Altium Limited ASX Announcement

Altium

Date: 18 November 2021

Announcement authorised by:
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2021 Management Address

Altium Annual General Meeting

Sydney, Australia, 18 November 2021

[CEO Aram Mirkazemi]

Good morning and good afternoon, everyone. The purpose of this management presentation is to convey our confidence that we are well and truly back and in winning form. We are set to achieve our fiscal 2022 guidance of 16-20% revenue growth and we are powering our growth engines of CAD, Cloud and Digital Bridges to not only dominate but to transform the electronics industry.

You may be asking where our confidence is coming from and why is it that Altium is able to deliver close to 20% growth against some challenging conditions and what may appear to be growing competitive forces.

Today, our President Sergey Kostinsky, CTO Leigh Gawne and I will demonstrate what is driving Altium's growth, how Altium consistently outperforms its competitors and why customers choose Altium.

At the highest level, the mega trend that is driving our growth is the Internet of Things which has given rise to the explosion of intelligent products and the proliferation of electronics. While this trend has been growing over the last ten years, it is now moving to a whole new level. This is largely driven by 5G and edge computing and the mass adoption of intelligent products. This unprecedented and growing demand for electronics combined with a supply chain disruption caused by the global pandemic have resulted in a global electronic parts shortage. These forces are creating favorable conditions for Altium's pursuit of dominance and industry transformation.

Specifically, our Octopart electronic parts search business and our cloud platform Altium 365 are the main beneficiaries of these strong industry tailwinds, which in turn, positively impact our electronic design software business.

Octopart grew by a record 42% in fiscal 2021 and has continued its strong growth in the first four months of this fiscal year. The adoption of Altium 365 has exceeded expectations and now has over 17,300 active users (up from 12,800 active users as reported in August) and over 7,300 active accounts (up from 6,000 active accounts as reported in August). Altium has now 15% of its total seats on cloud subscription and a further 40% are in

transition to move to the cloud. This translates to 13% of accounts having moved to the cloud with a further 34% of accounts in transition.

Demand for our PCB design software has returned and is growing. All of this means that our confidence in our first half performance and our full year performance is very high.

I expect these growth trends to continue well beyond fiscal 2022, and indeed continue for the rest of this decade.

Our pivot to the cloud and our organizational changes, which I refer to as our "Netflix changes" have put us in a strong position to capitalize on these favorable conditions and growth opportunities. Having pivoted to the cloud, separated our sales into high-volume and high-value, and implemented enterprise-wide strategic and execution planning, we are well and truly spinning up our new flywheels for driving our business. These include:

- Design Tools adoption flywheel
- Design Platform adoption flywheel
- Cloud adoption flywheel
- Ecosystem adoption flywheel

It may have been surprising to some that we pivoted to the cloud and undertook our Netflix business model changes during the height of the pandemic. While other companies "waited out COVID", we were determined to use the opportunity to make bold changes that would set ourselves up for the next leg of our journey. This bold approach has allowed us to further widen the gap with our competition as our cloud platform is now well and truly commanding the attention of the industry.

Seeing the success of Altium 365 and being caught on the back foot, our competitors have rushed to make announcements about their own cloud services. I predict that we have at least a 2-to-3-year head start and possibly more over our competitors. We are already onto the next phase and deep into building digital bridges to adjacent engineering ecosystems, which is critical for creating the network effect that will ultimately result in a "winner-takes-all" outcome.

Altium has an outstanding record of value creation. I am proud to say that delivering value for our shareholders has been a hallmark of Altium. This has been achieved through extremely focused execution, that has allowed us to deliver an industry leading performance with eight consecutive years of double-digit revenue growth and expanding margin.

Over the years, some of you have wondered what is it about Altium that can deliver an industry leading performance, pay dividends year after year, be on a path to both dominate and to transform an industry all while expanding our profit margin. This is the secret sauce of Altium, and I would like to have our key exponent of it, being our President Sergey Kostinsky, share further color with you.

