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Altium Limited - February 2015 Investor Presentation

Sydney, Australia - 26 February 2015 - The executive management of electronics design software company Altium Limited (ASX:ALU) will today hold investor presentations at the offices of Blue Ocean Equities and Bell Potter in Sydney providing an update of the company's business strategy and financial performance.

The attached presentation will be given. A copy can also be found on the company's website: www.altium.com.

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ENDS

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®, PCBWorks® and the TASKING® range of embedded software compilers.

Founded in 1985, Altium has offices worldwide, with US locations in San Diego 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. You can also follow and engage with Altium via [Facebook](#), [Twitter](#) and [YouTube](#).



Delivering Strong Performance & Building Momentum for Further Growth

Altium

Altium Mid-Year Investor Presentation

26 February 2015
Sydney & Melbourne

Aram Mirkazemi CEO
Richard Leon CFO

Disclaimer

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Financial data

All dollar values are in US dollars (US\$) unless as otherwise presented.

Future performance

Forward looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. An investment in Altium shares is subject to investment and other known and unknown risks, some of which are beyond the control of Altium Limited. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Altium employees, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this presentation. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Presentation nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Agenda

Altium

1

Company Highlights & Key Focus Areas for the Remainder of FY15

2

Half Year 2015 Financial Performance & Metrics

3

Market Opportunity & Growth Strategy

4

Appendix: Company Overview & Long –Term Outlook

Altium's H1 FY15 Financial Highlights

Altium

REPORT CARD



Maintain top line growth and expand margins.

First half 17% revenue growth and EBIT margin increased from 16% to 26%.



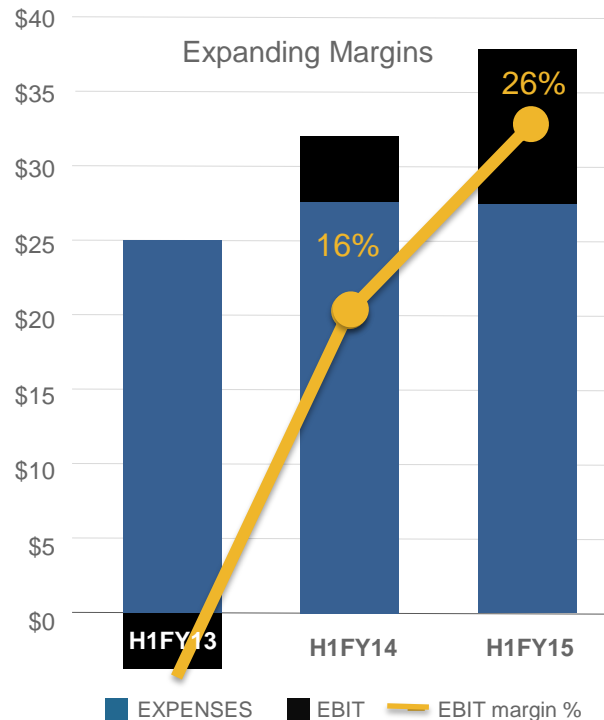
Increase subscription renewals rates.

Renewal rates in key regions improved from 81% to 84% (3% compared to FY14).



Acquire New Customers.

Continued to aggressively acquire new accounts at the same level as FY14.



EBIT
\$9.6M
(up 84% pc)

\$37.8M Revenue
(up 17% pc)

27,000
Subscribers
(51% of H1 Revenue)

5.63 EPS
(up from 3.11)

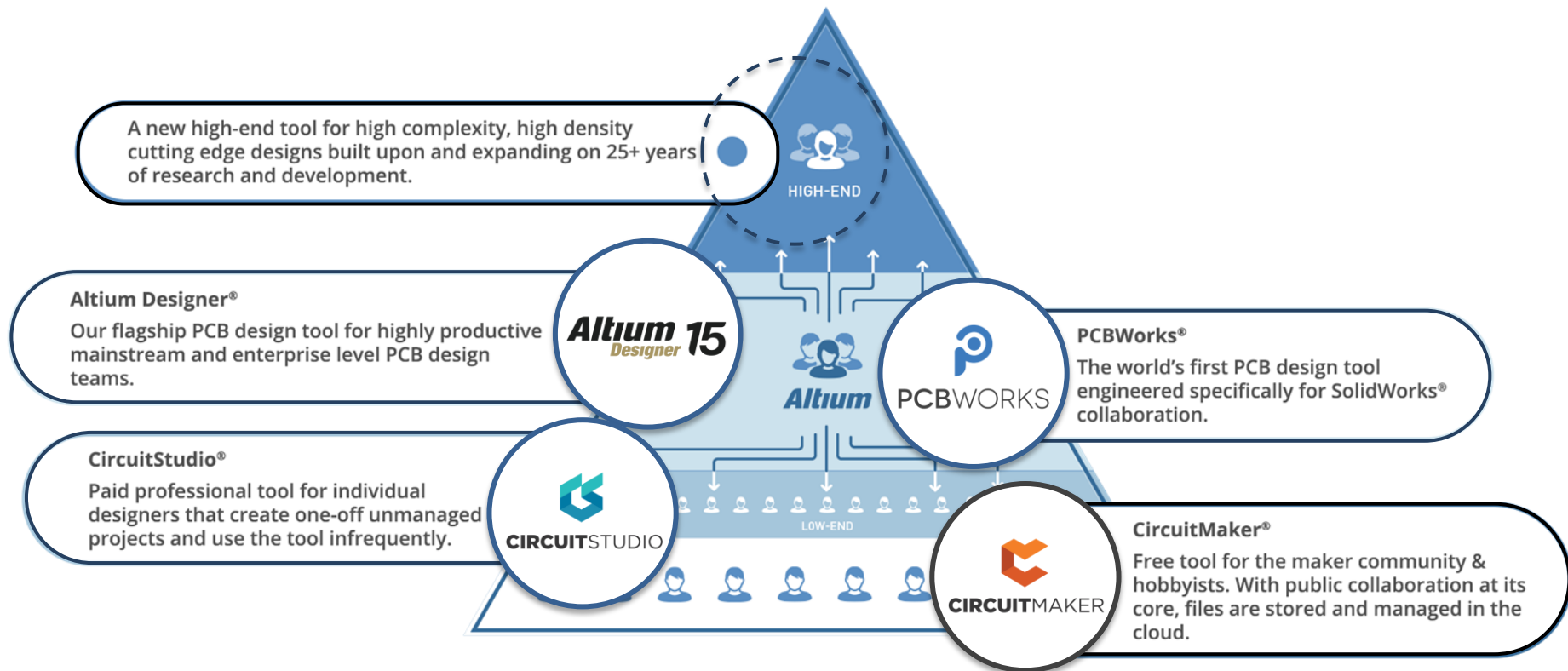
AU 8c
Dividend
(up 50%)

\$59.1M
Net
Cash

\$33.7M Sales
(up 9% pc)

Significant Achievements

Altium



Successfully transitioning to a leveraged sales model

- High value sales through Altium direct
- Volume sales through the channel delivering extended reach

US sales is regaining full strength

- Growing new licences
- Increasing subscriptions
- Launch of PCBWorks @ SolidWorks World in February generating strong interest from resellers

