

1. Company details

Name of entity:	Altium Limited
ACN:	009 568 772
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

				US\$'000
Revenues from ordinary activities	up	19.1%	to	93,438
Profit from ordinary activities after tax attributable to the owners of Altium Limited	down	1.5%	to	23,083
Profit for the half-year attributable to the owners of Altium Limited	down	1.5%	to	23,083

Dividends

On 19 August 2019, the Directors declared a final dividend of AU 18 cents per share for the year ended 30 June 2019. The dividend was paid on 25 September 2019 and amounted to US\$16 million.

The directors have declared an interim dividend of AU 20 cents per share (2018: AU 16 cents) for the half-year ended 31 December 2019. The dividend will be paid on 25 March 2020 based on a record date of 2 March 2020. This amounts to a total dividend of US\$18.3 million based on the total number of shares outstanding.

Comments

The profit for the consolidated entity after providing for income tax amounted to US\$23,083,000 (31 December 2018: US\$23,441,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	108.77	101.93

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

Details of attachments (if any):

The Interim Report of Altium Limited for the half-year ended 31 December 2019 is attached.

6. Signed



Aram Mirkazemi
Chief Executive Officer
Sydney

Date: 17 February 2020



Altium[®]



HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2019

Altium Limited
ACN 009 568 772

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Altium Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Altium Limited during the whole of the financial half year and up to the date of this report, unless otherwise stated:

Samuel Weiss (Chairman)
 Aram Mirkazemi
 Raelene Murphy
 Lynn Mickleburgh
 Sergiy Kostynsky
 Wendy Stops - resigned 18 November 2019

Principal activities

During the financial half year the principal continuing activities of the consolidated entity consisted of the development and sales of computer software for the design of electronic products. There were no significant changes in the nature of these activities during the half-year.

