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## **2016 Chairman's Address Altium Annual General Meeting**

### **Sydney, Australia - 18 November 2016**

Good morning ladies and gentlemen; my name is Sam Weiss and for those of you whom I haven't met, I am the Chairman of Altium Limited and on behalf of your Board I welcome you to our 2016 Annual General Meeting. The financial year ended 30 June 2016 has been both a productive and successful period for Altium and it is my pleasure to share with you today the financial performance of the company over the past twelve months and to offer some perspective on the journey ahead.

I am pleased to report that during fiscal 2016, Altium was the fastest growing, most profitable company 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.

Our strong financial performance over the past twelve months reflects our dedication to the execution of our "line and length" strategy.<sup>1</sup>

In financial year 2016, Altium delivered double-digit sales and revenue growth and expanded its profit margin to a record high. This performance places the company well on track to achieve its previously stated target of US\$100 million in revenue this year. Importantly, this performance also allows Altium to confidently pursue its new goal of US\$150 million in PCB revenue and US\$200 million in total revenue by 2020. The achievement of these goals will enable Altium to claim market leadership in PCB design and to obtain meaningful traction in the larger and emerging systems design market.

Beyond financial performance, a number of the significant milestones were achieved in 2016, including:

- Reaching US\$100 million in sales.
- Delivery of a major upgrade to Altium's flagship product, Altium Designer 16.
- Successful acquisition and integration of Octopart and Ciiva.
- Acquisition of Perception Software to spearhead Altium's go-to-market plans for our high-end enterprise product.
- Build up of Altium's European HQ in Munich and the expansion of Altium's direct reach in Europe.
- Strategic partnership with Dassault Systemes SolidWorks and the delivery of a new electronic/mechanical CAD product (SolidWorks PCB was released 1 July 2016).
- Strategic partnership with Computer Simulation Technology (CST) to deliver first level simulation capability for Altium Designer users (PDN Analyzer was released April 2016).

## **FY16 Financial Highlights**

Our strong financial results helped to increase the momentum that has characterized Altium's journey over the past few years. Specific financial highlights for fiscal 2016 include:

- Worldwide revenue increased by 17% to US\$93.6 million.
- Recurring revenue was 53% compared with 51% in fiscal 2015.
- EBITDA margin increased from 28.3% to 29.3%.
- Earnings per share (EPS) were 17.89 cents compared with 12.47 cents in fiscal 2015.
- Profit before tax (PBT) increased by 14% to US\$24.6 million.
- Net cash was US\$38.1 million as at 30 June 2016.
- Dividends paid during the year were AU20 cents, up from AU16 cents in fiscal 2015.

For our customers, Altium's unique transactional sales model (fully implemented in the Americas) is delivering market-leading growth, with Board and Systems revenue growing by 14% in fiscal 2016.

During fiscal 2017, we are moving to a direct sales model in key markets in Europe, formerly handled by distributors, to leverage the success we have experienced with it in the Americas. As a first step in this direction, we acquired our long-time Benelux reseller covering the markets of the Netherlands, Belgium and Luxembourg. The move to direct sales in Europe will create a powerful go-to-market process to support Altium's bid for leadership in PCB design, particularly as we roll-out our new high-end PCB product in early calendar year 2017.

As most of you will appreciate, Altium's subscription pool is the engine of growth that drives the company's recurring revenue. The size of Altium's subscription pool has grown by over 3,000 new users since June 2015 to reach over 31,000 subscribers. Continuous improvement in sales operations has resulted in the company's renewal rates increasing to 86.6% in developed markets (up from 83.9%). We are well on the way to achieving our aspirational goal of a 90% renewal rate of our subscriber base in developed regions.

We are also pleased to report that Altium has grown its licenced seats for its flagship product, Altium Designer, by 20% during fiscal 2016 to reach an impressive 5,181 licences sold which is a reflection of the power of our transactional sales model, which would be difficult for competitors to replicate.

Altium's encouraging sales and revenue growth and our focus on fiscal discipline has enabled the company to pay shareholders dividends of AU 20 cents per share in fiscal 2016 (in increase of twenty-five percent from AU16 cents in fiscal 2015). The Board and management remain committed to delivering return to shareholders in both capital growth and dividends.