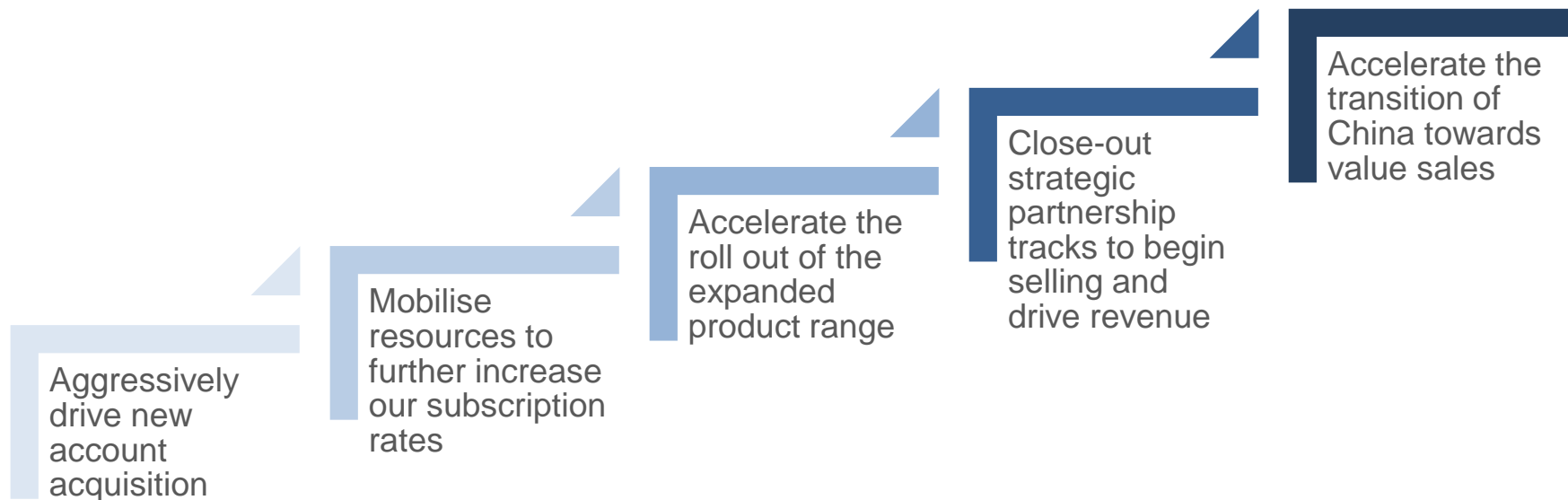


Confident we will achieve full year target

- Additional resources & management focus to ensure targets are achieved
- Created and filled a new leadership role: VP Sales, EMEA
- Indirect territories on track to achieve their quotas
- Underlying demand remains solid



Other Focus Areas for the Remainder of FY15



We are confident to achieve our full year
FY15 target of double digit growth

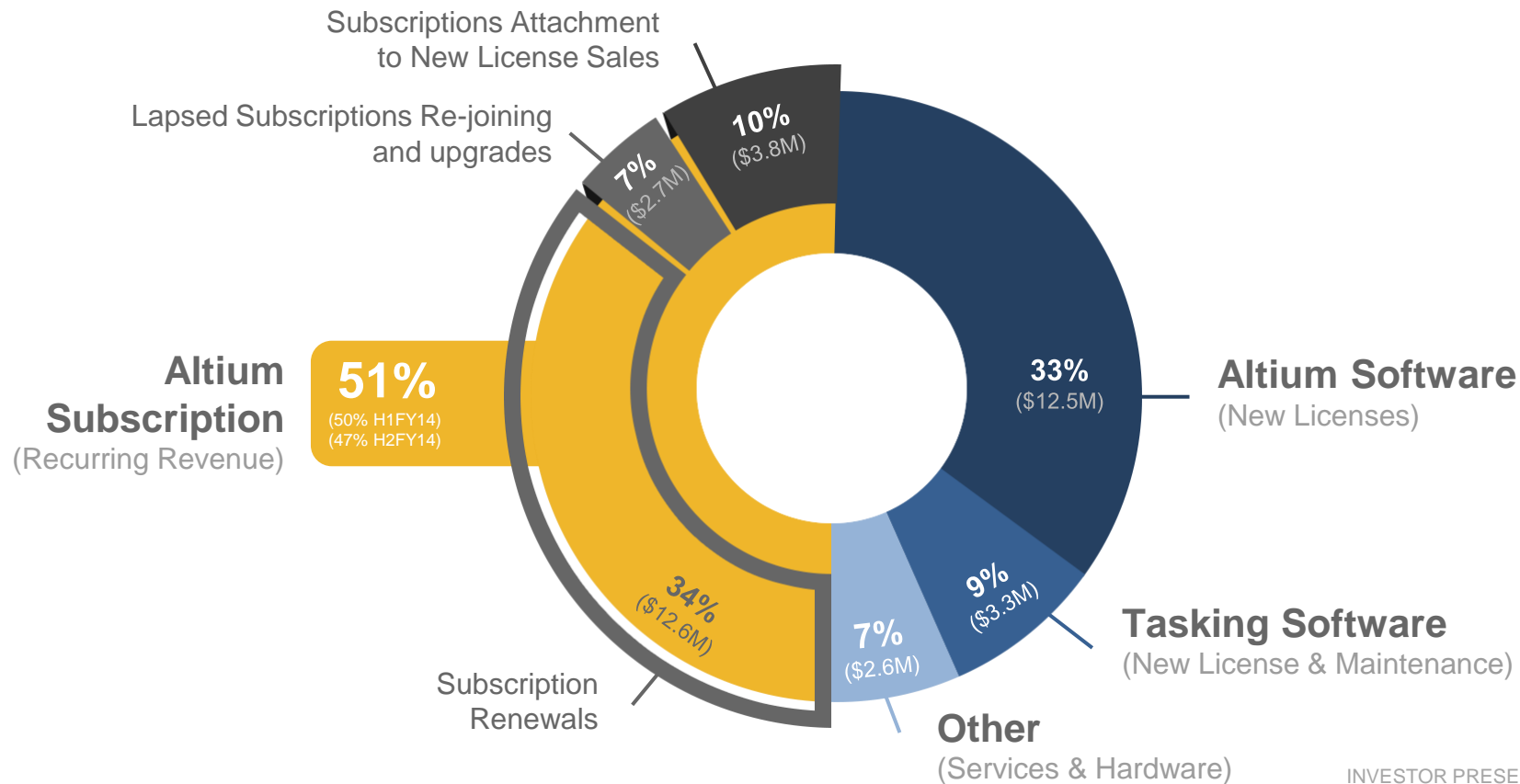
Agenda

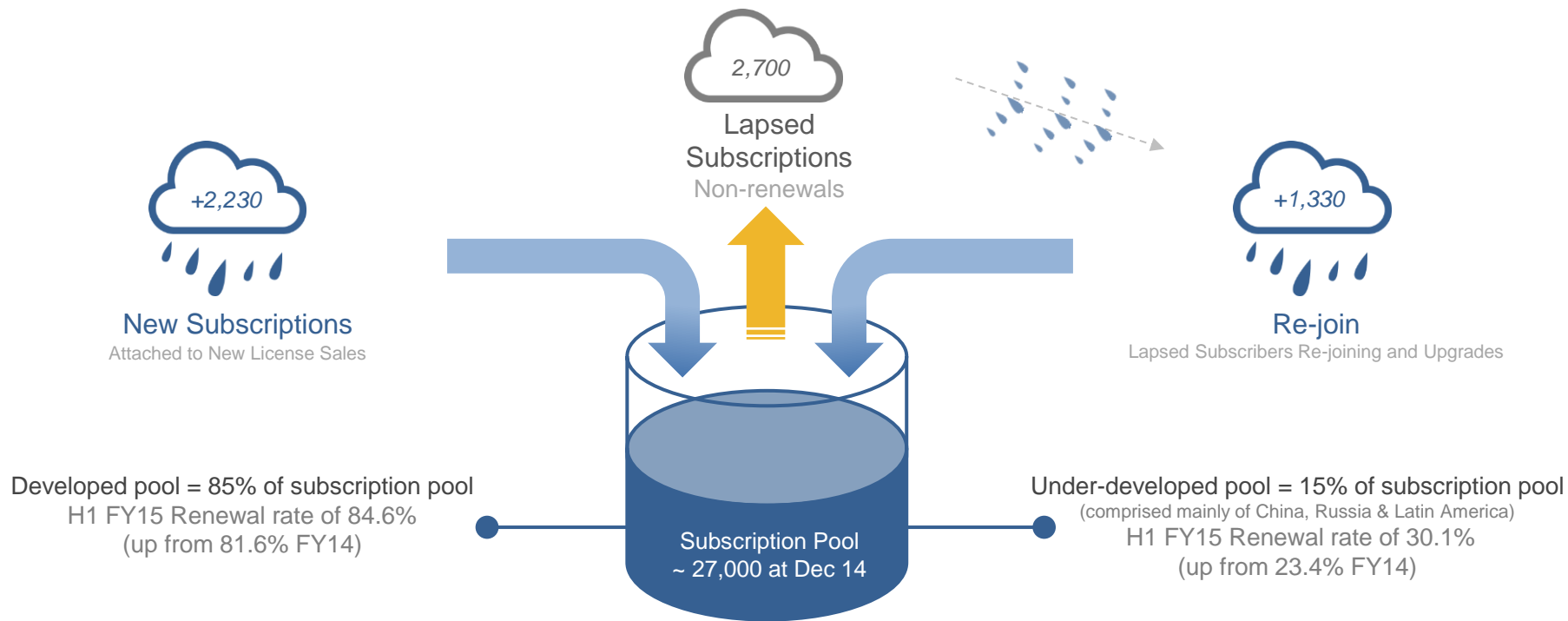
Altium

- 1 Company Highlights & Key Focus Areas for the Remainder of FY15
- 2 Half Year 2015 Financial Performance & Metrics
- 3 Market Opportunity & Growth Strategy
- 4 Appendix: Company Overview & Long –Term Outlook