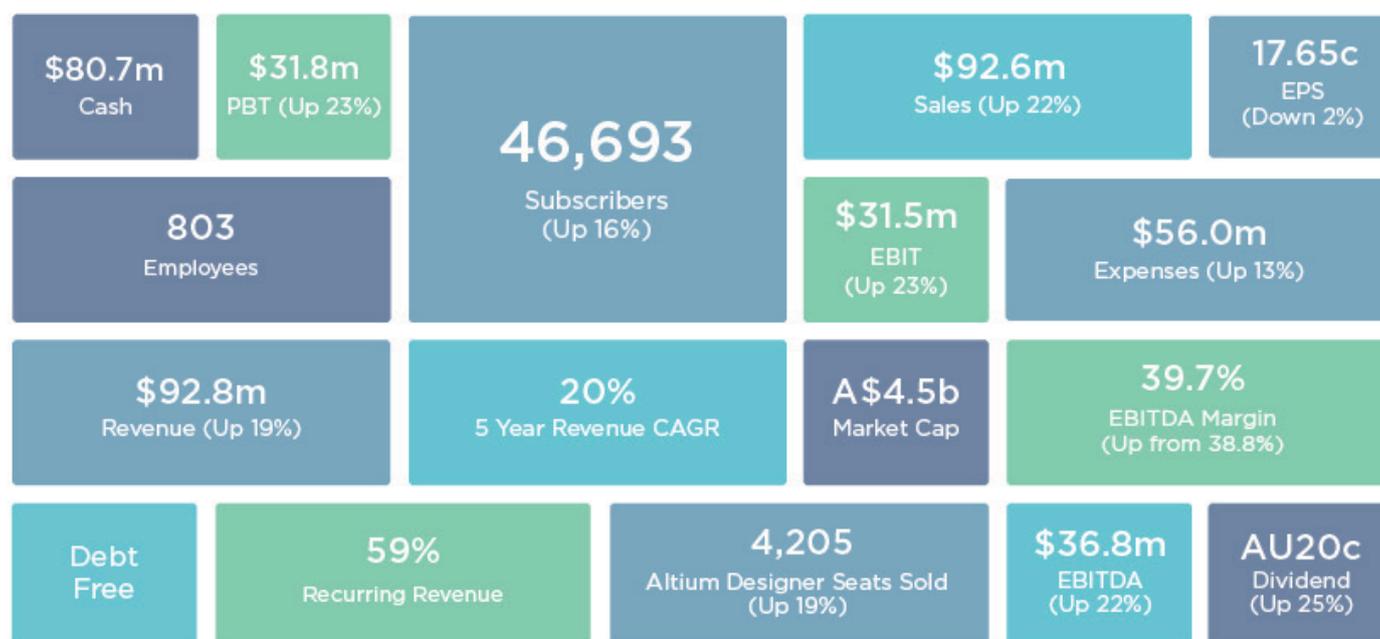
Review of operations

Overview

Altium achieved double digit revenue growth and expanded its profit margins for the first half of fiscal 2020. Altium achieved a 19% revenue growth and EBITDA has increased to US\$36.8 million resulting in an EBITDA margin of 40% (37% before the adjustment for AASB 16 Leases standard).

The Altium balance sheet is strong. Operating cash flow contributed US\$20.8 million and the Group ended the half year with a cash balance of US\$80.7 million after dividend payments of US\$16.1 million (2018: US\$13.3 million). Operating cash flow of US\$20.8 million is down 22% compared to the previous half year, as a result of extended terms for long-term Nexus contracts, payables timing and increased tax payments. Cash management continues to be a key focus area within Altium.

Financial Highlights



Key Financial Results

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000	Change %
Revenue (excluding interest)	92,846	78,118	19%
Reported expenses*	56,017	49,758	13%
EBITDA*	36,829	30,298	22%
EBITDA margin*	39.7%	38.8%	-
Profit before income tax	31,768	25,759	23%
Profit after income tax	23,083	23,441	-2%
EPS (cents)	17.65	18.00	-2%

* Prior year has been revised for comparative purposes to include the estimated impact of the AASB16 Leases.

Net profit after tax

Net profit before tax increased by 23% to US\$31.8 million from US\$25.8 million in the previous year.

Net profit after tax has been impacted by the increase in the tax expense to US\$8.7 million resulting in an effective tax rate of 27% compared to the previous rate of 9%. The low tax rate in prior years reflects the recognition of the deferred tax asset arising on relocation of Altium's core business assets to the USA. This asset was fully recognised as of 30 June 2019.

Altium's cash tax rate was 12% resulting in a cash outlay of US\$3.7 million compared to the prior cash tax rate of 3%.

Operational Highlights

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000	Change %
Product Revenue			
Altium Designer software licenses	31,187	27,427	14%
Altium Designer subscriptions	31,247	28,079	11%
Search advertising	8,971	8,873	1%
TASKING software licenses	5,634	5,404	4%
TASKING maintenance	3,622	2,665	36%
Altium Nexus	6,811	2,308	195%
Service revenue	2,140	1,798	19%
Other	3,234	1,564	107%
Total Product Revenue	92,846	78,118	19%

For more details on revenue, refer to Note 4 of the half year report.

	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000	Change %
Product Sales			
Altium Designer licenses	32,033	27,943	15%
Altium Designer subscriptions	28,767	25,450	13%
Search advertising	8,971	8,873	1%
TASKING licenses	4,924	4,851	2%
TASKING maintenance	3,353	3,229	4%
Altium Nexus	9,378	2,177	331%
Service sales	2,104	1,705	23%
Other	3,094	1,626	90%
Total Sales	92,624	75,854	22%

The Boards and Systems business revenue grew to US\$65.3 million with all regions reporting positive results. China continues to excel with revenue at US\$12.5 million, a growth rate of 27%. EMEA grew revenue to US\$21.4 million, an increase of 12% in Euros. America's achieved revenue of US\$25.8 million which was an 11% growth rate.



The number of Altium Designer new license seats grew by 19% with a total 4,205 seats sold in the first half. The subscription pool which includes term-based licenses has reached 46,693 subscribers. The run-rate growth of the subscription pool is consistent with that required to achieve Altium's 2020 target of 50,000 subscribers. The Group has increased capacity in the Altium Designer sales team in the Americas, EMEA and China to ensure the appropriate resources are in place to support organic revenue and profit growth in its core PCB business.



