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Announcement authorised by:
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Altium Announces Financial Results for the Full Year to 30 June 2020

Altium Exceeds 50,000 Subscribers, Delivers Solid Revenue Growth and Successfully Launches Altium 365

Sydney, Australia - 17 August 2020 - Electronic design software company Altium Limited (ASX:ALU) has announced its results for the full year ended 30 June 2020. Altium achieved revenue growth of 10% to US\$189 million with solid performances in all core business units and key regions. Profit before tax grew by 12% to US\$65 million. The company delivered an EBITDA margin of 40.0% for the full year. Other highlights include:

- Record growth of 17% in the subscription base to 51,006 subscribers.
- Strong increase of 15% in new Altium Designer seats sold to 9,251.
- A strong cash balance of US\$93 million, up 16% on the same period last year.
- Final dividend of AU19 cents (AU39 cents for the year) up 15% on a yearly basis.

Key Full Year Financial Measures Compared with the Prior Corresponding Period:

Key Financial Measures	FY20 (US\$'000s)	FY19 (US\$'000s)	Change %
Sales to customers	194,258	177,216	10%
Revenue (excluding interest)	189,124	171,819	10%
Reported expenses	113,490	104,990	8%
EBITDA	75,634	66,829	13%
<i>EBITDA margin</i>	40.0%	38.9%	

EBITDA margin (underlying) ¹	35.8%	36.6%	
Profit before income tax	64,642	57,612	12%
Profit after income tax	30,881	52,893	(42%)
Reported EPS (cents)	23.60	40.57	(42%)
Normalized EPS (cents) ²	42.45	40.40	5%
Operating cash flow	56,531	69,066	(18%)
Cash and cash equivalents	93,083	80,531	16%
Dividend per share (AU cents)	39	34	15%

¹ Underlying EBITDA margin removes the impact of AASB16 Leases and PCB:NG remeasurement of contingent consideration.

² Excludes a one-time accounting charge for the Deferred Tax Asset revaluation based on US tax optimization decreasing our effective tax rate beginning in fiscal 2021 to a run rate between 22% and 25% (down from our previously stated 27% to 29%).

Revenue Breakdown	FY20 (US\$'000s)	FY19 (US\$'000s)	Change %
Worldwide revenue	189,124	171,819	10%
Board and Systems (Altium Designer, Circuit Studio, SolidWorks PCB)	132,296	126,782	4%
- Americas (US\$)	53,742	50,856	6%
- EMEA (Euro)	41,233	39,199	5%
- China (US\$)	21,282	19,805	7%
- Rest of World (US\$)	11,662	11,508	1%
NEXUS (US\$)	15,491	6,637	133%
TASKING (US\$)	19,815	19,857	0%
Octopart (US\$)	18,973	17,948	6%
Manufacturing (US\$)	2,549	595	328%

Comments from Altium's CEO Mr Aram Mirkazemi:

Altium CEO Mr Aram Mirkazemi commented, "Altium achieved a strong performance in fiscal 2020 having exceeded its 50,000 subscriber target and delivered solid revenue growth. While COVID-19 prevented us from achieving our long-held aspirational goal of US\$200 million, it has been a catalyst for our pursuit of market dominance and transformation. We have successfully launched Altium 365, our new cloud platform, which is causing excitement and gaining strong early adoption. This is most heartening and an early validation of our vision and strategy for this new digital platform to transform the electronics industry".

"Our performance demonstrates Altium's strength, its business model adaptability and its organizational versatility to execute successfully across multiple fronts and in varying conditions. Our strategy to drive volume through attractive pricing to support our customers was rewarded and has allowed us to maintain momentum to successfully launch our digital sales platform and Altium 365", said Mr Mirkazemi.

"During the fourth quarter, we observed that some of our customers preferred monthly payment terms, as they contended with COVID-19 conditions. While we do not have any long-term plan to offer extended payment terms on perpetual licenses, we have begun to promote term-based pricing for Altium Designer. This optionality will, in time, allow us to increase our recurring revenue beyond our current rate of 60% of total revenue, and complement our high-end products, which are only sold on a term-basis", said Mr Mirkazemi.