Over the last decade, Sergey as Altium's CTO has transformed our product and engineering organization and has taken Altium PCB design software from a middle ranking position to be world-class. Sergey and our engineering team have gone even further and have built a cloud platform from the ground up which has already become a first-class asset of Altium alongside Altium Designer and Octopart. During the year, as part of our Netflix organizational changes, Sergey was appointed as President and charged with

bringing about the same transformation to our digital go-to-market capabilities as he has done with engineering. I have every confidence that he will deliver his magic in this new domain. I believe Sergey's unique style and brilliance underpins Altium's extraordinary operating leverage. I feel it is important that our shareholders appreciate the unique way that Altium operates. A lot of that has to do with Sergey, and I will now ask Sergey to explain a little more in this regard.

[President Sergiy Kostynsky]

I think there are few key ingredients that make our execution stand out from the field. The thing that many notice about Altium is we're not afraid to take on big challenges and the sheer speed with which we adapt and move forward.

We innovate and disrupt aggressively. Yet at the same time Altium continues to deliver a solid financial performance, more typical of a blue-chip company.

I believe the explanation of this seeming paradox largely lies in the way we execute.

When faced with yet another ambitious goal, we apply a few techniques: Focus on the hard part first - a lot of things need to happen to achieve something significant. Some of it requires a lot of work, some of it requires dealing with problems that are ill defined.

Everyone likes the feeling of making progress, so people often tend to focus on those parts they know they can complete. All goes well until they hit the wall at the end. This is how many projects end up being 90% finished only to be completely discarded.

Contrast that to the way we do things. We focus on the critical aspects early and make sure we deal with potential impasses first. Once we are confident in a path ahead we go full speed.

With Altium 365 we had to solve many complex technical challenges, yet the one that was the hardest was not technical in nature. There are many good practices to make cloud solutions perform well, scalable, and reliable, and many would focus on those. While these are of course required for any modern cloud solution, it's rare these would ultimately be the cause of failure. Making the product attractive, however, is a different story. There is no recipe that one can follow, especially when you are breaking new ground the way we are doing. So we focused on that problem first before anything else.

Our early success with Altium 365 has been built on its attractiveness for customers and partners, in turn drawing the attention from the broader industry. This established a flywheel effect allowing us to benefit from major investment in this area. At the time of release, we had no more than 30 people working on Altium 365, whereas there are around 150 now and the number is growing fast. We have also scaled our infrastructure quite a bit since then. We break through, then scale, and then continuously raise the bar.

Another example of this approach is how we have gone after bringing an enterprise sales capability to Altium. We have focused on getting the recipe right, and now that we can see it working, we are going to invest and benefit from increasing scale in this area.

The other trait we have is we do not suffer from what Jim Collins, the author of the well-known book "Good to Great", called "The tyranny of the OR". We often are faced with the

seemingly incompatible requirements where one could be tempted to choose one over the other. We delay such choices and quite often find the way to get both.

When we started our climb to improve our product capabilities in 2013, one of the key decisions that was made was to establish a regular cadence of Altium Designer releases. This had worked remarkably well and set the rhythm for the whole organisation.

At the same time, we needed to do a major overhaul of Altium Designer. Porting it to 64-bit was a massive engineering challenge, and on top of that we took the opportunity to redesign many key areas of the software such as the UI and interactive routing. This not only allowed us to close certain gaps with competitors, it made most competition look dated, and established Altium Designer as the leader that is now being copied by others.

Now, conventional wisdom would dictate that one should either do regular releases or go after major overhaul. We managed to find a way to do both at the same time, and not only that, we had pretty much the same people work on both projects. What makes this possible is the way strategy and execution connect at Altium. We never lose sight of our ultimate goals, so *the destination never changes.*

The best way to get there, however, may change over time. Circumstances change both internally and externally, so reviewing and adjusting the approach allows us to maximize the effectiveness and efficiency of our execution. This requires an ability to make a lot of smaller decisions, and I believe our management has certain strength at this. Moreover, our culture encourages those who can find a better way to accomplish something. Our leadership is serious about staying true to our strategy but stays very open to any improvements in how it gets done.

On top of that, we usually go after execution strategies that generate value every step of the way. A massive change spanning multiple years then may turn into a sequence of improvements, where it doesn't need to get worse before it gets better. This allows us to go after long-term goals without sacrificing short-term performance.