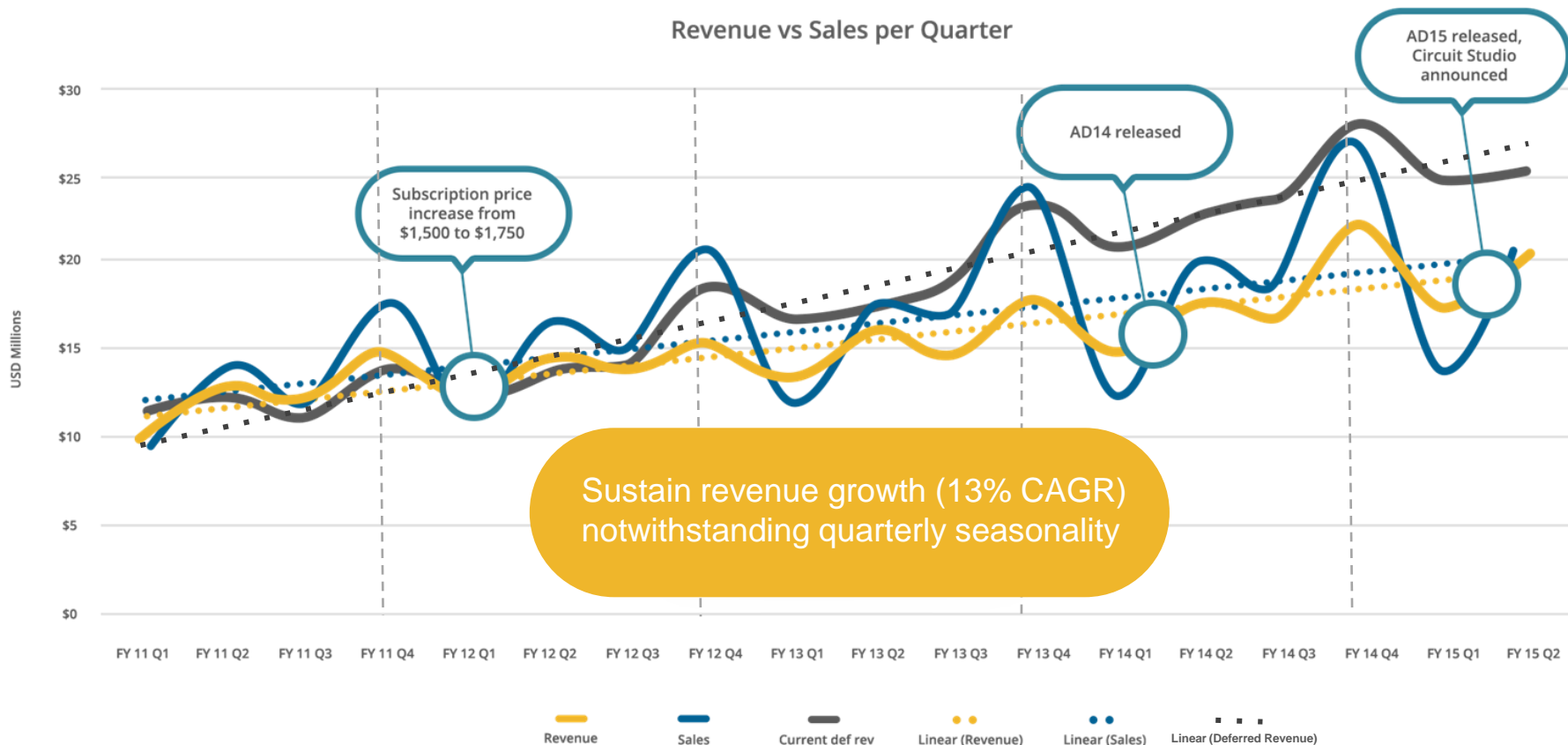
Altium's Revenue Sources

Altium





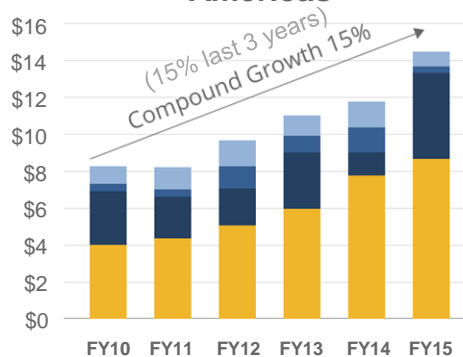
Seasonality Curves - Revenue: Sales: Deferred Revenue



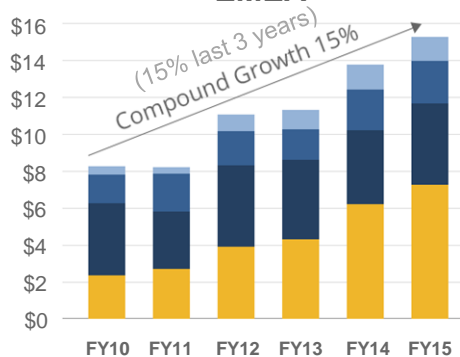
Altium's H1 Revenue Contribution by Region

