

1. Company details

Name of entity:	Altium Limited
ACN:	009 568 772
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				DEC 2023 US\$'000	DEC 2022 US\$'000
Continuing operations					
Revenue from ordinary activities	up	15.9%	to	138,558	119,542
Earnings before interest, tax, depreciation and amortisation (EBITDA)	up	3.2%	to	44,689	43,287
Earnings before interest and tax (EBIT)	up	5.3%	to	40,650	38,595
Profit after income tax expense (PAT)	up	11.4%	to	33,031	29,647
Total profit from ordinary activities after tax attributable to the owners of Altium Limited	up	11.4%	to	33,031	29,647
Profit for the half-year attributable to the owners of Altium Limited	up	11.4%	to	33,031	29,647

Dividends

On 21 August 2023, the Directors declared an unfranked final dividend of AU 29 cents per share for the year ended 30 June 2023. The dividend was paid on 26 September 2023 and amounted to US\$24.8 million.

The Directors have declared a partially franked interim dividend of AU 30 cents per share (2022: partially franked AU 25 cents) for the half-year ended 31 December 2023. The interim dividend is franked at 13% (2022: 40%). The dividend will be paid on 26 March 2024 based on a record date of 5 March 2024. This amounts to a total dividend of US\$26.1 million based on the total number of shares outstanding.

Comments

The profit for the Group after providing for income tax amounted to US\$33.0 million (31 December 2022: US\$29.6 million).

3. Net tangible assets

	DEC 2023 US CENTS	DEC 2022 US CENTS
Net tangible assets per ordinary security	195.28	183.93

4. Details of entities where control has been gained or lost during the period

The Group gained control over the following entities on 21 December 2023 as a part of the acquisition of Valispace GmbH:

- Valispace GmbH
- Galactic Unipessoal LDA

5. Audit review

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

6. Attachments

The Interim Report of Altium Limited for the half-year ended 31 December 2023 is attached.

7. Signed



Aram Mirkazemi
Managing Director and Chief Executive Officer

Sydney

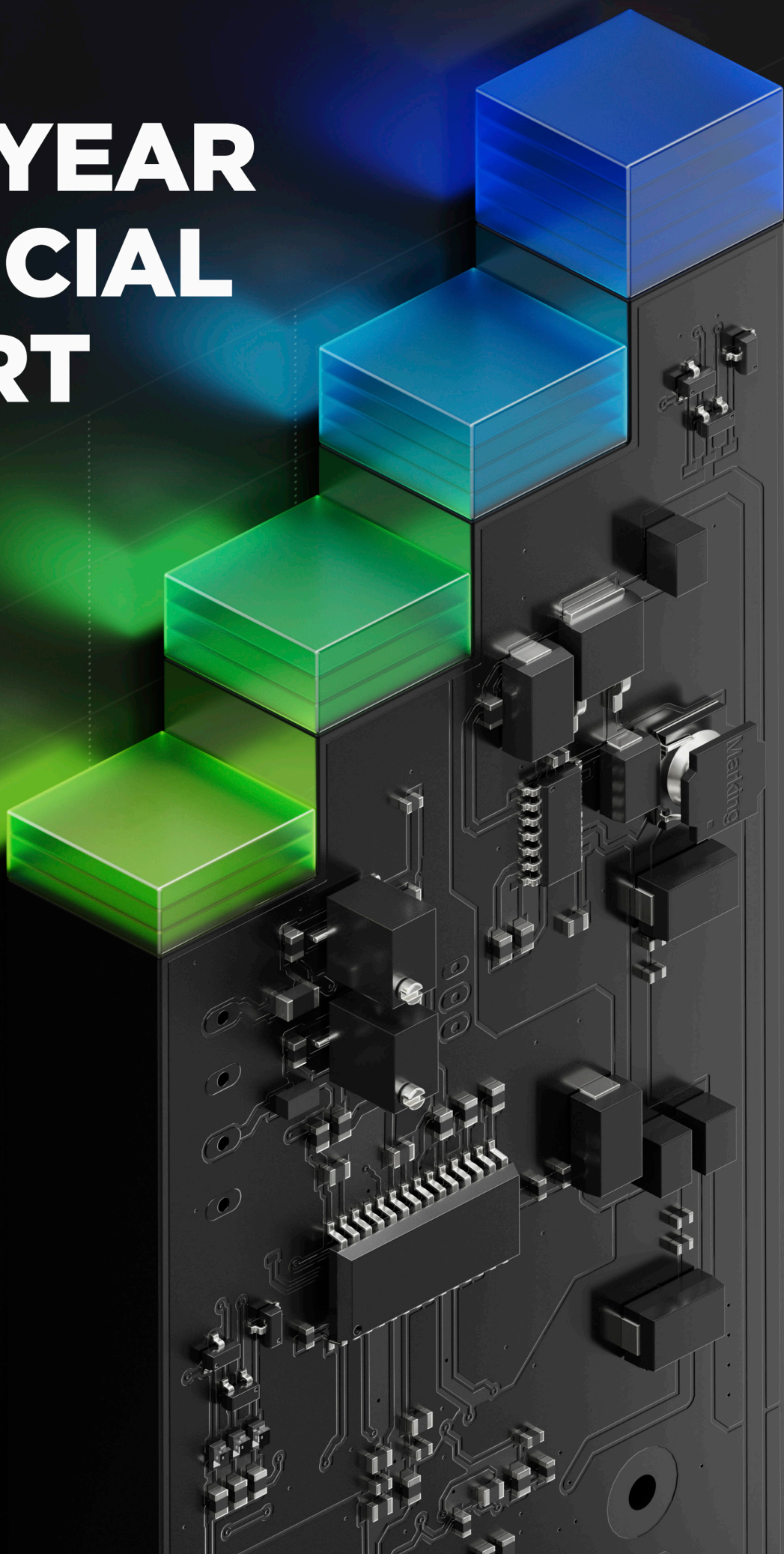
Date: 27 February 2024

Altium[®]

HALF-YEAR FINANCIAL REPORT

Altium Limited
ACN 009 568 772

31 DECEMBER 2023



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The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Altium') 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 2023.

Directors

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

NON-EXECUTIVE CHAIRMAN

Samuel Weiss

MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER

Aram Mirkazemi

EXECUTIVE DIRECTOR

Sergiy Kostynsky

NON-EXECUTIVE DIRECTOR

Michael Hawker

(appointed 1 November 2023)

NON-EXECUTIVE DIRECTOR

Sylvia Wiggins

(appointed 15 September 2023)

NON-EXECUTIVE DIRECTOR

Lauren Williams

(appointed 15 September 2023)

NON-EXECUTIVE DIRECTOR

Lynn Mickleburgh

(resigned 18 September 2023)

NON-EXECUTIVE DIRECTOR

Simon Kelly

(resigned 18 September 2023)

Principal activities

During the financial half-year, the principal continuing activities of the Group consisted of the development and sales of software for the design of electronic products and an online collaboration platform to facilitate the manufacturing of them. There were no significant changes in these activities during the half-year.

