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## 2020 Chairman's Address Altium Annual General Meeting

**Sydney, Australia, 19 November 2020** - Good morning and good afternoon Ladies and Gentlemen and fellow shareholders. It is a great pleasure to be with you in our first AGM held on Zoom. Today we will review the results of the 2020 financial year, share details about our progress since then and talk about our future plans to dominate and to transform the global electronics industry.

Financial Year 2020 was marked by the impact of the Coronavirus and the subsequent global pandemic. As many of you know, it also was a milestone year and a year of transition for Altium. We achieved our goal of market leadership after many years of rapid growth and began a new phase to become the dominant market leader of the PCB design tools industry and from that position of dominance, to transform the way in which Printed Circuit Boards are manufactured.

While COVID-19 prevented us from reaching our long-standing aspirational goal of \$200 million in revenue, it has been a catalyst for the rapid acceleration of our plans for market dominance and industry transformation. In May we launched our new cloud platform, Altium 365, ahead of schedule to considerable acclaim from our subscribers. This is an early validation of our vision and strategy for our digital platform to transform the global electronics industry.

I am proud to say that despite the challenging conditions brought on by the Coronavirus pandemic, Altium continues to deliver industry-leading results, both in technology and engineering, as well as in financial returns for our shareholders. Our performance sets us apart from our global competitors, and Altium is increasingly recognized as a leader in the broader electronics industry.

Today:

- Altium is among the fastest growing Electronic Design Automation (EDA) companies with nine consecutive years of double-digit revenue growth and an expanding EBITDA margin.
- Altium Designer is the most widespread professional PCB design tool used by over 100,000 engineers worldwide.

- Altium 365, the world's first digital platform for the design and realization of electronics hardware, has 7,486 active users and 3,739 active accounts as at 15th November. Both measures are up by over 40% since the end of July.

As we accelerate toward our 2025 goals for dominance and transformation, we are focused on the following:

- The reinvention of our transactional sales team to utilise a digital platform.
- The scaling of our enterprise sales team to prepare for a major offensive into the high-end PCB market.
- The rapid development and adoption of Altium 365.
- The integration of Octopart and Altium 365.
- The introduction of Altium 365 in China.
- To bring smart manufacturing to Altium 365 and to democratise the use of electronics with our Geppetto software.

Before I speak further about these strategic initiatives and our new organizational structure to support them, I would like to reflect upon the achievements of our management team in the financial year 2020.

## **FY 2020 Financial Highlights**

During the financial year ended 30 June 2020 our revenue increased by 10% to US\$189 million. We exceeded our subscriber target of 50,000 and met the *Rule of 50*, on a reported EBITDA basis. Altium also increased its dividend to shareholders by 15% for the financial year. These results are the hallmark of a financially strong company, a market leader that is operationally robust.

Our strategy to drive volume through attractive pricing to support our customers who themselves had been impacted by the Coronavirus during the second half of the financial year was rewarded and allowed the company to maintain momentum and to launch Altium 365.

Highlights from the financial year 2020 included:

- Record growth of 17% in our subscription base to 51,006 subscribers.
- An increase of 15% in new Altium Designer seats sold to 9,251.
- Cash balance of US\$93 million, up 16% on the same period last year.
- An increase in Profit Before Tax of 12% to US\$64.6 million.
- Reported EBITDA margin of 40% (35.8% excluding the impact of AASB16 Leases and PCB:NG remeasurement of contingent consideration).

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## Altium 365 is a Catalyst for Dominance and Transformation

The Altium strategy for industry transformation is based on the achievement of market dominance. We want to dominate the market for PCB design tools to encourage secondary stakeholders (such as parts makers, distributors and board manufacturers) to adopt our Altium 365 digital platform so that the entire value chain for the manufacture of printed circuit boards can be realised in one place. A successful cloud-based platform for design, parts sourcing and manufacturing of printed circuit boards is central to our vision to transform the global electronics industry. This is why Altium is committed to have 100,000 subscribers and \$500 million in revenue by 2025. We want the majority of the 100,000 subscribers to be on our cloud platform Altium 365 to make industry transformation possible.

Over the past twelve months, Altium has made significant progress toward its goal of 100,000 subscribers, passing the half-way mark at the end of the financial year 2020. In May 2020 we launched and laid the foundation for our digital sales platform to bring our transactional sales approach to all potential customers in all markets, in most cases through a 'Digital Store' that is localised for domestic markets. Local 'Digital Stores' whether they are in the United States, Japan or Sweden will enable us to tailor our value proposition to classes of customers or to a country or specific region when fully implemented.

Our new cloud platform Altium 365 will connect electronic design to electronic parts and PCB manufacturing seamlessly to speed up innovation that is particularly relevant for proto-typing. The integration of the design stage with the production stage on the Altium 365 platform will reduce cycle times, reduce the number of design prototypes required for approval and reduce the risk of error in the production of boards and electronics.

For Altium 365 to be truly ubiquitous in the global electronics market, Altium needs to dominate in all three domains: electronic design, electronic parts search and the fabrication of Printed Circuit Boards.

Lastly, I would like to highlight Altium 365 in China. Altium 365 China will be built from the ground up specifically for China using local infrastructure (*AliCloud*.) It will be integrated with *WeChat* and *Alipay*, and will be directly connected to domestic component and manufacturing suppliers, with a stronger emphasis placed on supply-chain management than manufacturing. It is in the late stages of preparation for launch.