Right now, we are looking to bring our go to market capacity to the next level required to support our $500M revenue objective. Conventional approach would be to go for a deep dive for a few years to produce the next generation, meanwhile neglecting the development of the current one.

Once again, we don't want to choose, and really, we cannot afford to choose. We have to keep improving incrementally to meet our FY22 and 23 objectives, and we know we cannot delay the heavy infrastructure work required to support our long-term business objectives. The key to having our cake and eating it too in this case is to plan our long-term change in such a way that it can also support our short-term objectives. This effort is already under way and I'm excited about how it's shaping up.

One other aspect of Altium execution that is key is our ability to grow and change without putting on unnecessary weight.

We have certain operational fluidity that allows for key resources to be deployed where and when it matters. We are quick on our feet, moving fast into new areas. It was less than a year ago that the idea of Nexar came up. In a very short time Ted Pawela and Leigh have gone from concept to having a new business unit that is now going from strength to strength.

In a similar way all key people behind the Altium 365 launch were brought from various existing teams despite cloud being a new thing for Altium. Once we got traction, we brought in a lot of resources.

This ability to be nimble with exploration is invaluable for a company such as Altium that wants to bring together a startup-like pursuit of a blue-sky vision and the consistent return of a well-established business.

The way we execute is perhaps a little unconventional. It does tend to attract certain people, who thrive in an environment where one is given freedom and responsibility for achieving extremely ambitious goals. That experience may be stressful at a time but is incredibly rewarding and fulfilling. And as time goes on the stronger the culture of high performance and winning takes hold.

There is something magical about the team we have built at Altium. I believe this is exactly the kind of team it takes to transform the industry.

[CEO Aram Mirkazemi]

Another thing that is different about Altium is the passion and the support of its user community for its products. This has been unique in our industry and the hallmark of the Altium brand. With our goal of dominance and transformation, we are taking this position to the next level so as Altium becomes synonymous with electronic hardware design (very much like Adobe and creative design, Google and search, Facebook and social networking and for those who still remember, Xerox and photocopy). I am going to ask Leigh Gawne, our new CTO and someone who has championed our move to the cloud to explain how we are going to get there and why customers choose Altium over our competitors.

[CTO Leigh Gawne]

For over 35 years, Altium has supported the PCB design space in a way that no other company has, with an unwavering commitment to enabling an industry, from startups giving birth to the next big thing, through to large organizations that underpin vast swathes of the world economy. It is the size and diversity of a growing customer base and the enduring partnerships that have been forged over decades that are propelling us to become the de facto standard for electronics design.

So, what is it about what we do and what we offer that makes this possible? What is it that differentiates us from the competition? What attracts new customers to Altium?

Customers come to us because we do PCB and nothing else. Day in, day out, it is an all-consuming affair for us - for our competition, it is secondary, they simply don't have the same level of focus and passion to create value either for them or for their customers which makes them reactive and unprepared for the future.

We are building the best products and services in the world, and perhaps more importantly, customers understand that making an investment into Altium products and services is an investment into their own future. They understand that by making a conscious business decision to be part of the future of electronics design, they aren't going to be left with an outdated, isolated toolset from the competition. It is clear that today, only Altium can confidently offer them a long-term future in PCB design.

Competitors offer what is known in the industry as walled gardens, as their software was developed during a time in the past when customers preferred to have all their tools provided by the same vendor. In the age of IoT and cloud, not only is this no longer a viable business model, but customers want the best in breed for each class of tool.

Connecting best of breed tools seamlessly through the cloud is now possible, and as more tools go onto the cloud, customers reject the old bundling practices as seamless interoperability amongst vendors is one of the core value propositions and one they don't have to pay for. In today's world, designers want the best contemporary PCB software, not one that comes bundled for free with a chip design or other unrelated engineering tool.

Altium's software stands on its own and is not carried by anything else. In my opinion, this has been the single most powerful advantage for Altium over its competitors.

User experience is a fundamental principle in the way we build things and is a core ingredient that sees us deliver products and services that come together and work and act as one. Independent of features and functions, we can create capabilities and user experiences that transcend boundaries and realise a platform that has openness and extensibility at its core.

Altium software has always been open and accessible to other engineering tools. Unlike our competitors, our file formats have long been accessible to third parties without any barrier or attempt to lock the customer in.