Review of Operations

OVERVIEW	FINANCIAL PERFORMANCE	BUSINESS UNITS	PRODUCTS AND TECHNOLOGY
STRATEGY	OUTLOOK		

Overview



Altium delivered a solid financial performance in the first half of financial year 2024 and continues to pursue its ambitious vision to transform the electronics industry.

Altium revenue increased 15.9% to US\$138.6 million for the financial half-year 2024 when compared to the previous corresponding period (pcp¹).

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) were US\$44.7 million, and the reported EBITDA margin was 32.3%.

The underlying EBITDA margin² was 33.4% compared to 36.2% (pcp) after excluding the net costs related to the ongoing tax dispute with the ATO, M&A, restructuring and other non-recurring costs.

Recurring revenue³ grew to 81.3%, up from 78.6% (pcp). The transition to higher quality recurring revenue was driven by a significant shift to term-based licenses for Altium Designer and an increase in the number of seats on subscription with a higher percentage of them at the Professional and Enterprise subscription level.

¹ Results refer to previous corresponding period (pcp) unless noted otherwise

² See definition of Underlying EBITDA Margin in Glossary on page 38

³ See definition of Recurring Revenue in Glossary on page 38

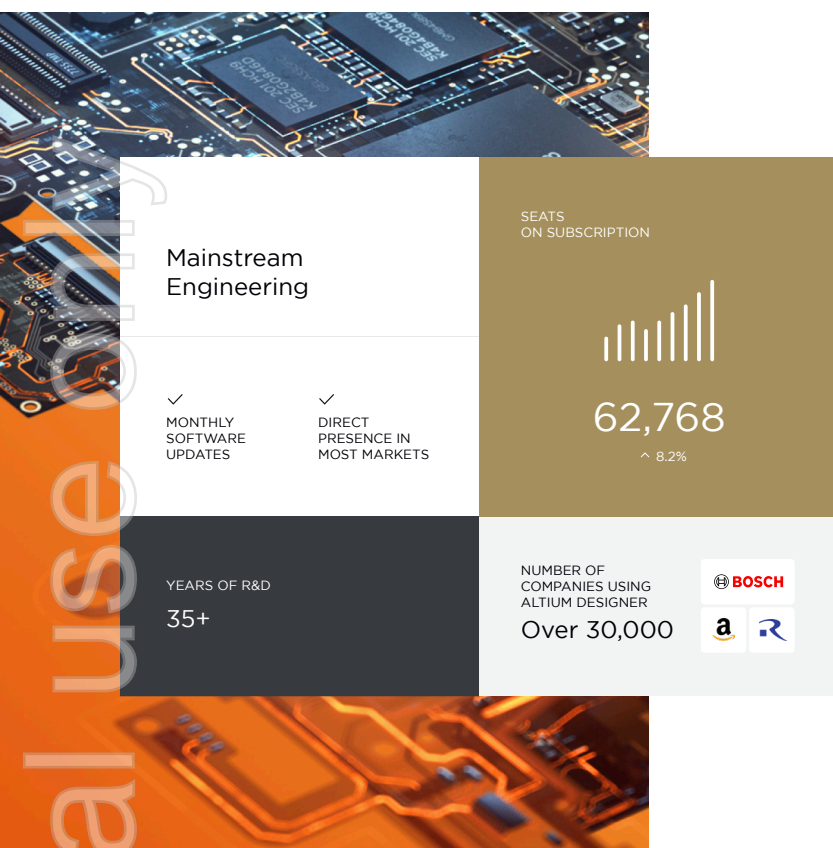
Altium Designer Dominance

Altium Designer empowers engineers to create smart, connected products and is the software tool of choice for PCB designers and electronics engineers globally. New features introduced in the period enable teams to dramatically compress design cycles and to work more efficiently with enhanced simulation tools.

More than 100,000 users employ Altium Designer to design electronics products in industries ranging from automotive to semiconductors. Altium seats on subscription were over 62,700 at the end of December 2023, up from 61,159 at 30 June 2023 and 58,030 at 31 December 2022.

During the half-year, the average subscription seat value¹ increased to US\$2,584 from US\$2,147 in the prior half-year and US\$2,408 at 30 June 2023. Increases in average subscription seat value reflect upgrades by mainstream engineers to professional and enterprise capabilities for the data and process management tools that are included with Altium Designer Pro and Altium Designer Enterprise.

The number of Enterprise seats on subscription grew more than 50% in the period.



¹ See definition of Average Subscription Seat Value in Glossary on page 38

Altium 365 Adoption

Altium 365 is a digital collaboration platform for engineers and other interested parties to design PCBs, manage simulation, source the components needed for those designs and to prepare the designs for manufacturing. It is central to the Altium vision to transform how PCBs are designed and managed. Altium 365 is in active use in thousands of electronics companies.

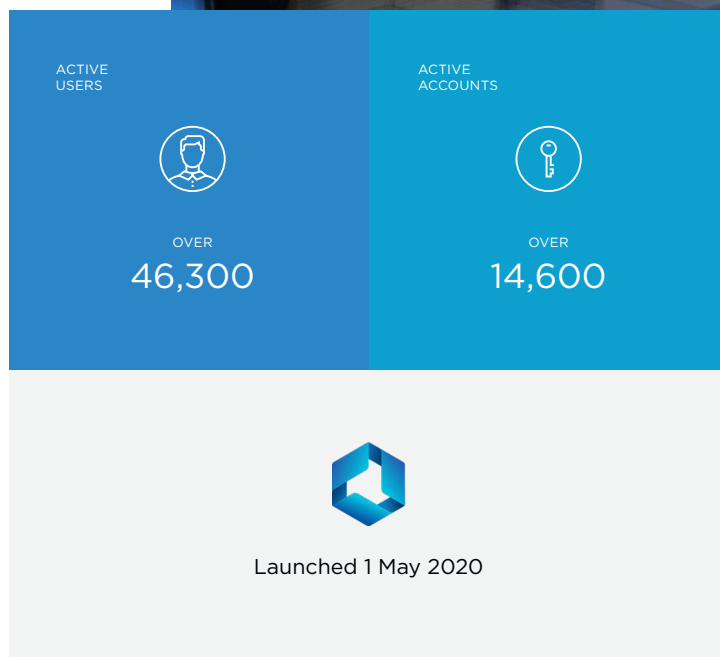
During the period, the portfolio expanded with the first business app on Altium 365 via the acquisition of Valispace, a requirements management software company.

Additional functionality was also added with the launch of:

- GovCloud: specialised security requirements for data in the cloud
- BOMPortal: bringing engineering and procurement together to streamline Bill of Materials Management
- SiliconExpert and Z2Data: providing unmatched access to Electronics Component Data.

Customers of Altium 365 benefit from increased productivity because the product design and manufacturing processes are connected in the cloud. Altium 365 enables integrated collaboration for both internal teams and external suppliers who can access singular instances of schematics and data.