Nexus delivered an exceptional performance of 197% growth in revenue for the half to reach over US\$7.0 million expanding its footprint globally, across industries and with both large and smaller customers. The Nexus team was particularly successful with Bosch (over US\$1 million in revenue booked for the half) and Texas Instruments as the electronics industry is beginning to appreciate the power of an agile enterprise PCB design tool.

TASKING

The Microcontrollers and Embedded Systems business grew revenue to US\$9.7 million, a 15% increase. Our strategy of focusing on semiconductor manufacturer Infineon and to become the number one recommended compiler for the TriCore Aurix chipset for the automotive industry is continuing to be rewarded.

Octopart

Octopart's revenue growth was 1.9% to US\$9.0 million. Octopart was negatively impacted by reduced volume in the parts distribution industry. The Trade War with China resulted in most companies in the supply chain stocking up on parts fearing dramatic price increases. Excess inventory resulted in lower click through traffic for Octopart.

Octopart's revenue is highly sensitive to distribution businesses and sales of new components. A slowdown in supply chain and, in particular frontline distributors, will flow through to Octopart through a reduction in their advertising budgets – reducing Octopart's ability to maintain high cost per click.

Octopart's traffic was also temporarily impacted by changes to the Google search algorithm during the first half. Octopart has since rectified the problem by making a series of site changes and SEO improvements that has returned the organic traffic volume back up to levels comparable to prior periods.

Octopart is seeing positive momentum return to the market, as inventory is depleted and with new component manufacturing lines being spun up by several partners. Through the second half and beyond, we will invest in Octopart to become the number one trusted source and data platform for all electronic parts data.

Product

Altium released Altium Designer 20, which makes Altium Designer the best in class in almost every aspect of PCB design software. This reflects many years of disciplined execution by our R&D team to close capability gaps and go beyond to deliver a PCB design tool that is second to none and to increase the productivity of our customers.

Altium has also started the process of rolling out our new cloud platform, Altium 365. The initial feedback on Altium 365 is positive and it marks a pivotal moment in the company's history as we begin to move beyond desktop PCB software to the transformation of the electronics industry. We are focused on driving adoption to use the platform. In a short period, less than three months, over 50 companies are using Altium 365 and have hosted their component libraries on this platform.

Over time, Altium 365 will increase the quality of our subscriptions as they change from maintenance-based to capability-based, and it will be the foundation for the transformation of the way that electronics are designed and manufactured.

Operational Spending

Operational spending increased to US\$56 million, a growth of 13%. Altium commits to spend in line with our "Rule of 50", which is calculated as percentage revenue growth plus EBITDA margin being greater than 50.

Altium has invested in four projects that are designed to transform our capability to enhance future revenue:

- Altium 365 which includes product development and the productization of our subscription business
- Building our brand presence as part of our mission to trigger an avalanche of users to Altium as we confidently move to our 100,000 subscriber target by 2025
- Parts and CAD capability to drive transformation within Octopart
- Collaboration with Dassault Systèmes which includes product development and organizational capability

Altium will continue to invest in operational efficiencies to expand our reach within existing markets and into new markets. These operational efficiency expenditures include design enhancements for existing products, sales capacity and the efficient use of technology for management effectiveness.

Altium continually reviews contingent consideration payables and assess the likelihood of making these payments. We evaluated our position regarding PCB:NG Inc at the end of the first half and have revised it to reflect the high likelihood that we will not pay the entire earnout. The founders have initiated a lawsuit based on their inability to meet earnout metrics and as we have been unable to continue a productive relationship with them, we have dismissed the founders from the company.

Separately we have invested in the PCB:NG facility to establish production quality and capability that was not possible with the founders continuing in place under the circumstances previously existing. The company intends to vigorously defend the lawsuit and expects a positive outcome.

Strategy

The Altium strategy to achieve PCB market leadership by 2020 based on multi-product, multi-channel capability is bearing fruit as revenue growth continues. Subscriber growth is accelerating as we move closer to the subscriber target of 100,000 for market dominance by 2025. The systemization of our transactional sales model, continued improvements to our next generation products and the Altium 365 cloud platform will all contribute to revenue and license growth.