## **Strategy for Market Leadership in PCB**

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

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

Altium's strategy for PCB market leadership has three pillars.

- increase the Altium leadership position in the mainstream through the availability of a superior design tool, at a competitive price that is connected to the component supply chain and sold through a direct transactional sales channel;
- expand the Altium reach into the high-end with a new high-end PCB product that utilises data and process management to deliver an agile solution to modern enterprises; and
- support makers and the open hardware community at the entry level for PCB tools and monetization through smart delivery of content.

During fiscal 2016, Altium has continued to build out its product portfolio to serve all segments of the market, ranging from:

- CircuitMaker: a free tool for the entry level in PCB design, the makers' community and hobbyist market that has collaboration at its core; files are stored and managed in the cloud.
- CircuitStudio: a paid professional tool for individual designers who use PCB design tools infrequently to create unmanaged, one-off projects.
- Altium Designer: our flagship product for mainstream engineers.
- SolidWorks PCB (powered by Altium): a SolidWorks product based on Altium's core PCB technology that delivers electronic CAD and mechanical CAD design capability aimed at the SolidWorks user community.

In early calendar 2017, Altium will release ATINA, our high-end PCB product. ATINA has been under development for several years and will usher in a new era of performance and capability for power users and high-end customers of Altium. Running on Altium's next generation PCB platform, ATINA will deliver new levels of capability in user experience, enterprise level collaboration, 3D graphics and multi-board systems.

In addition to our multi-product, multi-position strategy, key enablers for the Altium plans for PCB market leadership are partnerships and an acquisition program .

In February 2016, Altium announced an OEM partnership with Dassault Systemes Solidworks. Dassault Systemes is the world's largest and most innovative engineering software company with annual revenue of \$3.2 billion. The Dassault partnership is a strong endorsement for Altium's drive into the higher-end of the PCB market. The Dassault partnership also will expand Altium's influence and market reach beyond PCB design. Dassault and Altium are working together to leverage Altium's electronic CAD expertise with Dassault's enterprise capability. This partnership, along with our investments in R&D and other strategic partnerships, will enable us to significantly expand our addressable market beyond PCB design and capitalize on the emerging opportunity for system design tools.

Altium is actively pursuing additional M&A opportunities, and has qualified a strong pipeline of target companies. Altium's acquisitions during fiscal 2016 of Octopart, Ciiva and Perception Software are all performing well. Octopart is a leading provider of electronic parts data and specialized inventory search and is the equivalent of Google search for the PCB industry. Ciiva is a provider of cloud-based electronic component management system. Both of these acquisitions form the basis of Altium's next generation smart content creation and delivery platform where part information, design data and supply chain intelligence come together to inform the design process for engineers. This provides a unique point of differentiation for Altium compared with its competitors. Perception Software is the go-to-market know-how for Altium's new high-end product ATINA.

During fiscal 2017, Altium intends to use its strong balance sheet and strong pipeline of M&A opportunities to accelerate its path to market leadership. Later this morning, our CEO Aram Mirkazemi and COO Henry Potts, along with other members of the Altium team, will deliver a technology presentation about "Altium Enabling Innovation in the Age of IOT" and how we will take advantage of market opportunities in all three industry segments: enterprise, mainstream and long-tail.

## Looking Ahead

During fiscal 2017, Altium will continue to:

- Concentrate on shareholder value.
- Make and deliver design tools that provide useful benefits to customers.
- Generate revenue growth that exceeds any increase in our cost base.

We are confident of achieving our US\$100 million revenue goal in fiscal 2017 and are on track to achieve US\$150 million in PCB revenue by 2020 and US\$200 million in total revenue by 2020.

Focus areas for Altium during fiscal 2017 include:

- Sales and revenue growth of 10% or greater.
- Increase operating margin to 30% or more.
- Introduction of our high-end PCB product, ATINA.
- Introduction of our next generation Vault platform.
- Further systematization of our transactional sales model.
- Implement a direct sales model in key markets in EMEA.
- Transform TASKING to deliver on the market opportunity in the high-end automotive industry.
- Bring our transactional sales model to TASKING.
- Secure and implement strategic partnerships that meet converging market demands and the needs of our customers.
- Complete acquisitions that can further expand or enhance our product offering to accelerate Altium's drive for market leadership in PCB design.