Altium 365 adoption accelerated with more than 46,300 monthly active users and over 14,600 monthly active accounts in February 2024, up 26.0% and 16.8% respectively since August 2023.

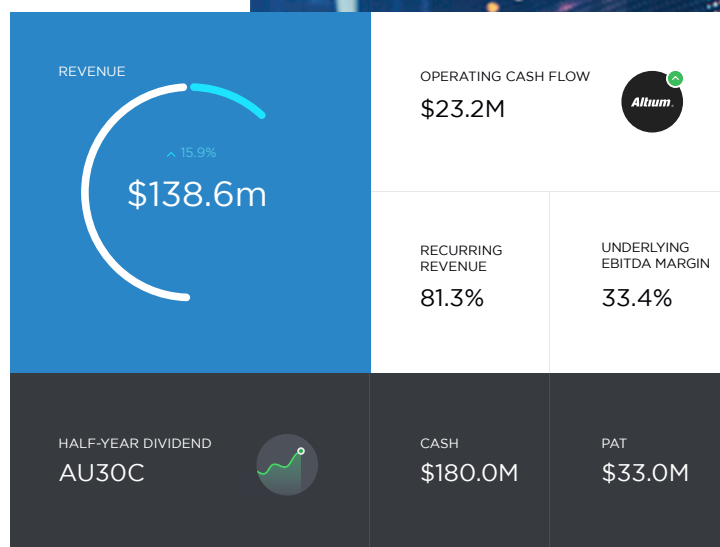


Financial Performance

Altium delivered solid financial results for the half-year ended 31 December 2023. The financial performance in the period reflects the accelerating transition of license sales from perpetual to term-based licenses to the Professional and Enterprise versions of Altium Designer which increase both recurring revenue and average subscription seat value:

- Revenue growth of 15.9% (pcp) to US\$138.6 million
 - 20.7% (pcp) revenue growth for Design Software business to US\$110.6 million.
 - Marginal Cloud Platform revenue increased by 0.3% (pcp) to US\$28.0 million after Octopart experienced a temporary cyclical weakness in the half year ending 31 December 2023.
- Reported and underlying EBITDA margin of 32.3% and 33.4% respectively, down from 36.2% (pcp), driven by significant investment in the people who will deliver the future growth of Altium.
- Recurring revenue represents 81.3% of total revenue up from 78.6% (pcp).
- Design Software annual recurring revenue (ARR)¹ growth of 30.3% (pcp).
- Average subscription seat value increased by 20% (pcp) to US\$2,584.

Altium is the fastest growing EDA group in the world and is determined to achieve its twin objectives to become the dominant provider of PCB design tools whilst making its Altium 365 platform the central place for all industry processes involved in the creation of electronics hardware – design, simulation, lifecycle management, and manufacture.



¹ See definition of ARR in Glossary on page 38

Key Financial Results

	CONSOLIDATED		
	31 DECEMBER 2023 US\$'000	31 DECEMBER 2022 US\$'000	CHANGE %
Revenue	138,558	119,542	15.9%
Operating expenses (excluding depreciation, amortisation, impairment and interest)	93,869	76,255	23.1%
EBITDA	44,689	43,287	3.2%
EBITDA margin	32.3%	36.2%	
Underlying EBITDA	46,237 ¹	43,287 ²	6.8%
Underlying EBITDA margin	33.4% ¹	36.2% ²	
Profit before income tax	42,566	39,178	8.6%
Income tax expense	9,535	9,531	0.0%
Profit after income tax	33,031	29,647	11.4%
EPS cents	25.06	22.53	11.2%

¹ 1H FY24 Underlying EBITDA excludes:

- US\$0.5 million of M&A costs related to the acquisition of Valispace GmbH (refer to Note 12 of the financial statements for further details);
- US\$0.5 million of business restructuring costs;
- US\$0.5 million (net) of costs related to the ongoing tax dispute consisting of a US\$0.5 million FX gain on the receivable from the ATO offset by US\$1.0 million of external expert costs. (refer to Note 11 for further details).

² There is no difference between Reported and Underlying EBITDA and EBITDA margins in 1H FY23.

Revenue

	CONSOLIDATED		
	31 DECEMBER 2023 US\$'000	31 DECEMBER 2022 US\$'000	CHANGE %
Board and Systems (Altium Designer, CircuitStudio)	110,562	91,630	20.7%
Americas	47,634	39,061	21.9%
EMEA ³	44,594	34,630	28.8%
China	10,223	9,725	5.1%
Rest of World	8,111	8,214	-1.3%
Octopart	25,003	26,980	-7.3%
Manufacturing	2,050	932	120.0%
Cloud	943	-	-
Revenue	138,558	119,542	15.9%

³ Revenue for EMEA in Euros for the half year ended 31 December 2023 was €41.0 million: (31 December 2022 €33.1 million) representing a 24.1% increase on the previous corresponding period.

20.7%
DESIGN SOFTWARE
BUSINESS

The core Design Software business grew by 20.7% (pcp) for the half year to US\$110.6 million driven by strong performance in the Americas and EMEA Regions.

Revenue from Altium Designer Professional and Concord Pro subscriptions increased \$12.2 million and revenue from Enterprise customers increased US\$7.7 million. Term-based license (TBL) sales were 54% of the total new licenses, up from 40% in the previous corresponding period.

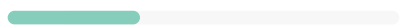
The total Altium subscription pool grew by 8.2% (pcp) to 62,768. Higher-value Professional and Enterprise subscription seats, including TBLs, represent 36.1% of the total pool, up from 23.9% (pcp).

Octopart revenue per click increased 25.4% but total revenue was flat as the number of clicks was down by 24.6% (pcp).

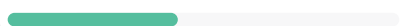
Octopart

Actual results

Underlying EBITDA margin 33.4% ▼ 2.8 points



EPS US\$25.06 cents ▲ 11.2%



Profit after tax US\$33.0 million ▲ 11.4%



Operating cash flow US\$23.2 million ▼ 30.8%



Earnings

Altium achieved a reported EBITDA margin of 32.3% and underlying EBITDA margin of 33.4% for the first half-year compared to the reported and underlying EBITDA margin of 36.2% in the prior year.

Half-year profit before tax and profit after tax increased by 8.6% and 11.4% respectively.

Operating expenses during the half-year increased by 21.0% to \$97.9 million.

Contributing factors include:

- Investment in people in Enterprise and Digital sales, in our Cloud Platform, in R&D capabilities, and executive talent to achieve our industry transformation goals. Total employee benefits expenses increased by US\$14.1 million or 28.6% (pcp);
- US\$1.6 million higher professional services and compliance costs to address the ATO dispute, M&A costs and increased focus on corporate governance;
- US\$0.9 million higher spend on software and equipment reflecting the growth in user licenses and increase in prices from software vendors; and
- US\$0.7 million higher travel cost.

Operating cash flow decreased by 30.8% (pcp) after higher net cash receipts from customers of 14.6% were offset by increased investment in our cloud platform and our enterprise go-to-market strategies and income tax payments.

