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Announcement authorised by:
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Altium Announces Business and Market Update

Altium is Working Toward a Solid Sales and Business Performance in an Increasingly Challenging COVID-19 Environment

Sydney, Australia - 12 May 2020 - Electronic design software company Altium Limited (ASX:ALU) continues to close sales of its electronic design tools, including Altium Designer, Altium 365 and NEXUS. However, since the last market update in early April, Altium anticipates some headwinds as a result of the prolongation of restrictions and continued lock-downs associated with the COVID-19 and their impact on the key economies of the US and Western Europe.

Business and Market Update

As confirmed in our last market update, Altium is operationally and commercially well positioned, despite the ongoing COVID-19 market conditions. However, the prolongation of restrictions, and the consequential economic and social impacts, are likely to impact Altium's performance in the final quarter of the financial year.

Altium's CEO Mr Aram Mirkazemi commented, "Altium is working intensely to deliver a solid Q4 result within the unprecedented COVID-19 environment. As the governments of the US and Western Europe continue to wrestle with containing the virus, we believe that the prolongation of restrictions is likely to impact Altium during May and June. While engineers are actively doing prototype designs, and the electronics industry is holding up relatively well, the cash preservation priorities of small to medium size businesses are likely to affect the timing of closing sales in our typically strongest months of the year being May and especially June."

Mr Mirkazemi noted that in response to COVID-19, "we have launched attractive pricing and extended payment terms to drive volume in challenging market conditions. We also have accelerated the introduction of our new digital online sales capability, as part of the execution of our man-out-of-the-loop strategy to bolster our transactional sales capacity. Altium's digital sales model will take some time to fully ramp up but will be important to support our climb to the 100,000 subscriber target by 2025."

Mr Mirkazemi further stated, “we have intensified the rollout of our new cloud platform Altium 365 to our subscribers to allow engineers to *work from anywhere, and connect with anyone*, and we are focused on driving adoption of this platform. Altium 365 Standard was made available to all of our subscribers from 1 May 2020. We are off to a great start and the early signs are looking promising. While this is not going to be a short-term revenue driver, making Altium 365 available to all of our subscribers is a critical part of our strategy to transform the electronics industry. In addition, it will enhance the quality of our recurring revenue from our subscription business.”

Sales and Operational Update

In commenting on Altium’s core PCB design business, Altium’s CFO Mr Joe Bedewi said “while we continue to actively close sales, in April we began to see some signs of start-ups and smaller companies in distress. Business with new accounts has become more challenging, as customers preserve cash during the pandemic. This is extending the timing of our sales conversions. That said, we have the right products, at the right price, with the right value proposition and we are working hard to engage new and existing customers. Our renewal business has performed solidly and we are committed to achieving our 50,000 subscriber target for the full year.”

Mr Bedewi further commented, “our NEXUS team is actively closing deals and has a good pipeline for the remainder of Q4. TASKING also has performed well on a year to date basis and is further buoyed by the reopening of car manufacturing production in Europe. Octopart is receiving solid traffic to its website, as engineers search for electronic parts, and, at this point, is holding up its cost-per-click rates with distributors” said Mr Bedewi.

Outlook and Balance Sheet Strength

Mr Bedewi commented, “Altium is profitable and financially very strong with a strong balance sheet and a current cash balance of more than US\$77 million.”

“Our focus as always is cash flow management and we will leverage our strong balance sheet to support our customers, and to continue to invest in Altium 365 and our digital sales platform. We dynamically manage costs to support our Q4 initiatives and we also have rolled-out incentive schemes for our sales organization to support a final sprint to the finish of the full year” said Mr Bedewi.

Mr Bedewi stated, “while we may see a positive impact from stimulus packages to be released by governments in key economies, and are excited by the rollout of Altium 365 and our digital online sales platform, our long-term aspirational goal of US\$200 million revenue for the full year will require our typically strong months of May and June to be unaffected and have the usual strong finish. At this point, given the economic consequences of the continued restrictions, this is likely to be a low probability.”

“We remain committed to the *Rule of 50* and have some flexibility to manage costs. However, revenue growth will need to continue to be solid to underpin the achievement of the *Rule of 50*” said Mr Bedewi.

Altium will provide further updates on the impact of COVID-19 on the company’s operations and business performance as appropriate.

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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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