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2017 Chairman's Address Altium Annual General Meeting

Sydney, Australia - 8 November 2017

Ladies and gentlemen and fellow shareholders, it is a great pleasure to be back here in this beautiful room overlooking Sydney harbour, not only to review the financial year that concluded in June, but also to share with you later this morning, some of our plans for our industry leading electronics software products and services.

I am pleased to report that during the financial year ended 30 June 2017, Altium delivered its strongest ever performance with 18% revenue growth and 22% growth in net profit compared to financial year 2016. This is the sixth consecutive year that Altium has delivered double-digit growth. These impressive results speak strongly to the power of momentum that has been generated by focus on the things that matter, such as:

- leading edge engineering in Printed Circuit Board (PCB) design tools;
- fiscal discipline; and
- disciplined transactional sales team.

Over the past twelve months, Altium was the fastest growing and one of the most profitable companies in the Electronic Design Automation (EDA) industry.

Buoyed by the rise of smart connected devices and the opportunities created by the Internet of Things, Altium is committed to lead and to empower PCB designers and the PCB industry as a whole to be positioned at the heart of electronics design. We are well positioned to deliver on this commitment:

- Altium sells the largest number of new PCB design software licences annually (at over 5,500).
- Altium's subscriber pool is the largest and the fastest growing in the industry (at over 34,500).
- Altium has the only PCB design tool with a unified design data model.
- Altium is the only player in the industry that consistently produces annual software updates.
- Altium's revenue growth is 2-3 times the average growth for the industry.

I am pleased to report that during fiscal 2017, we achieved a number significant milestones:

- We reached US\$111 million in revenue (exceeding our revenue target of US\$100 million set in 2014).
- We delivered our fifth annual upgrade to our flagship product, Altium Designer 17.
- We acquired long-term resellers in the United Kingdom and the Netherlands, and began to sell direct into the UK, the Benelux countries and the Nordic region of Europe.
- Our TASKING business achieved highly-sought after automotive industry ASPICE (Software Process Improvement and Capability Determination) accreditation in recognition of the quality of processes associated with our TASKING compiler software development and which we expect to improve our sales penetration into the automotive industry.
- Post year end we acquired Upverter, the developer of the world's first fully web-based electronics design platform, securing Altium's future in the cloud.

FY17 Financial Highlights

During the financial year ended 30 June 2017, Altium delivered an impressive performance across all product lines, all regions and all key financial metrics.

- Worldwide revenue increased by 18% to US\$111 million.
- Boards and Systems (our core PCB business) revenue grew by 15% to \$US91.4 million.
- Recurring revenue was 52.5%.
- EBITDA margin (on an 'all-in' statutory accounts basis) reached 30%. On an underlying basis (taking out one-offs associated with acquisitions and restructuring costs) our EBITDA margin would have been 32.3%.
- Earnings per share (EPS) were US21.7 cents (up 21%).
- Profit before tax (PBT) increased by 20% to US\$29 million.
- Net cash was US\$44 million as at 30 June 2017 (up 16%).
- Dividends paid during the year were AU 23 cents, up from AU 20 cents in fiscal 2016.

At a regional level, I am happy to report that the Americas delivered a strong second half performance to achieve 12% growth for the full year. The additional capacity provided following a slower first half resulted in 15% growth in the second half. Our highly acclaimed transactional sales model is growing in strength. In fiscal 2017, we are pursuing even greater systematization of our sales processes to drive our cost of sales lower.

EMEA is also continuing to perform well, delivering 18% growth in revenue for fiscal 2017. This strong performance is noteworthy as we continue to transform the EMEA business model to fully embrace our transactional sales methodology and extend our direct presence in key markets. Our acquisitions earlier in the year of our Netherlands and UK resellers are working out well. The Netherlands-based team has taken direct responsibility for both the Benelux and Scandinavia markets (after we ended reseller relationships in the Nordic countries). In fiscal 2018, we will investigate having a direct sales presence in Spain and Italy as well.

I must also share with you my excitement about China. In fiscal 2017, China delivered 26% growth reflecting the success of our focus on licence compliance. We intend to scale our China operations, bring greater systematization of our licence compliance model to take full advantage of our market

opportunity in China. If we can successfully execute to plan, the Board and the management team believe that we can deliver 20% growth plus from China for the foreseeable future.

I am happy to report that Altium Designer seats grew strongly in the second half by 11% resulting in over 5,500 new licences sold during the full year. Our subscription pool for recurring revenue also grew by 11% year-over-year to reach over 34,500.