EPS increased by 11.2% to 25.06 cents reflecting an increase in profits notwithstanding continued investment in the business for future growth.

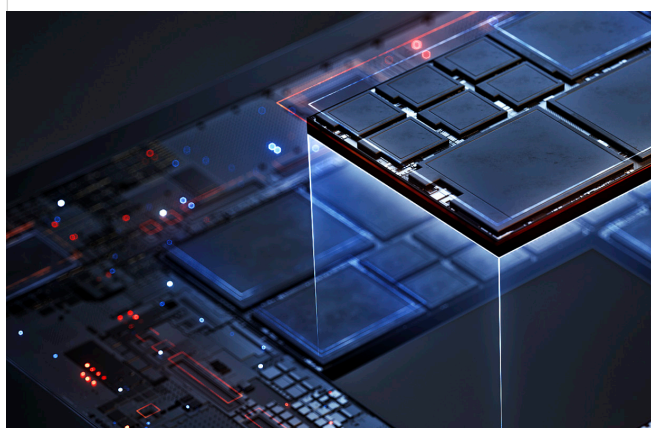


Business Units

Altium operates two unique business units, which are complementary and synergistic:

▀ Design Software (Altium Designer and Enterprise)

Altium Design Software provides PCB design solutions and indirectly enhances the value of Altium 365 through the subscriptions associated with the PCB design tools.



▀ Cloud Platform (Altium 365, Nexar and Octopart)

Altium Cloud Platform. This business provides professionals and industry partners access to a vast ecosystem of electronic design and manufacturing users and customers. Nexar includes Octopart and manufacturing.

Altium has two growth engines, Design Software and Cloud Platform for dominance and transformation and four flywheels to increase the rate of growth: design tools adoption, design platform adoption, cloud adoption and ecosystem adoption. Nexar, an ecosystem for the direct monetisation of Altium 365 which was set up to enable industry partners to benefit from Altium's growing community of electronic engineers, has begun to attract focused interest from a number of strategic partners. In both sectors, the Group is prosecuting a go-to market philosophy that delivers value for customers and volume growth for Altium.

Products & Technology

DESIGN SOFTWARE



Altium Designer, at the forefront of electronic design excellence, continues to redefine industry standards with its latest release, Altium Designer 24, moving from “requested” in the industry to “required” by the industry as the de-facto standard for PCB design. Among its array of innovative capabilities, several advances in this major release stand out, cementing its status as the premier choice for PCB design professionals.

The CoDesign capability, which debuted in ECAD / MCAD collaboration, has been extended to include PCB CoDesign capabilities, making it easier for multiple PCB designers to work on the same PCB layout at the same time. With an advanced “compare and merge” capability, changes from multiple designers can be easily integrated together with full visual merge control, a process that until now was manual, time-consuming and error-prone. This capability is especially important on large, complex designs where design time is at a premium and being able to perform layout activities in parallel can be crucial in time to market.

Advancing the CoDesign paradigm further still, the introduction of Ansys CoDesign makes it possible to streamline design changes between layout and simulation. Seamlessly exchanging data with Ansys simulation tools and accessing simulation reports without having to leave Altium Designer make it easier than ever to communicate and implement design changes based on simulation results.

Altium Designer continues to make significant capability advances with respect to high-speed, high-density designs with the introduction of automatic length tuning capabilities. This advancement provides significant productivity increases and crucial signal integrity benefits by ensuring correct propagation delays when adjusting copper trace lengths.

The release of the new Constraint Manager simplifies the migration path and drastically lowers the switching costs for users converting to Altium Designer from certain other ECAD tools. Constraint Manager provides a spreadsheet-style interface that enhances the ability to manage design rules and constraints in the logical (schematic) domain – making it easier to manage rule and constraint sets in team environments and complementing long-time advanced capabilities in the layout domain.

Significant enhancements to importers from competitor environments streamline conversion to Altium while easily migrating the intellectual property assets amassed over time and stored in those legacy systems. Preservation and reuse of IP can be extremely important when making significant engineering tool changes, and we continue to invest to make this as hassle-free and simple for our customers, in line with our overall product ethos and user experience.

CLOUD PLATFORM



Altium 365 continues to pioneer change in the world of electronics, continuing its strong growth trajectory that sees over forty-six thousand monthly active users and over fourteen thousand businesses leveraging the platform. Its formidable position as the leading cloud platform for electronics design continues to be backed by ongoing investment and innovation in a variety of areas.

Altium 365 is an open platform and our drive to support third party CAD tools continues. Support for Cadence OrCAD has made significant steps forward, with the ability to provide schematic viewing and collaboration capabilities, and the foundations for deeper data management have built the beginnings of a compelling value proposition for OrCAD. For Mixed CAD customers, being CAD agnostic will enable Altium 365 to go further than ever in helping deliver streamlined, efficient and repeatable workflows and processes to organisations.

BOM (Bill of Materials Management) is a foundational element to managing the lifecycle of electronic smart products, and Altium 365 has now introduced the BOM Portal, an application that is focused specifically on helping customers solve the most challenging BOM management issues and develop robust and reliable processes to do so, while delivering the “easy to” user experience that is a central tenet of Altium products and services. The BOM Portal is the first independently valuable SaaS application on the platform, a major milestone that will help further drive adoption by new businesses and reach beyond design engineers.

Having access to the right information at the right time is critical to enabling effective decision making, fundamental to any successful outcome. Our growing relationships with other industry brands has seen the creation of new applications built on supply chain data sources from SiliconExpert and Z2Data. Deep platform integration makes these capabilities widely available in existing capabilities such as ActiveBOM and Manufacturing Part Search, as well as in the newly launched BOM Portal, where they are complementary to Octopart.

Our industry partnerships and integration investments continue with the soon to be released PTC Onshape MCAD CoDesign capability, the world's first platform-to-platform integration between the electronic and mechanical domains. Our close collaboration with Onshape has enabled us to make it easier than ever to build such integrations on Altium 365, paving the way for an already large portfolio of integrations with industry giants such as Dassault Systemes, Autodesk and PTC, to grow even further.

Security remains of paramount importance to us and our customers alike, and the growing adoption of Altium 365 GovCloud is testament to the value that ongoing investment into this area brings. Altium 365 is SOC 2 Type 2 compliant today and we are actively investing in our CMMC 2.0 compliance, with level 1 having already been achieved. An advanced security package with IP address whitelisting further demonstrates our commitment to our customers in this vital area.

There are many other areas of significant investment and advancement, which include the delivery of new PCB compare functionality making it simpler to complete browser-based design reviews, and the “where used” capability for design reuse blocks, making it much easier to manage the lifecycle of commonly used IP. The integration of Octocart to drive a seamless checkout experience when purchasing parts, and the availability of SaaS applications like the assembly assistant in the Altium Store continue to cement the position of Altium 365 as the world's leading electronics design platform.