The "Rule of 50" where revenue growth % and EBITDA margin % are greater than 50 informs and underpins our strategic plans as we believe that outperforming the "Rule of 50" is the domain of elite, financially strong corporations. In the first half of 2020, Altium achieved a Rule of 50 result of 58.7% (Revenue growth plus EBITDA margin greater than 50%).

This metric coupled with our commitment to provide annual guidance for revenue and EBITDA will enhance the achievement of our vision and facilitate making it transparent for our shareholders.

Outlook

Altium maintains full year revenue and EBITDA margin guidance of between US\$205 million to US\$215 million in revenue and an EBITDA margin of 39% to 41% (on a reported basis) and 37% to 38% (excluding the impact of AASB16 *Leases*). However, notwithstanding Altium's strong performance in the first half, with uncertainty surrounding the coronavirus in China and the slower first half start at Octopart, Altium is likely to land at the lower end of the guidance range.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Samuel Weiss
Chairman

17 February 2020
Sydney



Aram Mirkazemi
Chief Executive Officer



Auditor's Independence Declaration

As lead auditor for the review of Altium Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Altium Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'EPenny'.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
17 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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Altium Limited

Consolidated statement of profit or loss and other comprehensive income for the half-year

	Note	Consolidated	
		31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Revenue	4	92,846	78,118
Interest Income		592	363
Expenses			
Employee benefits expense		(39,063)	(31,543)
Depreciation and amortisation expense	5	(5,366)	(2,880)
Marketing expense		(3,875)	(2,414)
Software and equipment expense		(2,881)	(2,386)
Share based payments		(2,751)	(2,779)
Travel expense		(2,585)	(2,598)
Communication expense		(1,929)	(1,560)
Professional advice expense	5	(1,457)	(1,515)
Rental and occupancy expense		(756)	(2,350)
Finance costs		(287)	(84)
Net foreign exchange gain/(loss)		308	(20)
Re-measurement of contingent consideration		2,000	(295)
Other expenses		(3,028)	(2,298)
Profit before income tax expense		31,768	25,759
Income tax expense	6	(8,685)	(2,318)
Profit after income tax expense for the half-year attributable to the owners of Altium Limited	11	23,083	23,441
Other comprehensive income for the half-year, net of tax		(516)	(133)
Total comprehensive income for the half-year attributable to the owners of Altium Limited		22,567	23,308
		Cents	Cents
Basic earnings per share		17.65	18.00
Diluted earnings per share		17.58	17.97

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Altium Limited

Consolidated statement of financial position

	Note	Consolidated	
		31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Assets			
Current assets			
Cash and cash equivalents		80,666	80,531
Trade and other receivables		45,520	45,833
Inventories		1,352	754
Tax receivables		1,746	1,498
Other assets		4,416	2,856
Total current assets		133,700	131,472
Non-current assets			
Trade and other receivables		2,742	2,285
Property, plant and equipment		6,998	7,762
Right-of-use assets	2	12,685	-
Intangible assets	7	50,265	51,534
Deferred tax assets		83,041	84,873
Total non-current assets		155,731	146,454
Total assets		289,431	277,926
Liabilities			
Current liabilities			
Trade and other payables		8,679	16,278
Lease liabilities	2	4,932	-
Tax liabilities		6,096	5,705
Provisions	8	3,053	2,109
Deferred revenue		45,883	48,277
Total current liabilities		68,643	72,369
Non-current liabilities			
Lease liabilities	2	7,794	-
Deferred tax liability		9,256	5,833
Provisions	9	3,525	6,407
Deferred revenue		7,523	6,875
Other liabilities		9	1,884
Total non-current liabilities		28,107	20,999
Total liabilities		96,750	93,368
Net assets		192,681	184,558
Equity			
Contributed equity	10	126,851	126,058
Reserves		19,414	19,079
Retained profits	11	46,416	39,421
Total equity		192,681	184,558