Turning to the other parts of our business, Octopart has been a standout performer and grown in strength since we acquired it two years ago. Octopart delivers supply chain intelligence and electronics parts search to the engineering community and grew by 50% to \$US8 million in revenue in fiscal 2017.

Our TASKING business is also performing well, following our investment last year to modernise its organizational structure and focus the business model to capitalize on the rise of the Infineon TriCore and Aurix chip set for the automotive industry. The business grew 19% in fiscal 2017.

Our strong financial performance enabled us to pay shareholders dividends of AU 23 cents per share in fiscal 2017 (an increase of 15% from AU 20 cents in fiscal 2016). The Board and Leadership Team of Altium are committed to delivering returns to shareholders in both capital growth and dividends.

Strategy for Market Leadership in PCB and Beyond

Altium's revenue growth is significantly outpacing industry growth and we are on target to achieve market leadership in PCB design by 2020 (both in terms of dollars and licences).

As many of you will appreciate, printed circuit boards are central to electronics and electronics is at the heart of all intelligent product systems. The rise of smart connected devices is making board design a mainstream occupation and will require a multi-disciplinary approach to engineering, where electronic CAD, mechanical CAD and Product Lifecycle Management (PLM) are integrated for the design and realisation of intelligent products. Importantly, this needs to happen, in some form, at all product and engineering levels: enterprise, mainstream and the long-tail segment.

Later this morning, Altium's leadership team will present the technology and business strategy that will enable Altium to achieve \$US200 million in revenue by 2020 and to set in place the steps to bring about transformation of electronic design and its realization.

Altium's strategy for PCB market leadership by 2020 is to continue to dominate the mainstream market, drive adoption in the long tail and have a meaningful presence in the enterprise segment. We are doing this through expanding our product portfolio and through strategic partnerships, which are expanding our market reach.

I am excited to report that within the next few months we will release two significant next generation products; Altium Designer 18 and our long-awaited enterprise product, "Nexus", (formerly referred to in development as ATINA). Both AD18 and Nexus have received a strong positive response from product roadshows and user forums held in the US, Europe and Australia. Both products will play a critical role to establish Altium's overall market leadership and achieve our goal of US\$200 million in revenue by 2020.

In terms of M&A, our acquisition of Upverter represents a significant step in the evolution of Altium's cloud strategy. Together, Altium and Upverter will leverage the power of traditional CAD systems with the lightness and intuitive qualities that are native to web-based solutions to form the basis for a unified, end-to-end cloud-based platform for the design and realization of electronic products.

Upverter will be combined with Altium's existing online services, Octopart and Ciiva, to bring the collaborative power of the cloud to a new generation of product designers. Together, they will assist with the discovery, design and manufacturing of electronic circuits needed in the creation of smart connected products.

Looking Ahead

Our focus in fiscal 2018 will be to:

- Make and deliver electronic design tools that meet the needs of current and future customers.
- Generate greater than 10% growth in revenue.
- Expand our EBITDA margin.

This gives us the confidence that we will achieve our US\$200 million revenue goal and EBITDA margin target of at least 35% in 2020 and to be able to continue to provide an increase in value to our shareholders.

Specifically, in fiscal 2018 we will:

- Roll-out our high-end PCB product, Nexus and introduce enterprise level “solution sales.”
- Increase the efficiency of our transactional sales model with heightened systemisation.
- Expand our direct sales presence in key markets in Europe.
- Scale up our licence compliance operations in China to underpin growth of 20% plus each year.
- Combine Octopart and Upverter’s leadership positions in search and electronic parts creation to take advantage of online monetization opportunities.

Board Leadership

At last year’s AGM, I informed shareholders of our programme to review our Board composition and to put in place plans to ensure that the Board has the appropriate mixture of skills and experience to give the Company and its shareholders the leadership that will ensure that Altium is capable of achieving its ambitious strategic objectives and to operate in global markets with the right balance of both risk taking and risk management.