CLOUD PLATFORM

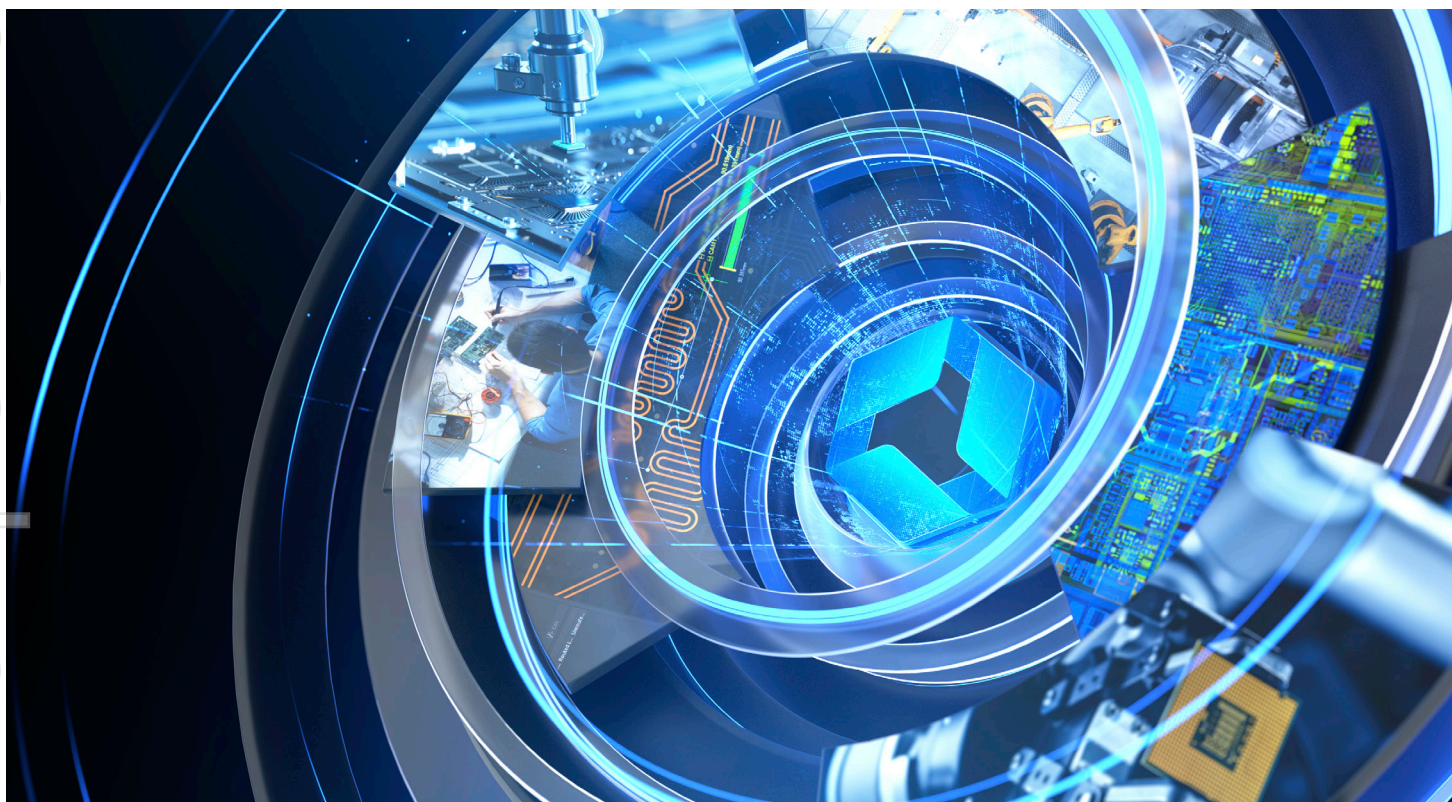


Nexar provides the integration pathway for Altium products and services, including Altium 365 and Octopart. It is the only solution for the industry that brings together a company's product design information with broader industry supply chain data in a programmatic context, providing a foundation for creating advanced automation and driving deeper ties with a company's digital landscape to connect with other business systems, such as ERP and PLM.

Nexar employs the same advanced technological approach that powers platforms like Facebook and GitHub and delivers a first-class developer experience, making it simple to support sophisticated workflows and processes. When a company's success can so often depend on its ability to be agile and innovative while delivering on time with high quality, often at scale, having design systems and processes that support it are critical, and Nexar makes this possible.

Nexar Spectra, which has been pioneering work in the area of data products, continued to release advances to Supply Chain Resilience (SCR), which leverages an Altium proprietary predictive AI model built on top of 300+ billion supply chain data points collected over fifteen years to deliver forward looking supply chain insights at scale, helping customers better manage risk.

Octocart, a capability that makes it possible to deliver a one-click experience to populate digital shopping carts for partners including Mouser, Newark, Online Components and Digi-Key, was released as part of the Nexar API. This makes it easy to integrate this functionality into any procurement process flow and is being utilised by the BOM Portal on Altium 365 to deliver a connected digital experience, from searching and discovering parts, to purchasing them.



CLOUD PLATFORM

Octopart

Octopart, the world's favorite search engine for electronic parts, expanded its native reach with significant investment in localisation, with regional versions of the website released supporting Japanese, Korean, Portuguese and Spanish, with more to come. This has resulted in better user experience and increased engagement with wider audiences, with more regions to follow.

Being able to find what you need quickly and efficiently is a core strength of Octopart. With improved filters, which comprises new user interface elements and behaviour, it is easier than ever to fine tune search queries to find new part options for designs. A redesign of the category pages makes it easier to drill down and discover potential solutions, and when combined with the improved filters, makes the process of part discovery faster and easier.

In a relentless pursuit of delivering the best user experience and most capable search engine, the availability of form, fit and function alternate components has been made more accessible, now being included as part of the search engine results pages and part detail pages for all users.

The CPC booster technology that was rolled out a year ago has seen further improvements, notably a new self-service portal to allow customers to fine tune their CPC boosting strategy, and make the system more accessible and scalable. This has been complemented with the introduction of new performance analytics, including daily metrics and spend history, so customers have access to the data they need to create the most effective and impactful CPC spend strategies.