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Altium Limited

Consolidated statement of changes in equity for the half-year

Consolidated	Contributed Equity US\$'000	Reserves US\$'000	Retained Profit US\$'000	Total equity US\$'000
Balance at 1 July 2018	125,635	12,625	14,366	152,626
Adjustment for change in accounting policy	-	-	290	290
Balance at 1 July 2018 - restated	125,635	12,625	14,656	152,916
Profit after income tax expense for the half-year	-	-	23,441	23,441
Other comprehensive income for the half-year, net of tax	-	(133)	-	(133)
Total comprehensive income for the half-year	-	(133)	23,441	23,441
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	2,779	-	2,779
Shares issued on acquisition of Upverter Inc, net of transaction costs	424	-	-	424
Dividends paid (note 12)	-	-	(13,327)	(13,327)
Balance at 31 December 2018	126,059	15,271	24,770	166,100

Consolidated	Contributed Equity US\$'000	Reserves US\$'000	Retained Profit US\$'000	Total equity US\$'000
Balance at 1 July 2019	126,058	19,079	39,421	184,558
Adjustment for change in accounting policy (note 2)	-	-	(38)	(38)
Balance at 1 July 2019 - restated	126,058	19,079	39,383	184,520
Profit after income tax expense for the half-year	-	-	23,083	23,083
Other comprehensive income for the half-year, net of tax	-	(516)	-	(516)
Total comprehensive income for the half-year	-	(516)	23,083	22,567
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	851	-	851
Shares issued on acquisition of Upverter Inc, net of transaction costs	793	-	-	793
Dividends paid (note 12)	-	-	(16,050)	(16,050)
Balance at 31 December 2019	126,851	19,414	46,416	192,681

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Altium Limited

Consolidated statement of cash flows for the half-year

	Note	Consolidated	
		31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of tax)		95,325	81,601
Payments to suppliers and employees (inclusive of tax)		(71,440)	(54,234)
		23,885	27,367
Interest received		592	363
Interest and other finance costs paid		-	(84)
Net income taxes paid		(3,686)	(831)
Net cash from operating activities		20,791	26,815
Cash flows from investing activities			
Payments on contingent and deferred considerations		(3)	(5,471)
Payments for property, plant and equipment		(1,733)	(2,481)
Payments for intangible assets		(262)	(13)
Net cash used in investing activities		(1,998)	(7,965)
Cash flows from financing activities			
Dividends paid	12	(16,050)	(13,327)
Repayment of borrowings		(2,720)	(3)
Net cash used in financing activities		(18,770)	(13,330)
Net increase in cash and cash equivalents		23	5,520
Cash and cash equivalents at the beginning of the financial half-year		80,531	52,459
Effects of exchange rate changes on cash and cash equivalents		112	46
Cash and cash equivalents at the end of the financial half-year		80,666	58,025

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. General information

The financial report covers Altium Limited as a consolidated entity consisting of Altium Limited and its controlled entities. The financial report is presented in US dollars, which is Altium Limited's presentation and functional currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Altium Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 6.03, Level 6,
Tower B, The Zenith,
821 Pacific Highway,
Chatswood, NSW 2067
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 17 February 2020. The directors have the power to amend and reissue the financial report.

Altium makes extensive use of internet-enabled communications to ensure that its corporate reporting is timely, complete and available globally at minimum cost to the company with maximum immediacy for shareholders and other stakeholders. All press releases, financial reports and other information are available at the investors section on the Altium website: www.altium.com. For queries in relation to Altium's reporting, please email investor_relations@altium.com.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following new accounting standards have been published and adopted by the Group from 1 July 2019.

AASB 16 Leases

The Group has adopted the new standard of AASB 16 *Leases* from 1 July 2019. It requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease liability and right-of-use asset. The new standard mainly impacts property leases where the group has offices.

The straight-line operating lease expense under AASB 117 *Leases* is replaced by depreciation of the right to use asset and interest on the lease liability.

The Group has adopted the following approach and practical expedients:

Balance Sheet impact on application 1 July 2019:

- the modified retrospective approach is used on transition. Therefore the cumulative effect of adopting AASB 16 is recognised as an adjustment to the opening balance of retained profits at 1 July 2019, with no restatement of comparative information;
- the right-of-use asset is measured at an amount equal to the lease liability;
- the use of hindsight is applied when reviewing lease terms under the retrospective option;
- rely on previous assessments on whether leases are onerous;
- optional exemptions for short-term (less than 12 months) and low-value assets is applied; and
- a single discount rate is applied to a portfolio of leases with reasonably similar characteristics.