As foreshadowed last year, Carl Rooke retired from Altium in February of this year after twenty-seven years of distinguished service. David Warren, a founder of the Company, who has contributed to Altium in more ways than are possible to enumerate will retire from the Board at the end of next month, concluding more than thirty years of service. David has been at the heart of Altium since the beginning; perhaps his greatest strength and most long-lasting contribution is his capacity to take a step back, review questions, problems and issues from the ‘middle distance’ and provide sound advice about a path forward. I have relied on it for a decade and shall miss it greatly. Replacing Carl and Dave, and setting up the Board for a world that is far different from the one when Carl and Dave joined it, is a doubly demanding task. I am very pleased to tell you that I believe we have been able to accomplish both objectives. During the course of the last financial year we appointed both Raelene Murphy and Lynn Mickleburgh to the Board bringing us both strong financial experience and a deep understanding of software.

Yesterday the Board resolved to appoint two new Directors.

Wendy Stops had a distinguished career at Accenture, the leading global strategy, consulting, digital, technology and operations professional services company. Her leadership roles there included MD for Technology, Asia Pacific, and Global MD for Technology, Quality. She is a flexible and adaptable leader, with broad experience across multiple industry sectors, and multiple countries (including living in Australia, USA, Singapore and Malaysia), working with diverse technologies and solutions ranging from traditional to digital and managing P&L up to \$3.5 billion and 11,500 personnel across 13 countries. Wendy is a graduate of the Caulfield Institute of Technology (now Monash University) with a BA in Applied Science in Computer Science.

Since she retired from Accenture Wendy has been appointed to the Board of the Commonwealth Bank of Australia (ASX: CBA) and the Council of The University of Melbourne.

Wendy will join the Board of Altium on 1 February of next year and will also become the Chairman of the Board's Human Resources Committee, replacing David Warren. Altium today is an increasingly complex corporation with operations in thirteen countries and customers in many more. More importantly, as we transform our organization to be responsive to both the traditional world of electronics design as well as the emerging world of integrated and online electronics design, our people leadership needs have never been higher. We are confident that Wendy will provide the requisite skills and experience that our people deserve. Please join me in welcoming Wendy to Altium.

Sergiy Kostynsky joined Altium Ltd as a Product Manager sixteen years ago and has worked in a variety of leadership roles at Altium and related companies ever since. In 2014, he was made Vice President of Engineering and is responsible for the core Engineering and Research & Development activities for Altium at it's design centres in China, Europe and the United States. Engineering at Altium is central to the historic and future success of the Company and in recent years, under Sergiy's management, it has provided the platform for Altium to expand beyond the mainstream PCB market into both the high end and long tail markets.

Sergiy is a graduate of the Kiev Polytechnic and the National Technical University of Ukraine in Applied Mathematics. He is a significant shareholder in Altium Limited and in addition to his skills as a talented software developer and leader of software teams working on complex engineering projects is a pragmatic, sound businessman. Yesterday, the Board voted to appoint Sergiy as an Executive Director of the Company with effect from 1 January 2018. Please join me in congratulating him.

Over many years I have come to appreciate that great Boards consist of strong individual players who, when they become part of a group, combine to deliver results that are greater than their individual contributions. Altium has been fortunate to have such a Board in the past and I believe will continue to do so in future.

In addition to thanking Dave and welcoming Sergiy and Wendy I should like to recognise and thank my dedicated and supportive Board colleagues, Raelene Murphy (Chair of our Audit Committee), Lynn Mickleburgh our most recent board member who is up for election today and our Chief Executive, Aram Mirkazemi.

Conclusion

Our hard-working, dedicated and loyal Altium employees have my thanks and enduring gratitude. They are passionate and purposeful in their mission to enable Altium users to change the world.

I would like to thank our Altium customers in every market, each of whom accomplishes varied and interesting results with our software and contributes in both large and small ways to 'changing the world'.

Every day we are indebted to our shareholders for your commitment to Altium Limited. We truly value your belief in us and will continue to work hard to deliver outstanding results in return for that confidence. This is an exciting journey for all of us and together we can deliver a truly special future.

Thank you.

About Altium

Altium Limited (ASX: ALU) is an Australian multinational software corporation 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 organisations and design communities to innovate, collaborate and create connected products while remaining on time and on budget. Products provided are Altium Designer®, Altium Vault®, CircuitStudio®, CircuitMaker®, the TASKING® range of embedded software compilers and Octopart® the search engine for electronic components and industrial products. Founded in 1985, Altium has offices worldwide, with US locations in San Diego, New York and Boston, European locations in Munich, Karlsruhe, Amersfoort, Kiev and Zug and Asia Pacific locations in Shanghai, Tokyo and Sydney. For more information, visit www.altium.com. You can also follow and engage with Altium via Facebook, Twitter and YouTube.