Strategy

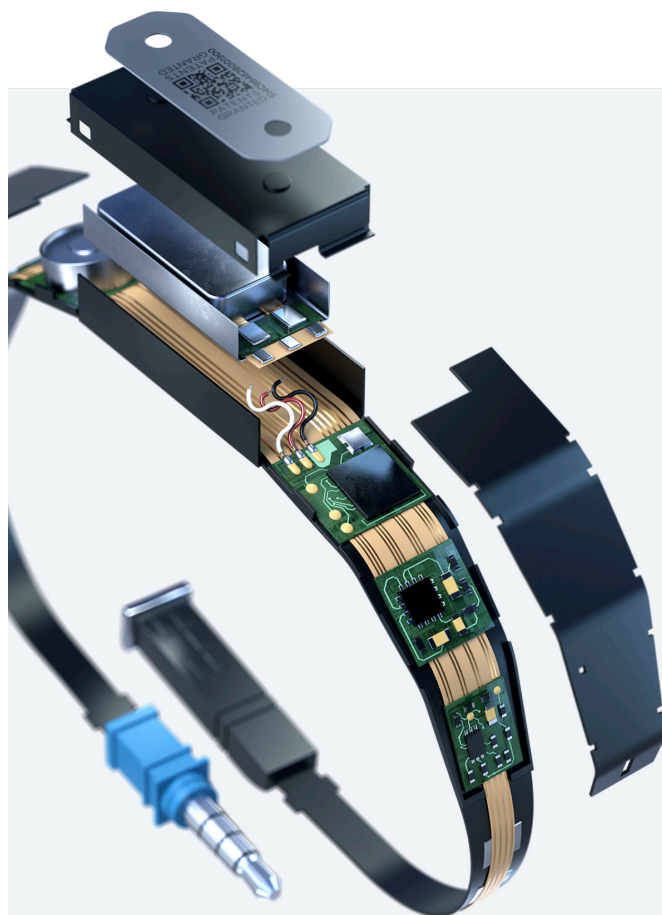
Altium is one of the fastest growing engineering software companies in the world. We are deeply technology centric. Altium's software tools and cloud platform are among the most innovative in the world and. Customers all around the world use them to design smart, connected products.

The global electronics industry is ripe for disruption. Society today wants everything to be smarter and more connected than ever before and there is a growing demand for pervasive intelligence. The Internet of Things (IoT) and the rapid development and breakthroughs in Artificial Intelligence (AI) will accelerate the proliferation of electronics in an unprecedented way enabling electronics to be omnipresent on a global scale.

Altium is well positioned to initiate and lead the disruption of how electronics hardware is designed and manufactured. In doing so, Altium can also consider how to make electronics more sustainable and help precipitate a smarter world and a more efficient one.

Altium's vision is to transform the electronics industry through the cloud-enablement of all industry processes involved in the creation of electronics hardware.

Consider that Uber, the world's largest taxi company, owns no taxis and Airbnb, the world's largest accommodation provider, operates no hotels.



The intention of the Altium strategy of "Transformation through Dominance and Dominance through Transformation" is to initiate a similar phenomenon in the electronic industry so that Altium potentially could be the world's largest platform for creation of electronics hardware and yet own neither fab nor factory.

Altium strives to reach a level of dominance where Altium Designer is synonymous with PCB design in the same way Microsoft Word is synonymous with document creation. Similarly, the Altium 365 cloud platform should form a network effect with strong data-gravity amongst engineers and other professionals within their respective organizations to collaborate efficiently by connecting all engineering and business processes in the cloud making it challenging for alternative platforms to develop a similar network effect. Altium is distinguished by a strong engineering culture and robust go-to-market strategy.

Over the past decade Altium has expanded its user base and increased market share, revenue, and earnings. This significant growth, combined with growing prestige due to the recent success of Altium365, provides Altium with a unique opportunity to accelerate growth and expand its addressable market while also pursuing a vision to transform the electronics industry.

The power of Altium's potential if the company continues to execute well, will bring both the practice and the business of engineering onto the cloud platform, and enable electronics manufacturers to manage production risk as well as time to market in an unprecedented way by creating a complete ecosystem with an unmatched product proposition.

The benefits of Altium 365 platform include:

- Reduction of churn
- Increased utilisation of PCB design tools
- A seamless digital platform, through Nexar to connect design with component sourcing and board manufacturing
- Additional direct monetisation opportunities through premium services and applications



Outlook

Altium remains committed to its vision to transform the global electronics industry through the cloud-enablement of all industry processes involved in the creation of electronics hardware and to deliver its aspirational FY26 targets of US\$500 million revenue, underlying EBITDA margin of 38-40% and 100,000 software seats on subscription¹.

Due to the proposed acquisition of Altium by Renesas through a Scheme Implementation Agreement, Altium has suspended the practice of providing forward-looking guidance.



¹ With stronger uptake of higher-value subscription seats the US\$500M target should be reached with only 75,000 to 90,000 seats on subscription. However, 100,000 seats on subscription remains an independent aspirational goal.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

Altium Limited announced on 15 February 2024 that it had entered into a binding Scheme Implementation Agreement (SIA) with Renesas Electronics Corporation pursuant to which Renesas will acquire 100% of the issued shares in Altium by way of a scheme of arrangement (Scheme). Under the terms of the Scheme, Altium shareholders will receive AAU\$68.50 per share in cash for each Altium share held (Scheme Consideration). The Scheme is conditional on approval by Altium shareholders, Australian court approval as well as regulatory approvals, and customary closing conditions specified in the SIA. Given the close proximity of the announcement to the report release date, an estimate of the financial impact cannot be made.

Since period end, the Directors have declared a partially franked interim dividend of AU 30 cents per share. The interim dividend is franked at 13%. The dividend will be paid on 26 March 2024. The dividend will be recognised in subsequent period financial statements.

Other than those disclosed above, no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the Group's state of affairs in future financial years.



Samuel Weiss
Chairman

27 February 2024
Sydney

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.



Aram Mirkazemi
Managing Director and Chief Executive Office



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Altium Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Altium Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli

Partner

Sydney

27 February 2024

Altium Limited

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

	NOTE	CONSOLIDATED	
		31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
Revenue	4	138,558	119,542
Operating expenses			
Employee benefits expense		(63,458)	(49,337)
Marketing expense		(6,044)	(6,465)
Communication expense		(4,998)	(4,805)
Depreciation and amortisation expense	5	(4,039)	(4,692)
Professional advice expense		(5,755)	(4,129)
Software and equipment expense		(5,025)	(4,109)
Travel expense		(2,299)	(1,558)
Insurance expense		(1,212)	(1,195)
Hardware material expense		(994)	(616)
Rental and occupancy expense		(889)	(724)
Other expenses		(3,195)	(3,317)
Total operating expenses		(97,908)	(80,947)
Operating profit		40,650	38,595
Finance income		2,227	1,020
Finance costs		(311)	(437)
Profit before income tax expense		42,566	39,178
Income tax expense	6	(9,535)	(9,531)
Profit after income tax expense for the half-year attributable to the owners of Altium Limited		33,031	29,647
Other comprehensive income for the half-year, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		780	399
Total comprehensive income for the half-year attributable to the owners of Altium Limited		33,811	30,046
			CENTS
Continuing operations			
Basic earnings per share	10	25.06	22.53
Diluted earnings per share	10	24.83	22.50
Group total			
Basic earnings per share	10	25.06	22.53
Diluted earnings per share	10	24.83	22.50