Altium

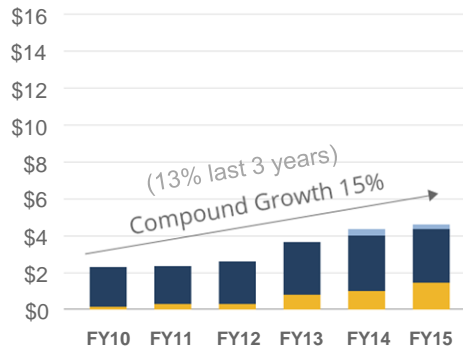
Americas



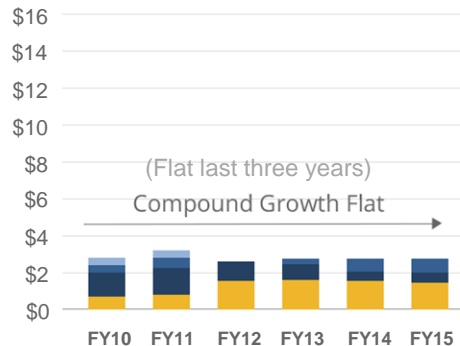
EMEA



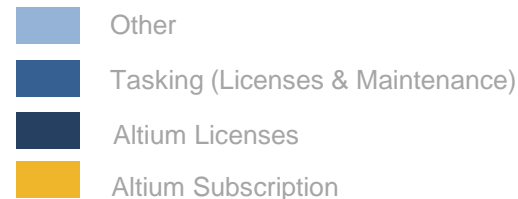
China



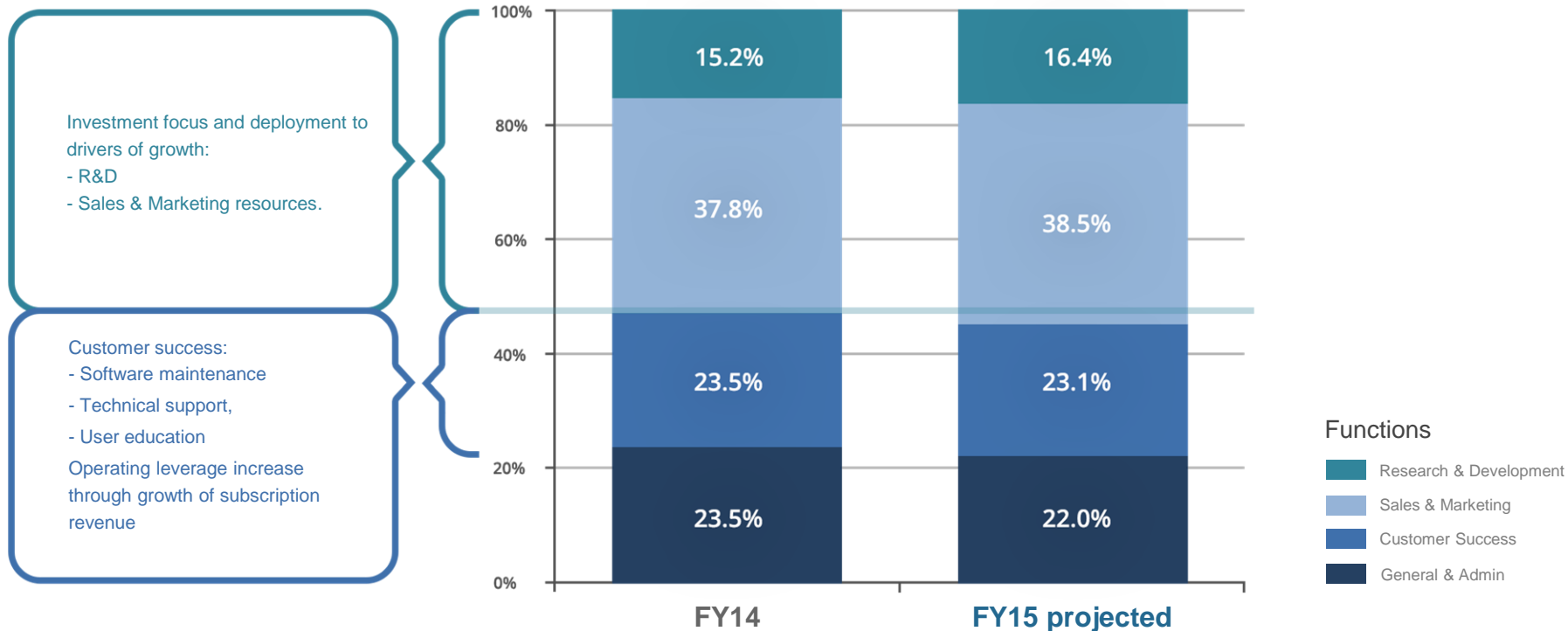
APAC



**Historical
CAGR 13%**
Across All Regions

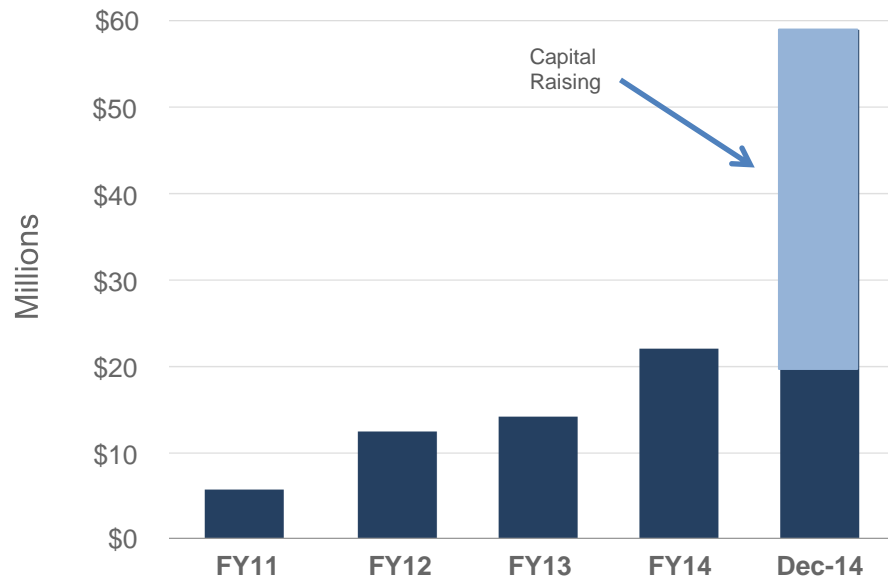


Workforce investment



Altium's Balance Sheet

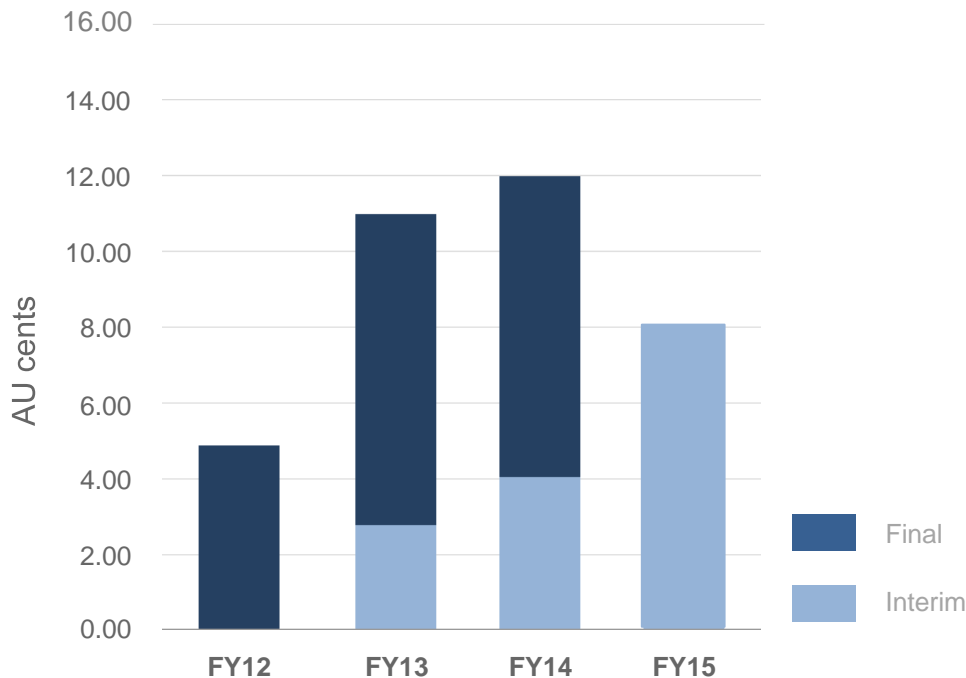
Cash and Cash equivalents



- Successful capital raising
- Operating Cash Flow up 16% to \$7.4m
- Minimal borrowings - Debt/Equity less than 1%

	Dec-14 \$ '000	Jun-14 \$ '000	Var \$ '000	%
Cash and cash equivalents	59,054	22,049	37,005	168%
Trade and other receivables	15,535	22,429	(6,894)	-31%
Other current assets	1,557	1,582	(25)	-2%
Total current assets	76,146	46,060	30,086	65%
Trade and other receivables	1,115	1,136	(21)	-2%
Property, plant and equipment	2,331	1,908	423	22%
Other non-current assets	3,881	4,898	(1,017)	-21%
Total non-current assets	7,327	7,942	(615)	-8%
Total assets	83,473	54,002	29,471	55%
Trade and other payables	4,002	5,499	(1,497)	-27%
Borrowings	50	60	(10)	-17%
Tax liabilities	1,538	338	1,200	355%
Provisions	1,939	1,773	166	9%
Deferred revenue	25,390	29,727	(4,337)	-15%
Total current liabilities	32,919	37,397	(4,478)	-12%
Borrowings	67	88	(21)	-24%
Provisions	2,024	2,829	(805)	-28%
Deferred revenue	4,844	5,981	(1,137)	-19%
Other liabilities	180	116	64	55%
Total non-current liabilities	7,115	9,014	(1,899)	-21%
Total liabilities	40,034	46,411	(6,377)	-14%
Net assets	43,439	7,591	35,848	472%
Contributed equity and reserves	131,280	94,268	37,012	39%
Accumulated losses	(87,841)	(86,677)	(1,164)	1%
Total equity	43,439	7,591	35,848	472%

Dividends paid/declared



Steady increase in dividend payments to shareholders

Cash flows from operating activities

	H1FY15 \$ '000	H1FY14 \$ '000	Var \$ '000	%
Receipts from customers	37,032	35,867	1,165	3%
Payments to suppliers and employees	(29,499)	(29,052)	(447)	2%
Net Interest paid	228	54	174	322%
Net income taxes paid	(408)	(553)	145	-26%

Operating Cash Flow

	7,353	6,316	1,037	16%
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Capital Expenditure

Payments for property, plant and equipment	(1,195)	(407)	(788)	194%
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Free Cash Flow

	6,158	5,909	249	4%
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Cash flows from financing activities

Proceeds from exercise of options	-	2,562	(2,562)	
Proceeds from issue of shares	39,966	-	39,966	
Dividends paid	(7,941)	(8,594)	653	
Repayment of borrowings	(38)	(105)	67	

Subtotal

	38,145	(228)	38,373	> 100%
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Effects of exchange rate changes	(1,140)	17	(1,157)	> 100%
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Increase in cash and cash equivalents	37,005	(211)	37,216	> 100%
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Half Year Results Key Metrics

USD millions	H1FY15	H1FY14	Change %
Total Revenue (excl. Interest)	37.6	32.2	17%
Reported Expenses (excl. D&A & Interest)	27.5	26.3	5%
EBITDA	10.1	5.9	69%
Depreciation	0.4	0.5	
Amortisation	-	0.3	
EBIT	9.6	5.2	84%
Net Interest	0.2	0.02	
Income tax expense	3.0	1.9	
NPAT	6.8	3.4	>100%