A lease accounting system has been implemented which is used to account for the Group's leases.

Adjustments recognised on adoption of AASB 16:

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate, calculated by geographic region, applied to the lease liabilities on 1 July 2019 was 4.1%.

	US\$'000
Operating lease commitments disclosed as at 30 June 2019	14,788
Discounted using the incremental borrowing rate on initial application	(1,100)
Adjustments as a result of a different treatment of extension option	495
Short-term leases recognised on a straight-line basis as an expense	(6)
Lease liability adjustment recognised as at 1 July 2019	14,177

Balance Sheet impact on application 1 July 2019:

	As reported 30 June 2019 US\$'000	AASB 16 Adjustments US\$'000	Adjusted 1 July 2019 US\$'000
Right-of-use assets	-	14,177	14,177
Deferred tax assets	84,873	3,783	88,656
Total assets impact	84,873	17,960	102,833
Provisions	8,516	(330)	8,186
Lease Liabilities	20	14,177	14,197
Deferred tax liabilities	5,833	4,151	9,984
Total liabilities impact	14,369	17,998	32,367
Net assets impact		(38)	
Retained earnings impact		(38)	

The recognised right-of-use assets and lease liabilities relate to the following types of assets:

	31 Dec 2019 US\$'000	1 July 2019 US\$'000
Right-of-use assets - Land and buildings	12,685	14,177
Lease liabilities - Land and buildings	12,726	14,177

The change in accounting policy affected the following key financial measures for 31 December 2019:

EBITDA has been increased as the operating lease cost was charged against EBITDA whereas under AASB 16 the charge is included in depreciation and interest, which are excluded from EBITDA (although included in net earnings). Short-term leasing costs, low value asset and non-lease components continue to be charged against EBITDA.

The consolidated cash flow statement is also impacted. Operating cash flows increase under AASB 16 as the element of cash paid attributable to the repayment of principal is included in financing cash flows.

	31 Dec 2019 US\$'000
EBITDA increase	2,198
Depreciation expense increase	2,434
Interest expense increase	278
Net profit before tax decrease	(514)
EPS	(0.39) cents
Cash flow from operations increase	2,720

Measurement of the right-of-use asset and lease liability:

The Group primarily leases various office and floor space. Rental contracts are typically made for fixed periods, but may have extension options. The weighted average contract term for the first half 2020 was 3 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

Assets and liabilities arising from a lease are initially measured at net present value. Lease liabilities include the net present value of fixed lease payments less any incentives receivable.

Lease payments are discounted using the incremental borrowing rate calculated by geographic region. The incremental borrowing rate is the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use asset if the lease term is modified, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate. The remeasurement of the lease liability is also applied against the right-of-use asset.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments was issued by the IFRS Interpretations Committee on 7 June 2017, which clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. The Group has adopted the principles of IFRIC 23, with no material impact noted.

Note 3. Operating segments

Description of segments

Management has determined the operating segments based on the reports used by the Board and Executive Team to make strategic decisions and review operational performance.

The Board and Executive Team consider the financial performance of the business based on product types and the overall economic characteristics of industries in which the company operates and, as such, have identified three operating segments:

Reportable Segments	Principal Activities
Boards and Systems	Includes results from PCB business for the Americas, EMEA, China and Asia Pacific, Altium Nexus as well as other products sold through partner channels
Microcontrollers and Embedded Systems	Includes results from TASKING sales, operations and research and development
Electronic Parts, Search and Discovery	Includes the results from Octopart and Upverter

The Board and Executive Team continue to consider the financial position of the business from a geographical perspective and as such the assets and liabilities of the group are presented by geographical region for the half year ended 31 December 2019 and the comparative period.

Segment performance is evaluated based on earnings before interest expense, tax expense, depreciation and amortisation (EBITDA). Segment sales represent invoiced sales. These are subsequently adjusted for the deferred component which is recognised over the service period to arrive at revenue. Revenue is management's key metric in understanding the results by segment.