## Pivoting the Organization to the Cloud and Expanding Leadership Capacity

Altium recently announced a new organizational structure to support the company on its journey of dominance and transformation and to drive the high performance required to be successful. Internally we refer to this as our "*Netflix Moment*", which is commonly known in the high-tech industry as a hard pivot to the Cloud.

This organisation structure will assist the Company in its dominance and transformation goals. The separation of our Cloud business from our Software business, and the appointment of Sergey Kostinsky, our CTO and an Executive Director of your Altium Board, as President, will enable us to pick up a gear in our ability to execute our plans. Sergey, and his leadership team,

will focus specifically on the development of the Altium 365 cloud platform and also be responsible to deliver high performance results in revenue and earnings for our traditional software business, especially Altium Designer.

I believe that we have placed our strongest players in their best positions to have maximum impact for the next phase of Altium's journey.

## Looking Ahead

As we are all too well aware, the world is contending with a second wave of the Coronavirus across Europe and the US is recording its highest levels of infections since the virus appeared early this year. This has happened even as there is ongoing uncertainty associated with the US presidential election: In short, our macro-environment remains challenging and the challenges will remain with us for some time.

In the current financial year, we experienced a slow First Quarter because of COVID conditions: we have picked up some momentum in our Second Quarter and will release Altium Designer 21 in early December.

The positive signs we have seen in the last two months and our growing confidence in our second half, which is historically stronger than our first half lead us to reaffirm our guidance for the full fiscal year 2021.

This is in the face of the accelerated spread of the Coronavirus pandemic which is likely to be with us for the whole of the financial year 2021.

Guidance for Financial Year 2021 is:

- Revenue of \$US200 million to US\$212 million (6-12% growth).
- EBITDA of US\$76 million to US\$89 million (38-42%).

## Conclusion

During the course of a year I try to visit as many of our offices around the world as possible and to meet with the people of Altium on a regular basis. This year, of course, that has not been possible. I would like to conclude by extending my personal gratitude, and that of my colleagues on the Board of Altium Limited, to each of the more than 800 of our team members who have found new ways of working and new ways to connect with each other and with our customers, dealing not only with the challenges of working from home but also the challenges of uncertainty and the very real fear of the unknown. Each of you brings something special, important and unique to Altium and it is your collective energy, enthusiasm and passion that make Altium the Company that it is.

Yet no matter how hard we work, nor how much enthusiasm we bring, nothing is possible for Altium without the support of our customers and our users. Every time you turn on a computer and open up Altium Designer or Altium 365 or Octopart or any other one of our products or services, you are sharing your commitment to our mission to provide the best possible tools for you to make the best and most compelling products in the most innovative way. On behalf of our Board we are most grateful for your endorsement of Altium.

The past year has been an interesting one for Boards of Directors, and especially for your Board. We are five individuals who speak English with five different accents, we live on two continents, in four cities. Historically we have made the effort to meet as a group every month or so, even though it meant that some of us had to travel long distances. This year we have not met as a group since early February, but we have met nearly every week, using the same “Zoom” technology we are using for this AGM. Each member of the Altium Board is possessed of a strong intellect, a strong will, and the ability to express his or her views.... very often with strong language. This independence of mind, and willingness to express an opinion has never been more valuable than in the 2020, during the Time of Coronavirus. I am grateful every day to my colleagues around the Altium Board Room table for their commitment to the Company and their knowledge that out of difference comes strength. As a group we have a common bond to create value for our customers and potential customers, for our people, and for our shareholders

Shareholders hold a special place in the night sky of Altium; you are the guiding star that helps us to set our course and provides us with the courage and determination to embark on the pursuit of a strategic vision that will be as difficult to achieve as it will be rewarding. On behalf of the entire Board, I would like to express my sincere gratitude to you for your commitment to Altium Limited. We deeply value your belief in us and will do everything in our power to continue to deserve that confidence.

Thank you.

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## About Altium

Altium ([ASX:ALU](https://www.altium.com)) is a multinational software corporation headquartered in San Diego, California, that focuses on electronics design systems for 3D PCB design and embedded system development. Altium products are found everywhere from world leading electronic design teams to the grassroots electronic design community.

With a unique range of technologies, Altium helps organizations and design communities to innovate, collaborate and create connected products while remaining on time and on budget. Products provided are ACTIVEBOM®, ActiveRoute®, Altium 365®, Altium Concord Pro™, Altium Designer®, Altium NEXUS®, Altium Vault®, Autotrax®, Camtastic®, Ciiva™, CIIVA SMARTPARTS®, CircuitMaker®, CircuitStudio®, Common Parts Library™, Draftsman®, DXP™, Easytrax®, EE Concierge®, NanoBoard®, NATIVE 3D™, OCTOMYZE®, Octopart®, P-CAD®, PCBWORKS®, PDN Analyzer™, Protel®, Situs®, SmartParts™, the TASKING® range of embedded software compilers, Upverter®, X2®, XSignals®, PCB:NG®, and Gumstix®.

Founded in 1985, Altium has offices worldwide, with US locations in San Diego, Boston, Dallas and New York City, European locations in Karlsruhe, Amersfoort, Kiev, St Petersburg, Moscow, Munich, Markelo and Zug, and Asia Pacific locations in Shanghai, Beijing, Shenzhen, Tokyo and Sydney. For more information, visit [www.altium.com](https://www.altium.com). You can also follow and engage with Altium via [Facebook](#), [Twitter](#), [LinkedIn](#) and [YouTube](#).

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