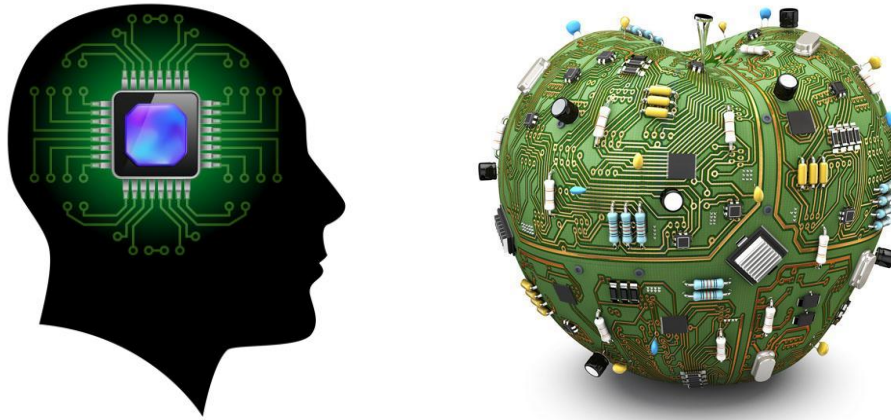
	H1FY15	H1FY14	Change %
EPS	5.63	3.11	81%
Dividends (AU cents)	8.00	4.00	100%
Key Margin Analysis			
EBIT Margin	26%	16%	
EBITDA Margin	27%	18%	
Net Profit Before Tax Margin	26%	16%	
Net Profit After Tax Margin	18%	10%	
Return on Equity	27%	3%	
Debt/Equity	0.3%	1.9%	
Balance Sheet (USD millions)			
Cash & Cash Equivalents	59.1	22.0	>100%
Net Assets	43.5	7.6	>100%
Operating cash flows	7.4	6.3	16%

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Altium

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- 3 **Market Opportunity & Growth Strategy**
- 4 Appendix: Company Overview & Long –Term Outlook





At the Heart of All Intelligent Systems Are Electronics and Printed Circuit Boards

Increasing Demand in Electronics is the Main Growth Driver

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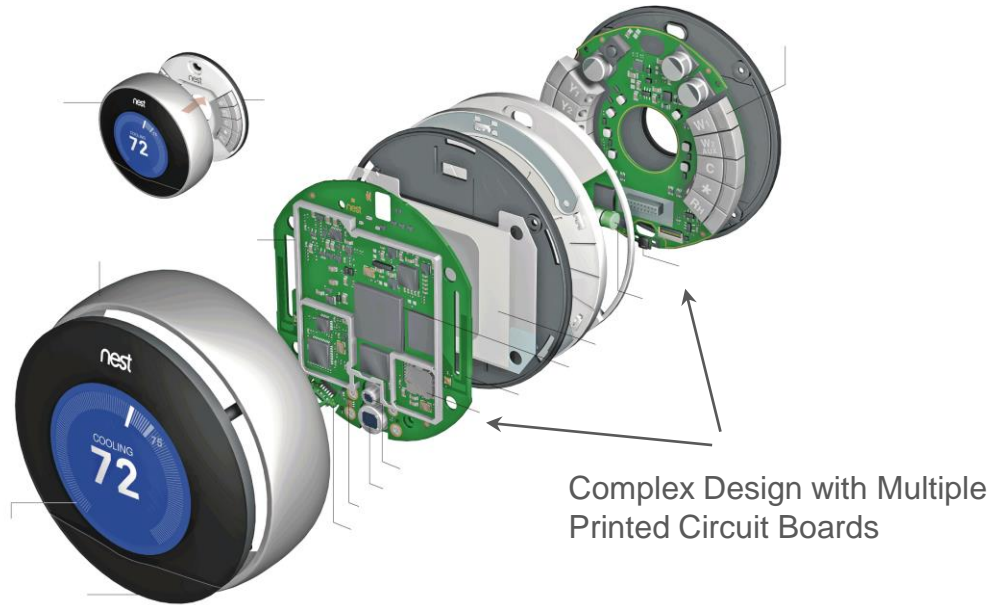


60%
By 2017

40% Electronic Value (Hines, 2012)
Traditional Vehicle

75% Electronic Value (Hines, 2012)
Hybrid/Electric

The **Nest** thermostat learns the temps you like, turns itself down when you're away, and has remote control through Wi-Fi



Multidisciplinary Engineering is Driving Market Convergence

Altium



ECAD

Cloud System Engineering

Cloud application development and infrastructure management

Embedded System Engineering

Development of Control Systems in Electromechanical devices

Electronics Engineering

Creation of high-performance electronic hardware with complex form factor

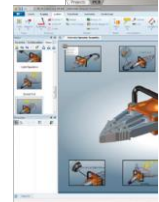
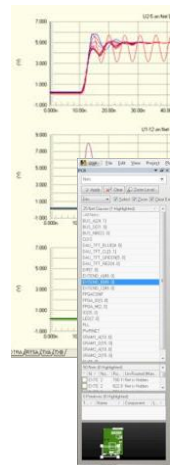
Mechanical Engineering

Designing complex objects with sophisticated electromechanical behaviour

MCAD

Electrical Engineering

Development of wire harness and electrical systems in Electromechanical devices



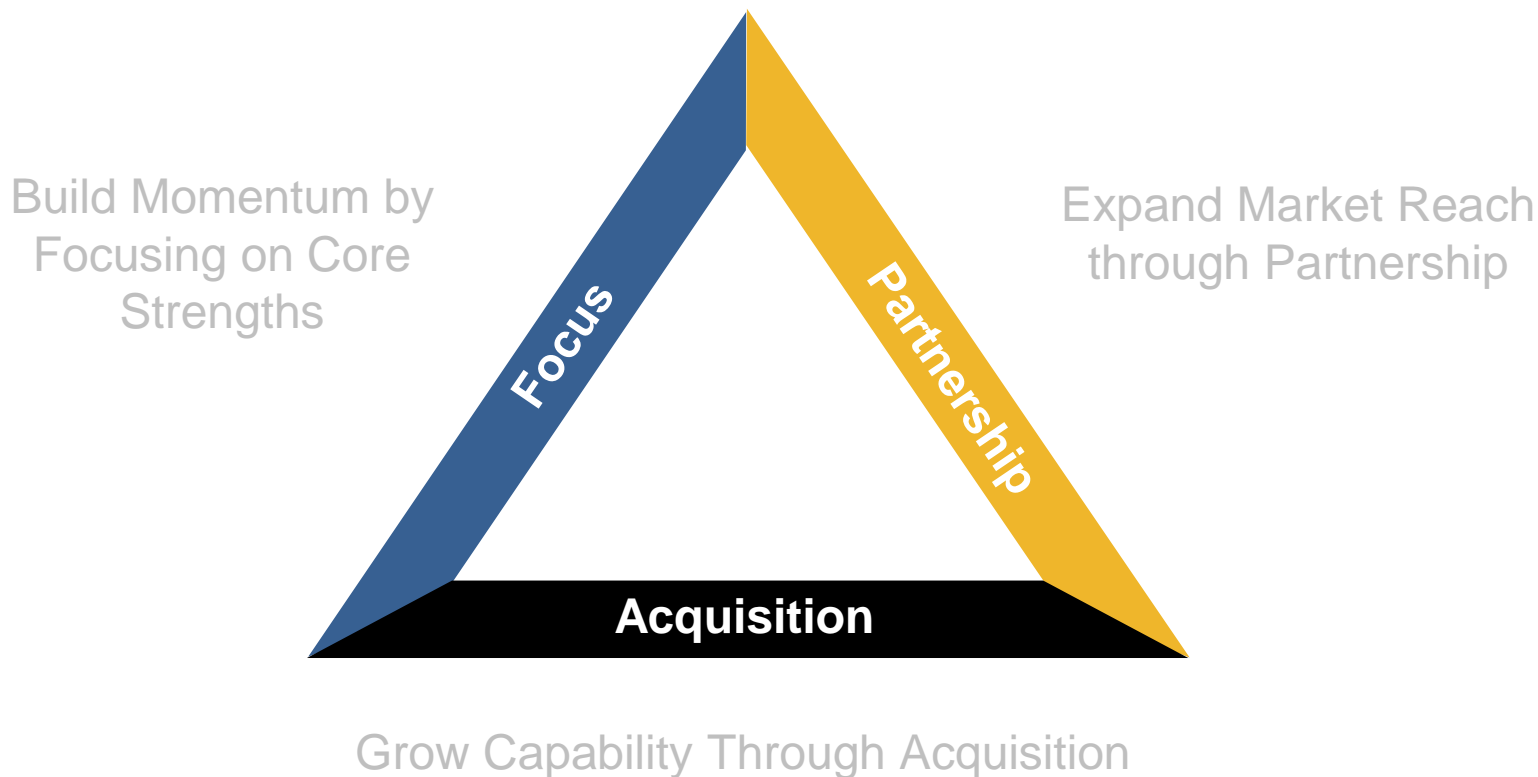
Altium is the only pure-play PCB design software company in the world