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 2023 US\$'000	30 JUN 2023 US\$'000
Assets			
Current assets			
Cash and cash equivalents		179,982	200,975
Trade and other receivables		61,818	61,180
Contract assets	4	24,036	18,255
Inventories		1,207	1,161
Tax receivables		4,060	1,064
Prepayments		6,712	6,205
Total current assets		277,815	288,840
Non-current assets			
Contract assets	4	4,066	2,505
Other receivables		28,509	28,099
Investments and other assets	7	3,373	3,373
Property, plant and equipment		5,786	4,530
Right-of-use assets		8,838	10,104
Intangible assets		58,937	40,751
Deferred tax assets		51,723	49,045
Total non-current assets		161,232	138,407
Total assets		439,047	427,247
Liabilities			
Current liabilities			
Trade and other payables		20,846	22,949
Lease liabilities		3,440	3,603
Tax liabilities		7,334	5,498
Provisions		4,197	3,862
Customer contract liabilities	4	64,991	66,940
Other liabilities		2,208	-
Total current liabilities		103,016	102,852
Non-current liabilities			
Trade and other payables		-	404
Lease liabilities		6,255	7,413
Deferred tax liabilities		2,796	3,146
Provisions		537	505
Customer contract liabilities	4	8,513	8,690
Other liabilities		2,220	12
Total non-current liabilities		20,321	20,170
Total liabilities		123,337	123,022
Net assets		315,710	304,225
Equity			
Contributed equity	8	127,699	127,699
Reserves		37,467	34,216
Retained profits		150,544	142,310
Total equity		315,710	304,225

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 PROFITS US\$'000	TOTAL EQUITY US\$'000
Balance at 1 July 2022	127,699	25,869	121,286	274,854
Profit after income tax expense for the half-year	-	-	29,647	29,647
Other comprehensive income for the half-year, net of tax	-	399	-	399
Total comprehensive income for the half-year	-	399	29,647	30,046
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	2,452	-	2,452
Dividends paid (Note 9)	-	-	(23,439)	(23,439)
Balance at 31 December 2022	127,699	28,720	127,494	283,913

CONSOLIDATED	CONTRIBUTED EQUITY US\$'000	RESERVES US\$'000	RETAINED PROFITS US\$'000	TOTAL EQUITY US\$'000
Balance at 1 July 2023	127,699	34,216	142,310	304,225
Profit after income tax expense for the half-year	-	-	33,031	33,031
Other comprehensive income for the half-year, net of tax	-	780	-	780
Total comprehensive income for the half-year	-	780	33,031	33,811
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	2,471	-	2,471
Dividends paid (Note 9)	-	-	(24,797)	(24,797)
Balance at 31 December 2023	127,699	37,467	150,544	315,710

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

		CONSOLIDATED	
	NOTE	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of tax)		137,029	119,596
Payments to suppliers and employees (inclusive of tax)		(101,230)	(77,645)
Interest received		1,417	1,292
Interest and other finance costs paid		(343)	(156)
Net income taxes paid		(13,723)	(9,616)
Net cash from operating activities		23,150	33,471
Cash flows from investing activities			
Payments for property, plant and equipment		(2,155)	(600)
Payment for purchase of subsidiary, net of cash acquired	12	(15,233)	-
Net cash used in investing activities		(17,388)	(600)
Cash flows from financing activities			
Dividends paid	9	(24,797)	(23,439)
Repayment of principal component of lease liabilities		(1,679)	(2,474)
Net cash used in financing activities		(26,476)	(25,913)
Net (decrease) / increase in cash and cash equivalents		(20,714)	6,958
Cash and cash equivalents at the beginning of the financial half-year		200,975	199,287
Effects of exchange rate changes on cash and cash equivalents		(279)	(917)
Cash and cash equivalents at the end of the financial half-year		179,982	205,328

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 consolidated entity consisting of Altium Limited and its controlled entities (the "Group" or "Altium"). 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 3, Level 6,
Tower B, The Zenith,
821 Pacific Highway,
Chatswood, NSW 2067
Australia

A description of the nature of the Group'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 27 February 2024. 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 Group 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, judgement and estimates

Basis of preparation

These condensed interim financial statements for the half-year reporting period ended 31 December 2023 ("Interim financial statements") have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for profit-oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These interim 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 2023 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting policies

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 reviewed all new accounting standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and determined none of these standards and interpretations materially impact the Group during the half-year period. There are no new or amended standards and interpretations that are expected to have a significant impact on the Group's consolidated interim financial statements.

Judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

NOTE 3

Operating segments

Description of segments

Management has determined the operating segments based on the reports provided to the Chief Operating Decision Makers (the "CODM"), which are used to make strategic decisions and review operational performance. The CODM comprise the Board and the Chief Executive Officer.

REPORTABLE SEGMENTS

Design Software

Cloud Platform

The CODM continues 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 2023 and the comparative period.

Segment performance is evaluated based on reported and underlying earnings before interest expense, tax expense, depreciation and amortisation (EBITDA). Segment sales represent sales bookings as per orders from customers. These are subsequently adjusted for the deferred and unbilled components which are recognised over the service period to arrive at revenue. Reported and underlying EBITDA and revenue are management's key metrics in understanding the results by segment.

Measurement of fair value

Fair values of financial assets and liabilities are categorised into the different levels of the fair value hierarchy based on the inputs used in the valuation techniques. The Group does not hold any financial assets or liabilities which are classified as Level 1 or Level 2 fair value instruments in the fair value hierarchy. The convertible preference shares held in MacroFab Inc are recognised as a financial asset valued at fair value and are classified as a level 3 fair value instrument in the fair value hierarchy due to the use of unobservable inputs.

Management reviews significant unobservable inputs and valuation adjustments on a bi-annual basis. Any material valuation issues are reported to the Group Audit Committee.

The CODM considers the financial performance of the business based on product types and the overall economic characteristics of industries in which the Group operates and, as such, have identified two operating segments:

PRINCIPAL ACTIVITIES

Includes results from the PCB business for the Americas, EMEA, China and Asia-Pacific, as well as other products sold through partner channels.

Includes the results from, Nexar, Octopart and manufacturing units.

Intersegment transactions

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

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.

Aggregation of operating segments

The Design Software regional operating segments for the Americas, EMEA, China and Asia Pacific have been aggregated into one reportable segment as they primarily sell the same products across the regions, and their customers and distribution methods are similar in nature.

Operating segment information

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 31 DECEMBER 2023	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	CORPORATE / UNALLOCATED ⁴ US\$'000	TOTAL US\$'000
Segment sales ¹	116,296	27,465	-	143,761
Net adjustment for deferred revenue recognition ²	(5,734)	531	-	(5,203)
Total revenue	110,562	27,996	-	138,558
EBITDA	55,199	18,282	(28,792)	44,689
Underlying EBITDA ³	55,687	18,282	(27,732)	46,237
Depreciation, amortisation and impairment			(4,039)	(4,039)
Net finance income			1,916	1,916
Profit before income tax expense				42,566
Income tax expense				(9,535)
Profit after income tax from continuing operations				33,031
Profit after income tax expense for the half-year attributable to the owners of Altium Limited				33,031

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE 31 DECEMBER 2022	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	CORPORATE / UNALLOCATED ⁴ US\$'000	TOTAL US\$'000
Segment sales ¹	93,305	27,771	-	121,076
Net adjustment for deferred revenue recognition ²	(1,675)	141	-	(1,534)
Total revenue	91,630	27,912	-	119,542
EBITDA	48,676	18,076	(23,465)	43,287
Underlying EBITDA	48,676	18,076	(23,465)	43,287
Depreciation, amortisation and impairment			(4,692)	(4,692)
Net finance income			583	583
Profit before income tax expense				39,178
Income tax expense				(9,531)
Profit after income tax from continuing operations				29,647
Profit after income tax expense for the half-year attributable to the owners of Altium Limited				29,647

¹ Segment sales relate to confirmed sales orders from customers.