"The current conditions and the accelerated roll out of Altium 365 is evolving Altium revenue away from perpetual licensing and maintenance subscriptions towards term-based licensing and SaaS subscriptions. This transition is being planned carefully and is not expected to have a material impact on short-term revenue, as a significant part of Altium's current revenue is already subscription-based, and prorated on a linear basis", commented Mr Mirkazemi.

Mr Mirkazemi stated, "Altium remains firmly committed to its long-term targets. We are on track to achieve 100,000 subscribers by 2025, having just passed the half-way mark. Due to COVID-19, however, we may take an additional 6 to 12 months to achieve our 2025 goal of US\$500 million in revenue".

"We remain committed to delivering to the *Rule of 50* in a post-vaccine environment. During COVID-19 and pre-vaccine, we will strive to meet the *Rule of 50*, but we will need to contend with the evolving conditions", concluded Mr Mirkazemi.

Comments from Altium's CFO Mr Joe Bedewi:

Altium CFO, Mr Joe Bedewi commented, "Altium achieved a solid result exceeding 50,000 subscribers, delivered 10% revenue growth and met the *Rule of 50*, on a reported EBITDA basis. Altium is in a strong financial position, with profit before tax growing by 12% to US\$64.6 million".

"The release of Altium 365 in May, together with attractive pricing, has underpinned strong growth in new Altium Designer seats sold of 9,251 (up 15%) and delivered 17% growth in the subscription base to achieve 51,006 subscribers. This supports our pursuit of market dominance", said Mr Bedewi.

“Our key regions of the US, EMEA and China delivered solid performances for fiscal 2020, given the circumstances. NEXUS performed strongly with 133% revenue growth to US\$15.5 million”, commented Mr Bedewi.

“As a result of our support for our customers with extended payment terms, increased dividends and having moved to a higher tax rate, our operating cash flow was down 18% from the same record period one year earlier. Notwithstanding this, our cash balance grew by 16% to US\$93.1 million”, said Mr Bedewi.

Mr Bedewi noted, “Altium maintained strong control over its operating costs; we adjusted to the pandemic conditions and operating expense growth was restricted to 8% to US\$113.5 million during the fiscal year. Altium achieved a reported EBITDA margin of 40.0% (35.8% excluding the impact of AASB16 Leases and PCB:NG remeasurement of contingent consideration).

Mr. Bedewi stated, “Altium continues to leverage opportunities to increase shareholder value by optimizing our worldwide tax structure.

The US Tax Cuts and Jobs Act in 2018 required changes that were incorporated in our 2018 tax calculations. The reform also included a deduction in the US related to Foreign Derived Intangible Income (FDII). The deduction reduces the US tax liability for foreign derived income. Altium has not been eligible for this deduction because of the existence of prior tax credits. However, Altium recently completed a restructuring that will allow us to take advantage of the deduction in fiscal 2021. This new tax deduction will decrease our effective tax rate beginning in fiscal 2021 to a run rate between 22% and 25% (down from our previously estimated 27% to 29%). Fiscal 2020 was impacted by a one-time revaluation of the Deferred Tax Assets (DTA), and the deferred tax liabilities which caused an accounting charge of \$16.4 million to tax expense.

The positive impact of the FDII will be to reduce the amount of cash taxes paid; it will also have a positive impact on EPS in fiscal 2021 and in future periods due to the lower effective tax rate. Reported Earnings per Share (EPS) are negatively impacted in fiscal 2020 falling to 23.60 cents. Normalized EPS, which have been stated net of the accounting adjustments for the future value of the DTA, continued to increase year over year to 42.45 cents”.

Dividend:

The Board has declared an unfranked full year dividend of AU19 cents per share, up 6% over the prior year. Key dates for the final dividend are:

Announcement date	17 August 2020
Record date	4 September 2020
Payment date	24 September 2020

Investor Presentation and Call:

Altium management will host a conference call on **17 August 2020 at 9.30am AEST** to discuss the investor presentation (slides to be released separately to the market) and to provide an update of the company's business strategy and financial performance.

Participants can register for the investor call using the following link to receive dial in details:

<http://apac.directeventreg.com/registration/event/2362368>

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About Altium

Altium (ASX:ALU) 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. You can also follow and engage with Altium via Facebook, Twitter, LinkedIn and YouTube.

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