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Announcement authorised by:
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Altium Announces Financial Results for the Half Year to 31 December 2020

Pivot to the Cloud With Growing Momentum for a Stronger Second Half

Sydney, Australia - 15 February 2021 - Electronic design software company Altium Limited (ASX:ALU) has announced its results for the half year ended 31 December 2020. After eight consecutive years of double-digit revenue growth, Altium experienced a decline in first half revenue for fiscal 2021 of 4% to US\$89.6 million, compared with the same period one year earlier (pre-COVID). This atypical decline reflects the economic slowdown caused by extreme COVID conditions in the US and Europe, and a challenging environment, post COVID in China, for license compliance activities. Additionally, Altium undertook its hard pivot to the cloud. Boards and Systems revenue for the second quarter was, however, stronger than first quarter revenue and that trend is continuing with early signs of growing momentum into the second half of fiscal 2021.

Highlights for the first half included:

- Strong adoption of Altium 365 continues with over 9,300 active monthly users and 4,400 monthly active accounts (up 83% and up 69% respectively since July).
- Octopart grew strongly by 19% to US\$10.8 million, as electronic manufacturing rebounded during the half.
- Altium subscription business grew by 12% year-on-year to reach 52,157 subscribers.
- Term-based license more than doubled over the half, which bodes well for Altium's goal of 80% recurring revenue by 2025.

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

Key Financial Measures	Half Year FY21 (US\$'000s)	Half Year FY20 (US\$'000s)	Change %
Revenue including discontinued operations	89,596	92,919	(4%)
<i>EBITDA margin</i>	34.2%	39.7%	
<i>Underlying EBITDA margin*</i>	32.7%	37.6%	
Continuing Operations (Excluding TASKING):			
Revenue	79,971	83,124	(4%)
Reported expenses	52,966	51,320	3%
EBITDA	27,005	31,804	(15%)
<i>EBITDA margin</i>	33.8%	38.3%	
<i>Underlying EBITDA margin*</i>	30.6%	35.9%	
Profit before income tax	20,698	26,849	(23%)
Profit after income tax	16,616	18,905	(12%)
Profit after tax from discontinued operation (TASKING)	3,093	4,178	(26%)
EPS (cents)	12.67	14.46	(12%)
Cash and cash equivalents	88,318	80,666	9%
Group operating cash flow	18,705	20,791	(10%)
Dividend per share (AU cents)	19	20	(5%)

*Underlying EBITDA margin excludes the re-measurement of contingent consideration and other one-off expenses.

Revenue Breakdown	Half Year FY21 (US\$'000s)	Half Year FY20 (US\$'000s)	Change %
Revenue - Continuing Operations	79,971	83,124	(4%)
Board and Systems (Altium Designer, Circuit Studio, SolidWorks PCB)	62,112	65,382	(5%)
- Americas (US\$)	23,290	25,801	(10%)
- EMEA (Euro)	18,423	19,280	(4%)
- China (US\$)	10,639	12,496	(15%)
- Rest of World (US\$)	6,354	5,647	13%
NEXUS (US\$)	6,048	7,027	(14%)
Octopart (US\$)	10,800	9,063	19%
Manufacturing (US\$)	1,011	1,675	(40%)
TASKING - Discontinued Operation	9,625	9,717	(1%)

Comments from Altium CEO Mr Aram Mirkazemi:

Altium CEO Mr Aram Mirkazemi commented, “Altium experienced a challenging first half with extreme COVID conditions in the US and Europe and our pivot to the cloud involving a number of significant organizational changes that we have referred to as our *Netflix Moment*. These changes included the separation of our CAD software from our Cloud business and the bifurcation of our sales into high volume (Digital Sales channel) and high touch (Professional Sales channel). We also opportunistically divested our TASKING business to concentrate our focus on accelerating the adoption of our cloud platform Altium 365 for dominance and industry transformation”.

Mr Mirkazemi noted, “Altium 365 is key to our future success through indirect monetization from our CAD software tools and, in time, direct monetization from the broader ecosystem. I am most heartened by the strong adoption of Altium 365 and, with our Netflix organizational changes behind us, I am confident of a much stronger second half. Early signs are positive for this”.

“All of this said, while there is emerging optimism as COVID vaccines are rolling out, we continue to view fiscal 2021 as a *pre-vaccine year* for our flight path to 2025. Therefore, in weighing stronger execution momentum expected for the second half with lingering macroeconomic uncertainty, our full year revenue guidance is at the lower end of the range, from US\$190 million to US\$195 million (ex-TASKING) and EBITDA margin in the range of 37% to 39%”, concluded Mr Mirkazemi.

Comments from Altium CFO Mr Martin Ive:

Altium CFO, Mr Martin Ive commented, “while we had a challenging first half with US and Europe impacted by COVID, and the economic after-effects of coronavirus in China, our Q2 performance was much stronger relative to Q1”.

Mr Ive further noted, “the impact of COVID on Altium was primarily limited to new perpetual license sales in our Board and Systems business (down 15% for the half) and our China license compliance business, as this activity became more challenging at the low end of the market. Through January and looking ahead, improved win-rates and a solid lead pipeline with larger companies will support a stronger second half performance for China”.

Mr Ive added, “during the half, we moved our pricing back to full price having heavily discounted to drive volume in the final quarter of fiscal 2020, as COVID impacted most regions. This should positively impact average revenue per account and reflects the value that customers are seeing through our cloud platform Altium 365”.

Mr Ive said, “Altium’s subscription business has been resilient with subscriptions up 12% over the last twelve months to over 52,000 subscribers. We increased term-based license volumes by 166% in the first half; while this resulted in a negative short-term revenue impact of over US\$1 million, it does bode well for Altium’s goal of 80% recurring revenue by 2025”.

Mr Ive added, “NEXUS revenue for the half was US\$6.0 million and down 14% compared to US\$7.0m and 197% growth achieved in the first half of last year. This was largely as a result of timing issues and the initial impact of COVID on the pipeline build resulting in a weaker Q2. The pipeline for NEXUS has been steadily building and is solid for the second half. There was no customer churn within the NEXUS customer base and a significant US\$1.5m three-year deal with TE Connectivity was secured during the period”.

“EBITDA margin reduced to 34% for the half, as a result of lower revenue. We also divested TASKING to focus future investment towards Altium 365. As our guidance demonstrates, we expect our margin to be higher in the second half, as the changes to the sales organization drive growth in the Digital and Professional Sales channels”, said Mr Ive.

Dividend:

The Board has declared an unfranked interim year dividend of AU 19 cents per share, down 5% over the interim dividend paid one year earlier (pre-COVID). Key dates for the interim dividend are:

Announcement date 15 February 2021

Record date 2 March 2021

Payment date 23 March 2021

Investor Call:

Altium management will host an investor call at 9.30am AEDT on 15 February 2021.

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

<https://apac.directeventreg.com/registration/event/5987753>

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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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