As new capabilities are added to the platform and existing capabilities are advanced, each builds on the other, this results in a type of leverage that is extremely powerful and difficult to compete with. As an example, Altium 365's browser based visual compare tools connect into project history, design releases and our manufacturer portal, where we are then able to leverage them across multiple use cases, supporting a variety of user personas.

CAD is extremely visual, and being able to interact, inspect and collaborate on a design on any device from virtually anywhere in the world is fundamental to supporting the customer needs of today. Other cloud platforms lack this CAD intelligence and are often limited to being data centric and domain agnostic, working with files and with limited, if any, web visualisation capabilities.

Altium 365 excels at this in a way that no other cloud platform competes with today - the CAD capabilities that we support in the browser, from cross probing and inspection to graphical comparison and historical timelines, from contextual commenting and markup to design release and lifecycle control, it is by far the richest, most capable platform and is in a class of its own in the domain of electronics.

With tens of thousands of users already working with Altium authoring tools like Altium Designer, Altium 365 feels like a natural extension as it is woven into the design system itself, creating the lowest possible barrier to entry with a low-to-no learning curve for newcomers.

The continuous digital fabric that is Altium 365 permeates throughout our authoring tools, creating a combination of design authoring and collaboration that is simply unrivalled by any competitor today, delivering virtually instant boosts to a customers productivity.

Our expectations for Altium 365 have been exceeded, what has happened is beyond what we initially thought would be possible, but this only serves to make us raise the bar on

those expectations and accelerate the execution of our strategy for industry transformation.

Through Nexar, we are constructing digital bridges into the rest of the software engineering ecosystem, the digital fabric that extends digital continuity right out into the adjacent domains of mechanical design, supply chain, manufacturing, simulation, PLM, and others.

Altium 365 and Nexar work together, with the objective of Nexar is to drive ecosystem adoption of Altium 365. In order to do this, Nexar has been constructed specifically to support ecosystem partners, both those with whom we already have strong ties and business relationships, to other strategic allies far and wide.

For our competitors that are accustomed to walled gardens, it might prove to be an insurmountable challenge as cloud requires a level of openness and trust that is unfamiliar to them. This will essentially render their offerings uncompetitive on the cloud.

Our customer base is not only growing in terms of its size, but perhaps what is even more exciting is that for the first time in our history we are diversifying the personas, the industry professionals, that we are able to serve.

We are not just applicable to the hardware design or PCB layout engineer. We have something to offer the embedded software engineer who is doing boot-strapping of the hardware. We are supporting the procurement professional who needs BOM access and supply chain insights. We support the project manager who is responsible for ensuring that things get done on time and on budget. We support the manufacturer, who now knows what the electronic assembly should actually look like before it gets to first article inspection. We support the customer, who wants to feel confident that their supplier is going to deliver.

With collaboration at the center, the accelerating user growth combined with this broader collection of stakeholders whom we are now able to serve and who are starting to come to the platform are preconditions for the network effect to start to come into force.

35% user growth in the last three months alone demonstrates that it is becoming the platform of choice for new and existing customers alike. With businesses like Tesla disrupting their respective markets as the new era of IoT and connected systems dawns, our platform is perfectly positioned to support the needs of these companies and many others like them. As the gravity of Altium 365 grows, it makes it increasingly difficult for competitors to respond.

As well as forging and strengthening business relationships, Nexar extends the Altium 365 platform with the Nexar API, a unified, model-based API that unites the domains of design, manufacturing and supply chain, the likes of which is totally unique in the industry today. This opens up an almost limitless number of opportunities when it comes to enabling partners and third parties to digitally connect into Altium 365 and deliver their value propositions directly to users and customers.
The more partners integrate with Nexar, the stronger the value proposition for Altium 365, and the more companies and people that adopt Altium 365, the more of a pull this creates toward Nexar for those partners to integrate, resulting in a positive feedback loop and a self-sustaining chain reaction.

Nexar brings together Octopart along with other key strategic acquisitions that Altium has made over the last five years. It is building on the solid foundations that have been forged in the supply and manufacturing domains. Our relationships with semiconductor manufacturers and distributors go from strength to strength as our enduring partnerships continue to flourish. The business unit has seen strong revenue growth, up over 40% year on year, with diversification and expansion in a range of areas.