With over 30 years of continuous design in PCB software Altium is best in class

Our platform base provides agility to partner with other engineering design tools

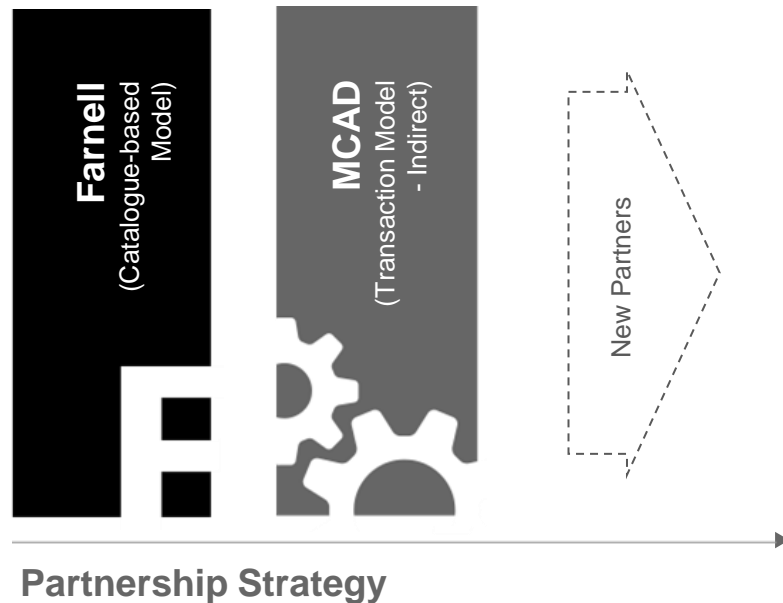
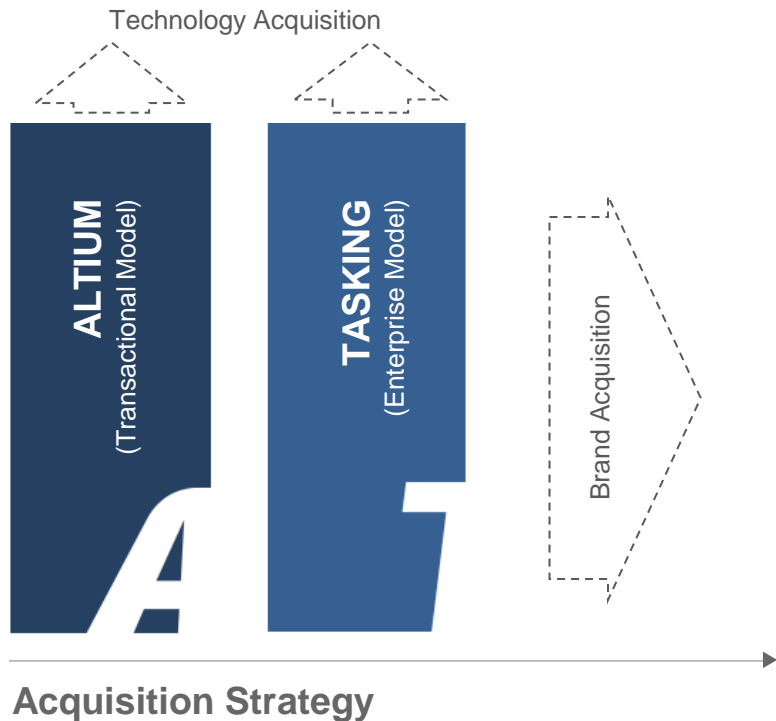
We support deep integration of our tools to other engineering disciplines (including mechanical CAD)

We support and work with specialised go-to-market plays



Growing Capability Through Acquisition & Partnership

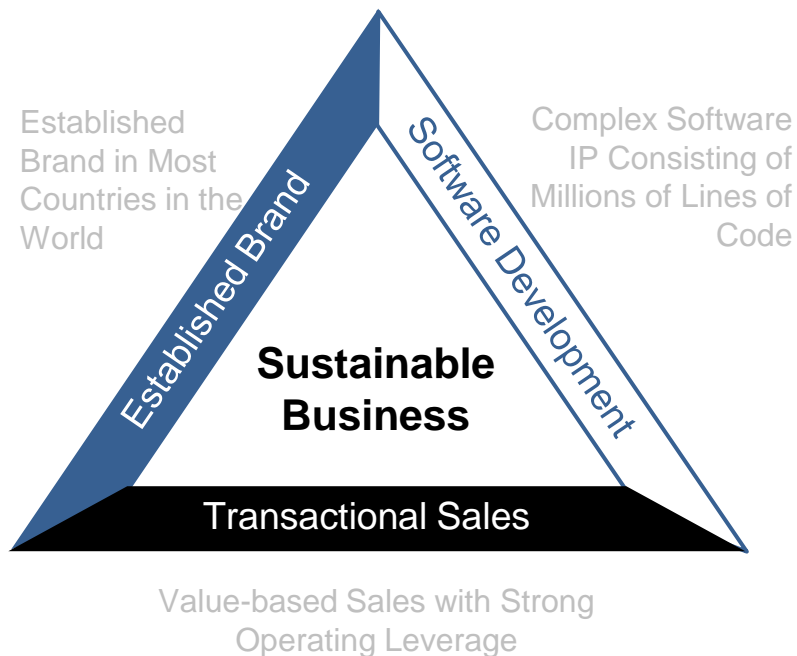
Altium will Grow by Acquiring/Partnering with Brands that are Associated with the Design of **PCB** and **Smart Devices**



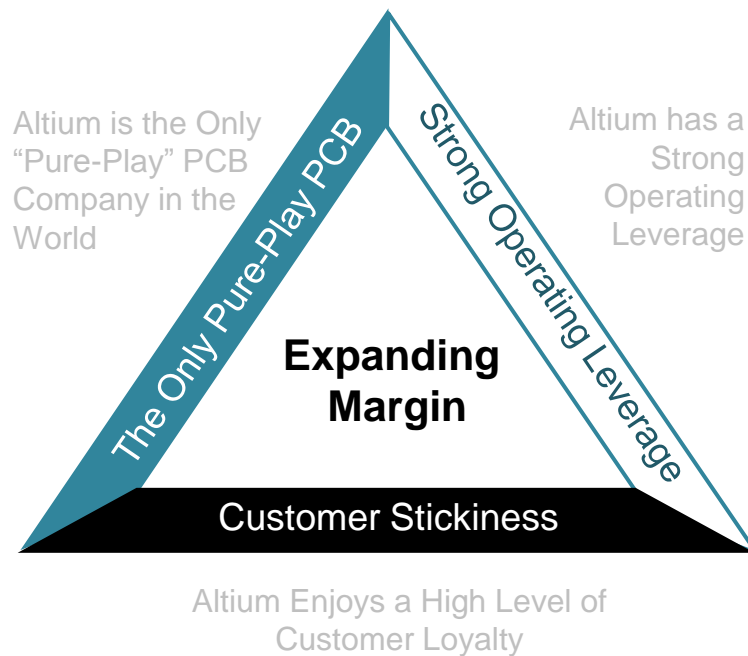
Altium's Core Strengths & Enduring Competitive Advantages