Intersegment transactions

Transactions between segments are excluded from the segment information and do not form part of the reports used by the Board and Executive Team.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

Consolidated statement of Financial performance 31 December 2019	Boards and Systems US\$'000	Microcontrollers and Embedded Systems US\$'000	Electronic Parts, Search and Discovery Business US\$'000	Corporate US\$'000	Total US\$'000
Segment sales	74,901	8,678	9,045	-	92,624
Net adjustment for deferred revenue recognition	(818)	1,040	-	-	222
Interest income	-	-	-	592	592
Total revenue	74,083	9,718	9,045	592	93,438
EBITDA	39,166	6,722	5,704	(14,763)	36,829
Depreciation and amortisation					(5,366)
Net interest					305
Profit before income tax expense					31,768
Income tax expense					(8,685)
Profit after income tax expense					23,083

Consolidated statement of Financial performance 31 December 2018	Boards and Systems US\$'000	Microcontrollers and Embedded Systems US\$'000	Electronic Parts, Search and Discovery Business US\$'000	Corporate US\$'000	Total US\$'000
Segment sales	58,674	8,293	8,616	-	75,583
Net adjustment for deferred revenue recognition	2,115	150	270	-	2,535
Interest income	-	-	-	363	363
Total revenue	60,789	8,443	8,886	363	78,481
EBITDA	30,912	5,662	5,237	(13,451)	28,360
Depreciation and amortisation					(2,880)
Net interest					279
Profit before income tax expense					25,759
Income tax expense					(2,318)
Profit after income tax expense					23,441

Geographical information

Consolidated statement of Financial position	Americas US\$'000	EMEA US\$'000	China US\$'000	Asia Pacific US\$'000	Corporate US\$'000	Total US\$'000
31 December 2019						
Revenue	42,320	31,669	13,497	5,360	592	93,438
31 December 2019						
Assets						
Segment assets	47,625	35,687	14,660	9,716	96,956	204,644
<i>Unallocated assets:</i>						
Deferred tax asset						83,041
Income tax receivables						1,746
Total assets						289,431
Liabilities						
Segment liabilities	28,232	26,963	4,833	6,198	2,430	68,656
<i>Unallocated liabilities:</i>						
Provision for income tax						6,096
Deferred tax liability						9,256
Lease liabilities and Borrowing						12,742
Total liabilities						96,750

Consolidated statement of Financial position	Americas US\$'000	EMEA US\$'000	China US\$'000	Asia Pacific US\$'000	Corporate US\$'000	Total US\$'000
31 December 2018						
Revenue	35,166	27,270	10,615	5,067	363	78,481
30 June 2019						
Assets						
Segment assets	45,090	33,934	9,886	8,957	93,688	191,555
<i>Unallocated assets:</i>						
Deferred tax asset						84,873
Income tax receivables						1,498
Total assets						277,926
Liabilities						
Segment liabilities	31,635	30,248	4,639	7,157	8,138	81,817
<i>Unallocated liabilities:</i>						
Provision for income tax						5,705
Deferred tax liability						5,833
Borrowings						13
Total liabilities						93,368

Note 4. Revenue

	Consolidated	
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Software license revenue	43,958	35,290
Subscription and maintenance revenue	34,956	31,184
Search advertising revenue	8,971	8,873
Service revenue	2,136	1,801
Other revenue	2,825	970
Revenue	92,846	78,118

Note 5. Expenses

	Consolidated	
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings right-of-use assets	2,434	-
Property, plant and equipment	1,396	1,449
Total depreciation	3,830	1,449
<i>Amortisation</i>		
Customer relationships	668	668
Software	335	378
Intellectual property	533	385
Total amortisation	1,536	1,431
Total depreciation and amortisation	5,366	2,880
<i>Included in professional advice expense</i>		
Costs associated with the acquisition of PCB NG	-	11

Note 6. Income tax expense

	Consolidated	
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
<i>Income tax expense</i>		
Current tax	4,178	2,521
Deferred tax - origination and reversal of temporary differences	4,886	330
Adjustment recognised for prior periods	(379)	(533)
Aggregate income tax expense	8,685	2,318