The Nexar API was launched earlier this year and unifies our API technologies across the board, enabling us to serve the industry with an offering that is unrivaled by competitors. In the last 12 months there were six hundred million API calls made. For this calendar year period, API call growth is up 121%, with the first half of FY22 versus FY21 up 168%. The first quarter of FY22 saw API revenue growth up 71% on the same period a year ago.

Combined, Altium 365 and Nexar will deliver fundamental change to the way that people collaborate and do business together, creating value in such a way that Altium 365 will not only support the practice of engineering, but will be a platform for the business of engineering too.

Altimade, which will be launched in the first quarter of 2022, is built on top of Altium 365 and Nexar and incorporates the delivery of a design to realisation experience that has never been seen before in electronics.

Not only will it revolutionize the experience of going from design to manufacture, but the approach will enable fundamental changes to the existing ways of doing business that will deliver levels of efficiency, speed and productivity never seen before. It will usher in a new era of cloud enabled electronics hardware manufacturing, laying the foundation for fundamental changes to the business of manufacturing that will see costs and risks reduced.

The journey has begun and we are building on the success of the past to deliver change for the future that will see the electronics industry reborn to serve the future of the world in a more effective, harmonious, less wasteful way. Altium has the heart, the mind, the vision and the capability to lead the way in turning this into reality.

Our customers see this in us. They see that Altium is different, and that in the end, we are fighting every day to build a future that enables them to be more successful. They see that we are investing in such a way that it is a direct investment into their future success. Our customers back us, and in the end, that is the reason why we will be successful in achieving our mission - we will win together.

 [CEO Aram Mirkazemi]

I would like now to provide an update on our organizational transformation since Netflix a year ago and what is in store next for us to underpin our journey.

Perhaps the most impactful part of our organizational transformation since October last year has been the introduction of enterprise-wide planning that encompasses all of our activities related to achieving our vision of industry transformation. Under this new planning and execution model, we introduced 10 strategic campaigns that are responsible for spinning up the four flywheels that I mentioned earlier. The Office of CEO was formed under the leadership of Kim Besharati, Chief of Staff, to bring this next-level capability to

Altium. I could not be more pleased with the outcome. All of these campaigns are now in play, with many formal programs that are building momentum in our business.

I would like to speak about two campaigns specifically. These relate to:

- bringing digital transformation to our business systems; an
- the transition of Altium from being a software to a cloud-first company.

With cloud and the significance of data, Altium is investing in building the infrastructure that is required to create value for stakeholders. This requires a deep connection between Altium's business systems and with Altium 365 and Nexar ecosystem. The design and architecture of this undertaking is being overseen by Henry Potts who has been at the heart of systematization of our transactional sales and associated business processes. Richard Leon, Altium's ex-CFO has also returned to Altium in the role of SVP Corporate Development and will be combining forces with Henry to build the next generation capabilities to support expansion and future M&A. The outcome of this campaign will bring digital transformation to our broader business systems that will allow Altium to more efficiently monetize the value that is created through a digital platform.

The second campaign is at the heart of our Netflix organizational changes where Altium is focused on becoming a "cloud first" company to set up its next cycle of growth.   Having pivoted to the cloud and separated our sales channel into Digital and Enterprise, we are about to embark on bringing in the next-level capabilities to enhance our senior management.

In addition to Board renewal, we are also conducting an executive search in the US for a CFO with significant high-tech experience in the digital economy. Martin Ive will act as a care-taker CFO until such time that we make this appointment. Martin's contribution over the last twelve months, since the start of Netflix, has allowed us to successfully go through this transition and in my language is equivalent to a "night watchman" in test cricket, who has kept us in the game and we are now an hour into the first session of the next day and looking to pile up runs. Martin will continue to serve this Company and make valuable contributions.

I would like to close on the same note that I began and that is to say with confidence that Altium is well and truly back and in winning form. We are set to achieve our fiscal 2022 guidance of 16 to 20% revenue growth and we are powering our growth engines of CAD, Cloud and Digital Bridges to not only dominate but to transform the electronics industry.

Thank you.

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™,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, 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. www.altium.com