Core Strengths



Competitive Advantages



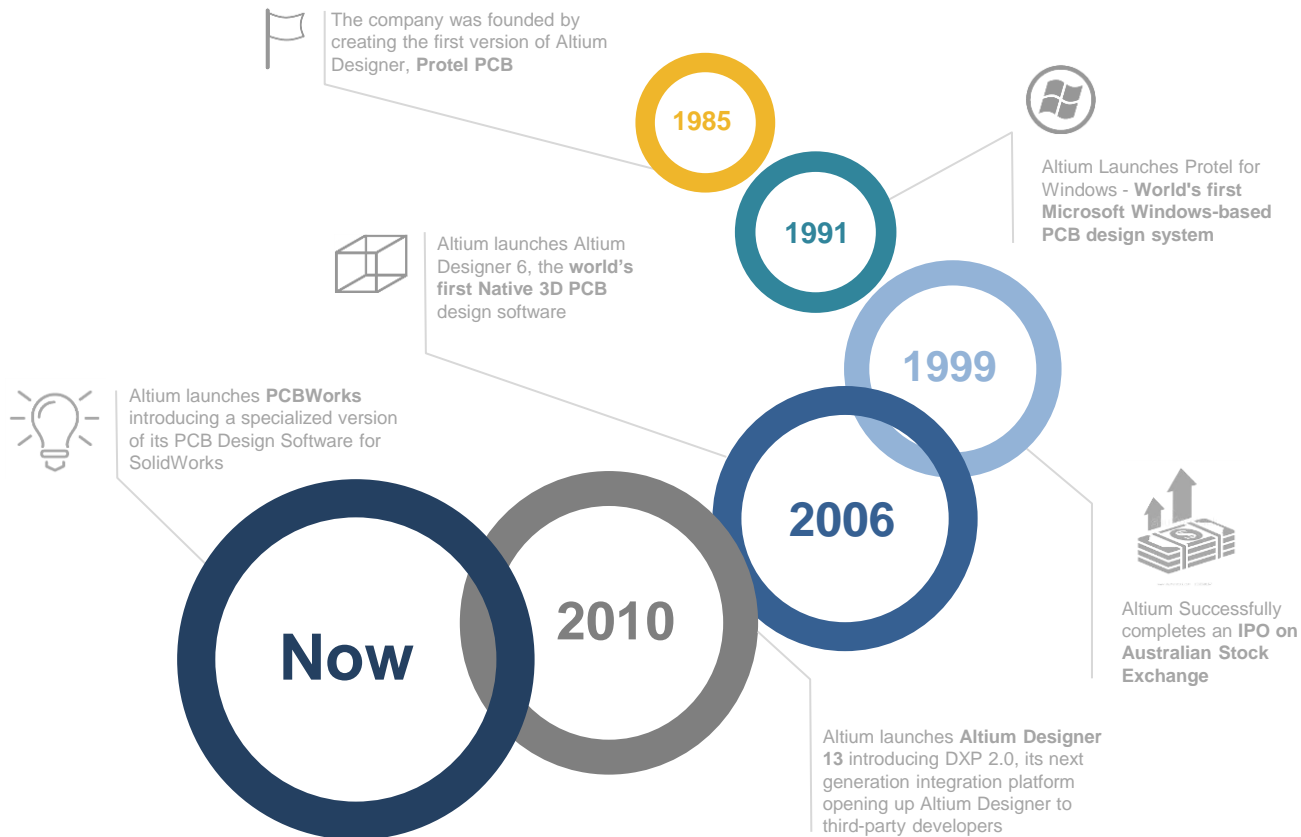
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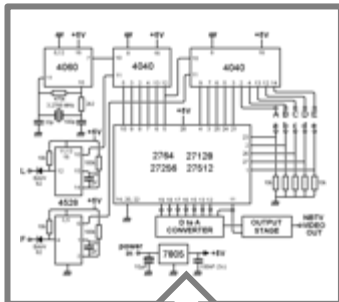
30 Years of Continuous R&D in PCB Design Software

Altium

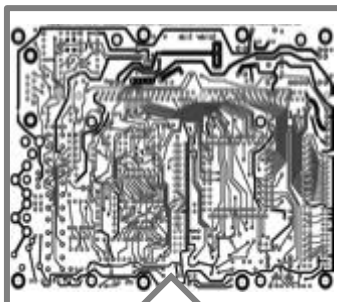


Printed Circuit Board Design and Manufacturing Process

Circuit Diagram



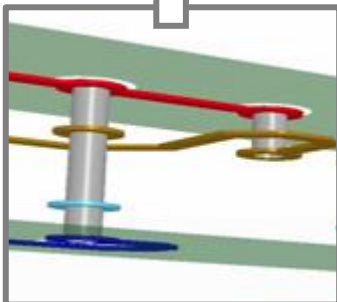
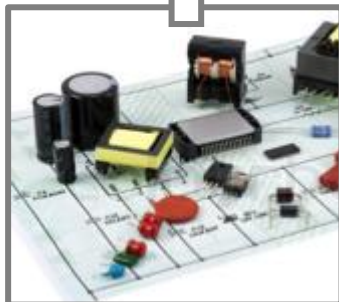
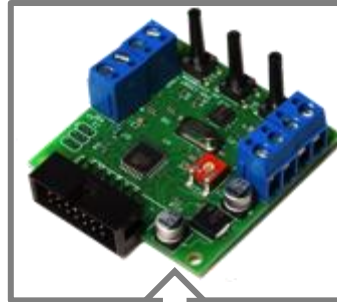
Layout Film