	Consolidated	
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	1,464	630
Increase / (decrease) in deferred tax liabilities	3,422	(300)
Deferred tax	4,886	330
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	31,768	25,759
Tax at the statutory tax rate of 30%	9,530	7,728
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share-based payments	375	838
Non-deductible - earnout	(587)	-
Other items	129	458
	9,447	9,024
Adjustment recognised for prior periods	(379)	(533)
Difference in overseas tax rates	(694)	483
Temporary differences not recognised now recognised	436	(6,612)
R&D credits	(150)	(50)
Foreign exchange differences	25	6
Income tax expense	8,685	2,318

Altium was selected for a risk review and audit by the Australian Tax Office (ATO) which is part of a program of work being conducted by the ATO for the Top 1000 taxpayers in the large business and international segment. As is the case with all ATO reviews and audits, potential outcomes could include further ATO reviews, resolution or the issue of assessments. As of today, it is not possible to estimate if there is a financial effect of this review.

Note 7. Non-current assets - intangible assets

	Consolidated	
	31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Goodwill - at cost	29,507	29,499
Intellectual property - at cost	10,323	10,315
Less: Accumulated amortisation	(2,698)	(2,161)
Intellectual property	7,625	8,154
Customer contracts - at cost	16,333	16,333
Less: Accumulated amortisation	(5,113)	(4,445)
Customer contracts	11,220	11,888
Software intangibles - at cost	3,485	3,285
Less: Accumulated amortisation	(1,572)	(1,292)
Software	1,913	1,993
	50,265	51,534

The Goodwill and intangible assets have arisen as a result of business combinations.

Note 8. Current liabilities - provisions

	Consolidated	
	31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Employee benefits	2,170	2,109
Contingent consideration	883	-
	3,053	2,109

Contingent consideration

The provision represents the obligation to pay contingent consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Note 9. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Employee benefits	33	27
Contingent consideration	3,271	6,157
Lease make good	221	223
	3,525	6,407

Altium continually reviews contingent consideration payables to assess the likelihood of making these payments. We evaluated our position regarding PCB:NG Inc at the end of the first half and have revised it to reflect the high likelihood that we will not pay the entire earnout.

Note 10. Equity - Contributed equity

	Consolidated			
	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Ordinary shares - fully paid	130,965,775	130,511,522	126,851	126,058

Movements in ordinary share capital

Details	Date	Shares	Issue price AU\$	US\$'000
Balance	1 July 2019	130,511,522		126,058
Share issued - Upverter acquisition	23 August 2019	138,256	\$8.49	793
Share issued - Employee Performance Rights	23 August 2019	315,997	\$0.00	-
Balance	31 December 2019	130,965,775		126,851

Movements in treasury shares

Details	Date	Shares
Balance	1 July 2019	-
Add: Shares issued		315,997
Less: Shares transferred to employees		(264,641)
Balance	31 December 2019	51,356

Note 11. Equity - retained profits

	Consolidated	
	31 Dec 2019 US\$'000	30 Jun 2019 US\$'000
Retained profits at the beginning of the financial half-year	39,421	14,656
Adjustment of change in AASB 16	(38)	-
Retained profits at the beginning of the financial half-year - restated	39,383	14,656
Profit after income tax expense for the half-year	23,083	52,893
Dividends paid (note 12)	(16,050)	(28,128)
Retained profits at the end of the financial half-year	46,416	39,421

Note 12. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2019 US\$'000	31 Dec 2018 US\$'000
Final dividend for the year ended 30 June 2019 of AU 18 cents (30 June 2018 AU 14 cents)	16,050	13,327

The directors have declared an interim dividend of AU 20 cents per share (2018: AU 16 cents) for the half-year ended 31 December 2019. The dividend will be paid on 25 March 2020 based on a record date of 2 March 2020. This amounts to a total dividend of US\$18.3 million based on the total number of shares outstanding.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Samuel Weiss
Chairman

17 February 2020
Sydney



Aram Mirkazemi
Chief Executive Officer



Independent auditor's review report to the members of Altium Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Altium Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Altium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Altium Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

EPenny

Eliza Penny
Partner

Sydney
17 February 2020