In conclusion, I would like to take this opportunity to welcome our newest Director to the Board, Ms Raelene Murphy. Raelene joins us as a highly experienced director with a proven track record in leading improvements in financial and operational performance across a number of industry sectors in the private and public arena. She has expertise in M&A and post-acquisition integration, which will be beneficial to Altium as we pursue our M&A objectives.

Raelene's appointment marks a turning point for Altium. Some years ago your Board undertook an internal review of its composition and skills and began a discussion about the ideal Board for the future of Altium, one that could best guide the Company on its journey to become the global market leader in PCB design and now into the new world of systems design and the Internet of Things. During the course of these discussions we agreed that once the path was set clearly to identify new directors that we would embark on an orderly transition in the Board Room.

David Warren is a co-founder of Altium and over the course of more than thirty years he has had just about every job in the place. He joined the Board of what was then Protel Pty Limited in 1991 and has been a Non Executive Director of Altium Ltd since 2003. David represents what is best about your Company. He is fearless, he never gives up, he has an agile and enquiring mind and a wicked sense of humour. For amusement in his spare time he flies a jet fighter over his beloved home state, Tasmania. And inside David beats an enormous heart. A few months ago, David contacted his alma mater, the University of Tasmania and explained to the Vice Chancellor and the Director of Development that the University had played a critical role in his life and in his success in the commercial world and as an example to others he offered to endow a Chair in AstroPhysics so that future generations could benefit as he had done.

Carl Rooke joined the Board of Protel in 1990. He came to the Company because like so many young entrepreneurs, Dave and Nick had got themselves in a spot of bother (financially speaking) and as Carl was at a young age an absolute whizz with numbers and problem solving, He got involved, sorted out the problems and provided critical support during the early years of the Company when survival often meant whose credit card could be tapped to pay the wages bill. Those steady hands and calm, quiet guidance have been an asset to Altium ever since.

The transition plans that we agreed on will take place beginning next year. After our Financial Year 2017 first half results are announced in February, Carl will retire as Chairman of the Audit Committee and from the Board. Raelene will replace Carl as Chair of the Audit Committee. Dave will step down as Chairman of our Human Resources committee when we have identified a suitable new Non Executive Director and I can confirm that the search process is well underway. He will retire as a Director sometime in the 2018 financial year.

Today is not the time for farewells or thank yous. There will be ample time for that in the months ahead. However, I would like to pause and recognise each of Carl and Dave for their singular, long lasting and passionate contribution and commitment to your Company. Our current success would not have been possible without their support, wisdom and absolute dedication to the idea that a small Company from Hobart could not only survive but prosper on the world stage.

Our Chief Executive, Aram Mirkazemi, also joined Altium at the beginning in Hobart some thirty years ago as a young man just out of university. Since Aram came back to Altium six or seven years ago, he has been the critical factor, firstly in the restoration of the Company's fortunes, and now, and far more importantly in leading our strategic planning for the future. Aram, and the Altium Leadership Team, who are here for our Investor Day have a clear vision for the electronics design industry and the role that Altium can play in it, and, the track record that demonstrates they can turn vision into reality. On behalf of all of the Non Executive Directors I would like to thank Aram for his leadership, his courage to set the course, and his discipline to stay it.

I would like to recognize as well our hard-working, dedicated and loyal Altium employees. They are passionate and purposeful in their mission to enable Altium engineers to change the world.

Finally, I would like to thank our faithful Altium customers around the world, as well as our valued shareholders for your commitment to the company. We truly value your belief in us and will continue to work hard to do good on that confidence. We see this as an exciting journey for all of us and together we can be part of Altium delivering a truly special future.

Thank you.

ENDS

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## 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 Karlsruhe, Amersfoort, Kiev and Zug and Asia-Pacific locations in Shanghai, Tokyo and Sydney. For more information, visit [www.altium.com](http://www.altium.com). You can also follow and engage with Altium via Facebook, Twitter and YouTube.