% year on year, we're pleased with the progress we are making on this. This progress is made more effective by our continued investment in our sales and support organization, in the strategic selling tools that have added over 9,000 new Altium Designer users in the last year.

Alongside our investment in systems is our continuing investment in people – both in recruitment and in their development. For 2007-2008, people will be a focus for us. It is senior management with worldwide experience that will see us manage our growth effectively, bringing management and leadership skills to bear on the opportunity I've talked about.

Ahead of giving you an overview of our financial results – results that Altium has delivered on the back of considerable growth and development – let me share with you another set of numbers.

- ▶ Altium supported over 900 university and research projects last year. This is important because it both empowers tomorrow's engineers, but also exposes them to Altium, and to the unified design vision;
- ▶ Our headcount increased 20%, and our employees attended 41 development workshops. As I've mentioned, our people are a focus for the current financial year; selling is essential at the front end, but supporting our customers beyond the sale moves us from a customer relationship closer to an advocate relationship. Last year, we met over 11,000 customers at seminars and exhibitions, and trained nearly 6,000 others. And as I noted earlier, this translated to over 9,000 new customers.

- ▶ Finally, our research and development into tomorrow's products increased 22%, which is a proportion of our revenue that stands up to scrutiny with the best in the world.

I'd now like to update you on how these initiatives and this strategy parlayed into our financial figures for the last financial year.

- ▶ For the financial year ending 30 June, 2007, sales were \$57.5 million, up 26% from \$45.5 million for the corresponding previous period.
- ▶ For the full financial year ending 30 June, 2007, sales for the Americas grew 30% measured in US\$; European sales grew 17% measured in euros; and APAC sales grew 67% measured in US\$, all compared with the corresponding period a year ago.
- ▶ Revenue for the full year ending 30 June, 2007 was \$53.4 million, up 18% from \$45.2 million reported for the corresponding previous period.
- ▶ For the financial year ending 30 June, 2007, the balance of revenue not yet recognized was \$9.1 million, up 72% from a balance of \$5.3 million from the corresponding period as at a year ago.

This is a set of figures that I'd like to comment on in a little more detail.

- ▶ Our business generates revenue through three primary sources – selling new licenses, selling upgrades to earlier versions, or having customers take up software assurance contracts. These typically last 12 months.
- ▶ For software assurance contracts, we book the sale – and receive payment – at the time the sale is made. However, the revenue is recognized over the life of the contract. The effect of this can be seen in the movement in our deferred revenue account on the balance sheet.
- ▶ The cash balance as at 30 June, 2007 was \$10.7 million, up 68% from \$6.4 million at the corresponding date a year ago.
- ▶ The proportion of Altium's revenue that comes from these software assurance contracts and relationships will continue to grow in the years to come, reflecting an increasing user base.
- ▶ Earnings before income tax, depreciation and amortization grew 2% to \$6.6 million.
- ▶ Profit before tax grew 36% to \$1.6 million.
- ▶ And profit after tax is down 32% to \$1.1 million.
- ▶ For a company like Altium, which is a company managing aggressive growth, an important measurement of financial health is operating cash flows. These increased 157% to \$9 million.

On the back of these results, we're delighted to be able to bring to this AGM a resolution to provide a capital return of 6 cents per share to shareholders, which is the most appropriate option.

That this financial performance was achieved alongside the continued growth, growth management, and associated investment underlines the board's confidence in the company's strategy, and its capacity to execute on this strategy. This has further been confirmed by the first quarter results which have been released to the market this morning. In addition our cash reserves have grown from 10.7m at the end of June to 11.4m as of 2 October.

In closing, Altium is building and supplying a whole new way of designing electronics products. Our real focus remains the longer-objective of empowering the next generation of engineers, and equipping them with the tools they need into the future. We're aiming for nothing less than to establish unified design as the standard of the future.

We're confident at the progress that continues to be made, with growth in sales, revenue and profit, and in our cash balance.

We take confidence in our planning for the future.

Thank you.

## **About Altium**

Altium Limited (ASX:ALU) is the industry's leading developer of electronic product development solutions dedicated to unifying the different design disciplines involved in electronics product development. Altium products ensure all electronic engineers, designers, developers, and their organizations, take maximum advantage of emerging design technologies to bring smarter products to market faster and easier. Founded in 1985, Altium is headquartered in Sydney, Australia with sales offices in the United States, Europe, Japan, China, and resellers in all other major markets. For more information, visit us at [www.altium.com](http://www.altium.com).

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