Bare Board



Assembled Board

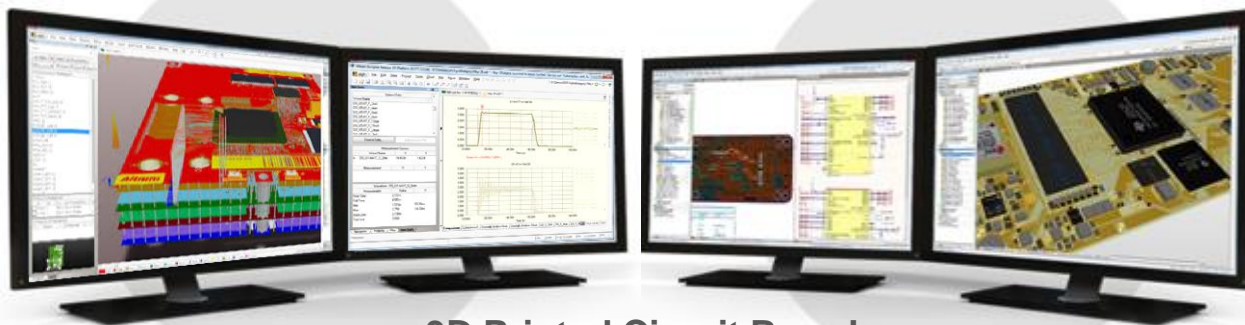


Design Capture

Layout

Fabrication

Assembly



3D Printed Circuit Board Design Software



Altium Vault

Design Data Management &
Collaboration Software

Altium 15
Designer



CIRCUITSTUDIO



PCBWORKS



CIRCUITMAKER

Tasking

Embedded Software
Development Tools



Concept

Design
Capture &
Verification

Embedded
Software
Development

FPGA
Prototype

Printed Circuit
Board Layout

Manufacturing

Diversity of Applications

Altium



Automotive



Aerospace & Defence



Life Sciences



Mobile Devices & Communications



Consumer-Electronics



Electronics & High-Tech



Research & Education



Industrial Controls Automation



Computers



Semiconductors

High Profile Customers

Altium



Automotive



Aerospace & Defence



Life Sciences



Mobile Devices



Consumer Electronics



Electronics & High-Tech



Research & Education



Industrial Controls



Computers



Semiconductors



Sales and Support Centres

San Diego, Boston, Karlsruhe, Shanghai, Sydney

Research & Development Centres

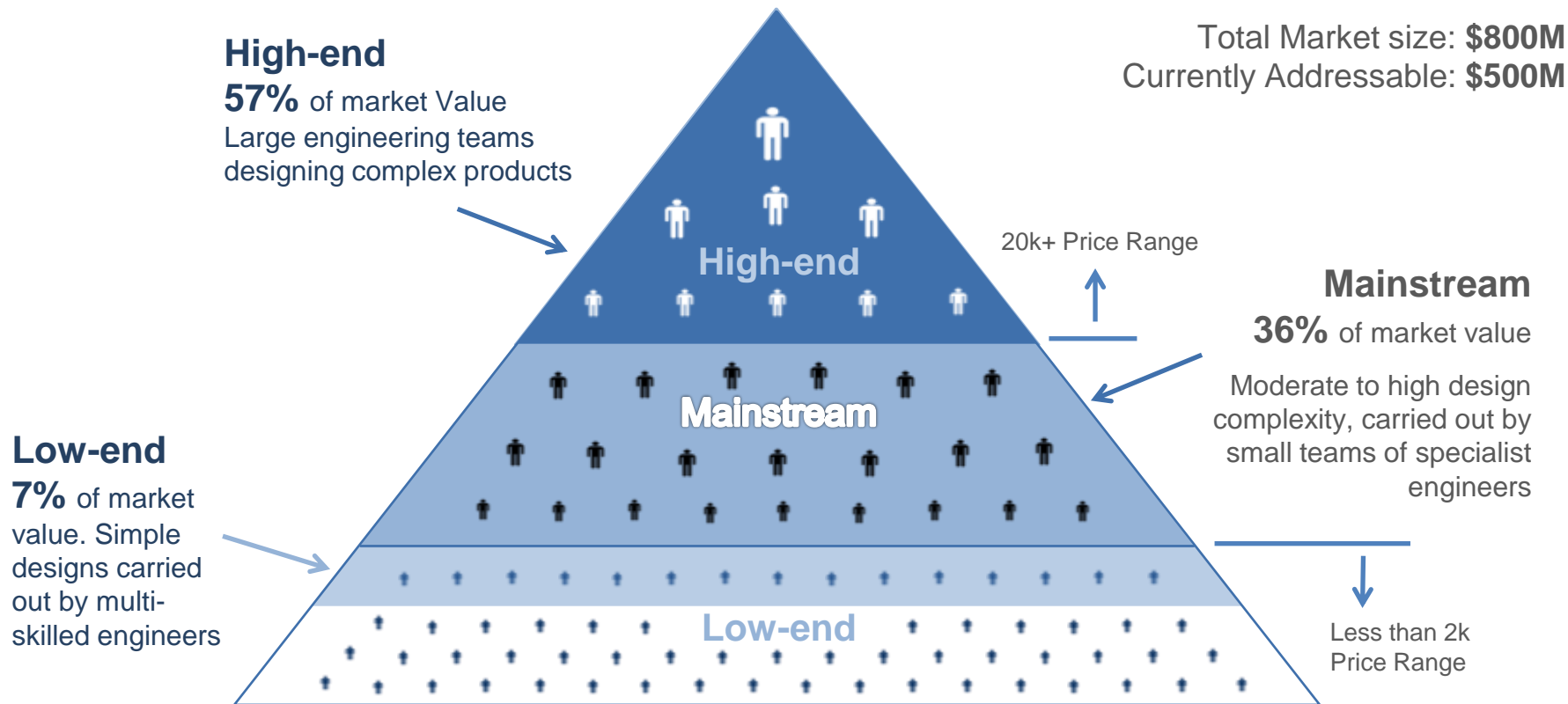
San Diego, Ukraine, Netherlands, Shanghai

Main Operations Centres

San Diego, Karlsruhe, Shanghai

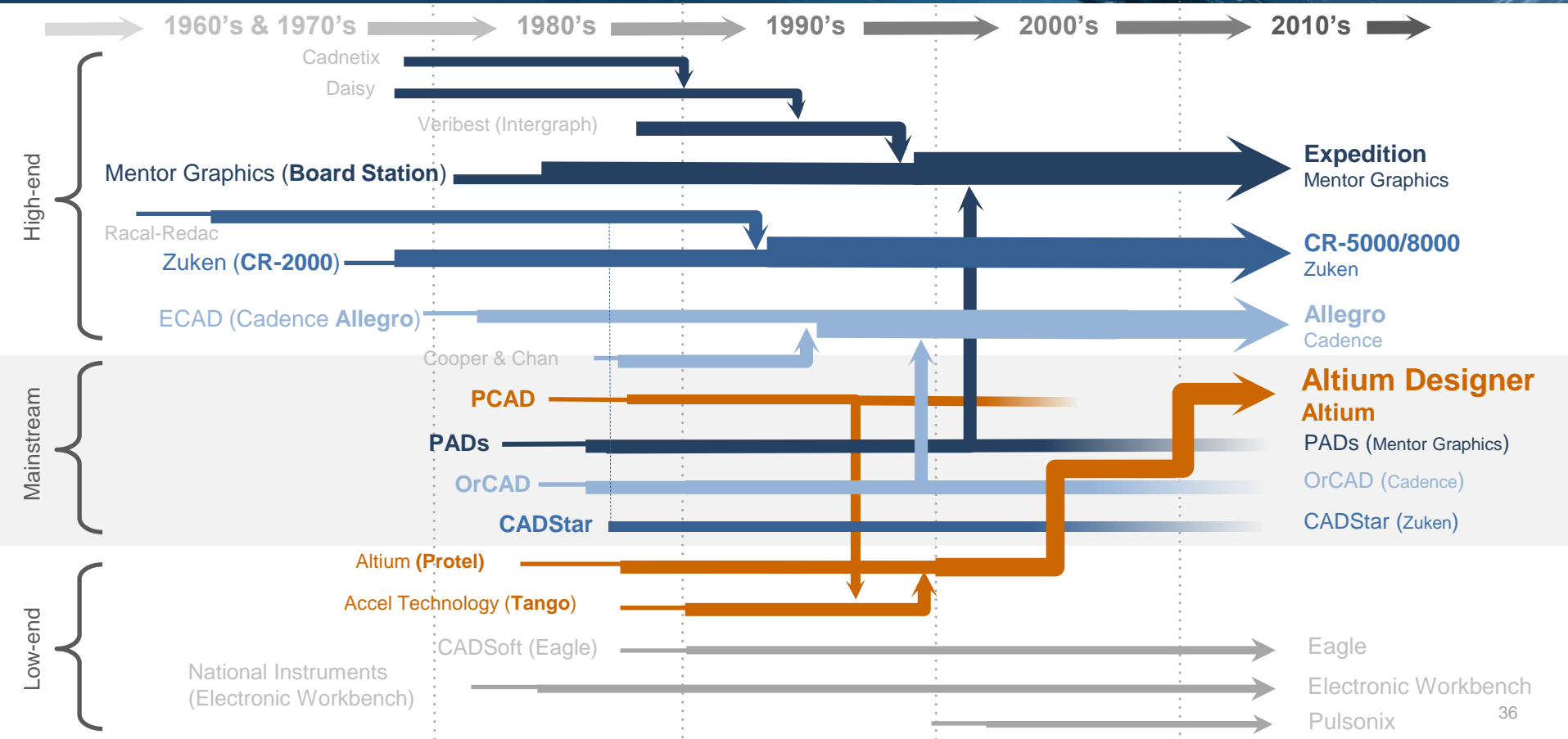


PCB Design Software Market Segmentation & Size

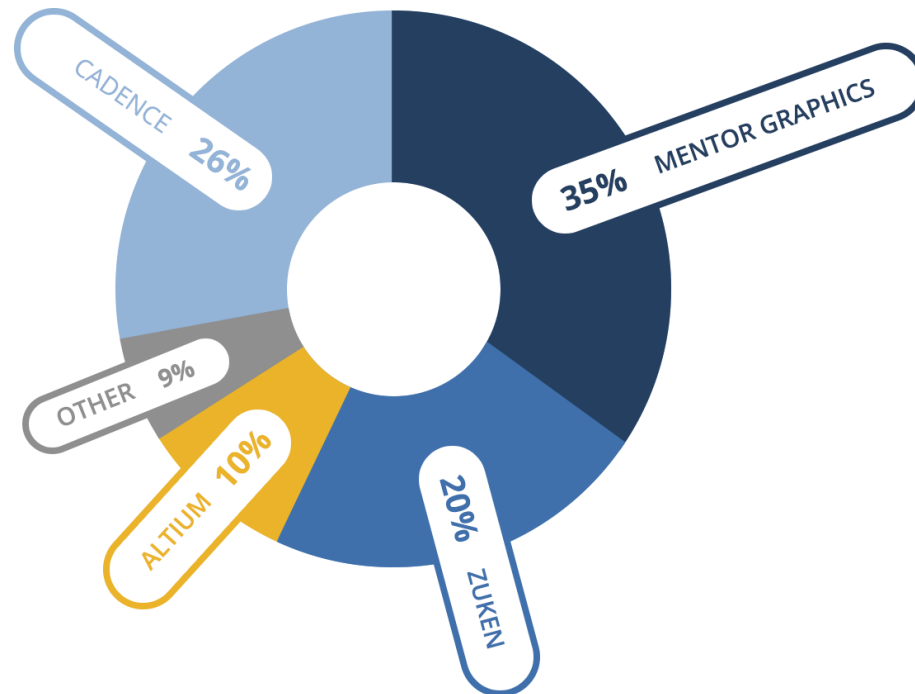


Industry Consolidation & Competitive Landscape

Altium



Printed Circuit Board Estimated Market Share
(by Revenue)



A staircase diagram consisting of four steps, each represented by a blue L-shaped block. The steps ascend from left to right. Each step contains a text box with a white background and a blue border. The text boxes are positioned on the horizontal part of the L-shape.

The rise of smart connected devices is creating new opportunities for PCB

Expect to see continuing growth in revenue (licences & subscription)

Will maintain or improve operating leverage

The impact of Altium's higher-end product release in FY15 is anticipated to be felt during FY16 and beyond

Altium's aspirational goal is to achieve \$100 million in revenue by FY17