² Adjustment relates to the portion of deferred revenue which has been billed and portion of opening balances of deferred revenue and unbilled receivables recognised during the half-year.

³ HY24 Underlying EBITDA excludes:

- US\$504,000 of net costs related to the ongoing tax dispute (refer to Note 11 for further details).
- US\$514,000 of mergers & acquisition costs in relation to the acquisition of Valispace GmbH (refer to Note 12 for further details)
- US\$530,000 of business restructuring cost.

⁴ Costs included in Corporate / Unallocated relate to head office employee and other overhead costs.

Geographical information

31 DECEMBER 2023 CONSOLIDATED STATEMENT OF FINANCIAL POSITION	AMERICAS US\$'000	EMEA US\$'000	CHINA US\$'000	ASIA PACIFIC US\$'000	CORPORATE US\$'000	TOTAL US\$'000
Revenue	75,630	44,594	10,223	8,111	-	138,558
Assets						
Segment assets	132,256	63,873	20,276	15,049	151,810	383,264
<i>Unallocated assets:</i>						
Deferred tax asset						51,723
Tax receivables						4,060
Total assets						439,047
Liabilities						
Segment liabilities	39,632	46,011	4,019	10,682	12,863	113,207
<i>Unallocated liabilities:</i>						
Tax liabilities						7,334
Deferred tax liabilities						2,796
Total liabilities						123,337
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 2022						
Revenue	66,973	34,630	9,725	8,214	-	119,542
30 June 2023						
Assets						
Segment assets ¹	127,403	72,093	18,921	24,119	134,602	377,138
<i>Unallocated assets:</i>						
Deferred tax asset						49,045
Tax receivables						1,064
Total assets						427,247
Liabilities						
Segment liabilities ¹	41,614	40,603	4,164	12,083	15,914	114,378
<i>Unallocated liabilities:</i>						
Tax liabilities						5,498
Deferred tax liabilities						3,146
Total liabilities						123,022

¹ Intercompany investments have been eliminated within each geographical region in the current period and the comparative period segment assets have been updated for consistency.

NOTE 4

Revenue

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
Software license revenue	48,131	46,427
Subscription and maintenance revenue	59,186	43,338
Search advertising revenue	25,003	26,908
Service revenue	3,159	1,817
Hardware revenue	2,050	931
Cloud revenue	943	-
Other revenue	86	121
Revenue	138,558	119,542

Timing of revenue recognition

CONSOLIDATED - 31 DEC 2023	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	TOTAL US\$'000
At a point in time	51,501	27,587	79,088
Over time	59,061	409	59,470
	110,562	27,996	138,558

CONSOLIDATED - 31 DEC 2022	DESIGN SOFTWARE US\$'000	CLOUD PLATFORM US\$'000	TOTAL US\$'000
At a point in time	46,791	27,765	74,556
Over time	44,986	-	44,986
	91,777	27,765	119,542

NOTE 5

Expenses

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
Profit before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Right-of-use assets	1,638	2,108
Property, plant and equipment	958	961
Total depreciation	2,596	3,069
<i>Amortisation</i>		
Customer relationships	668	668
Software	272	456
Intellectual property	503	499
Total amortisation	1,443	1,623
Total depreciation and amortisation	4,039	4,692

NOTE 6

Income tax expense

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
<i>Income tax expense</i>		
Current tax	12,608	6,546
Deferred tax	(3,002)	1,950
Adjustment recognised for prior periods	(71)	1,035
Aggregate income tax expense	9,535	9,531

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
<i>Reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense from continuing operations	42,566	39,178
Tax at the statutory tax rate of 30%	12,770	11,753
<i>Tax effect amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Share-based payments	742	736
Other items	1,372	179
	14,884	12,668
Adjustment recognised for prior periods	(71)	1,035
Difference in overseas tax rates	(5,116)	(3,453)
Remeasurement of deferred tax assets and liabilities	(19)	106
Previously unrecognised temporary differences	-	(366)
R&D credits	(405)	(539)
Franchise tax	158	80
Foreign exchange differences	104	-
Income tax expense	9,535	9,531

During the 2019 financial year, the Group was selected for a risk review followed by an audit by the Australian Tax Office (ATO), which is part of a program of work conducted by the ATO for the Top 1000 taxpayers in the large business and international segment. Further detail regarding the ATO matter has been outlined in Note 11.

NOTE 7

Non-current assets – investment

	CONSOLIDATED	
	31 DEC 2023 US\$'000	30 JUN 2023 US\$'000
Investment in unlisted convertible preference shares	3,373	3,373
	3,373	3,373

In May 2021, the Group acquired 3,091,228 Series B convertible preference shares in MacroFab Inc at a cost of US\$3,000,000. MacroFab Inc provides a cloud platform service for electronics manufacturing.

During the year ended 30 June 2023, the Group acquired additional Series B-2 convertible preference shares in MacroFab in exchange for the sale of equipment, valued at US\$373,048.

Series B and Series B-2 convertible preference shares have identical rights. The shares are entitled to cumulative, non-compounding dividends at a rate of 8% per annum. The shares are convertible into ordinary shares at the option of the holder or automatically if the prescribed conditions are met. The shares are redeemable after the fifth anniversary of closing at the election of the Series B and Series B-2 majority. The shares acquired are less than ten per cent of the total share capital in MacroFab Inc, with voting entitlements equal to the number of ordinary shares into which the Series B and Series B-2 preference shares are convertible as of the record date prior to the voting.

The Group has elected to recognise the investment as a financial asset valued at fair value through other comprehensive income. The fair value of the shares is classified as a level 3 fair value in the fair value hierarchy due to the use of unobservable inputs. As at 31 December 2023, the fair value of the investment was determined based on the issue price of new shares by MacroFab adjusted for differences in rights to the shares held by the Group as well as observed market conditions.

Significant unobservable inputs include the price of unquoted shares of MacroFab and the adjustment ratio for the observed market conditions. The estimated fair value would increase/(decrease) if the adjustment ratio for the observed market conditions was higher/(lower). Reasonably possible changes at the reporting date to the significant unobservable inputs, holding other inputs constant, would not have a material effect on the fair value of the investment in MacroFab.

NOTE 8

Equity – contributed equity

	CONSOLIDATED			
	31 DEC 2023 SHARES	30 JUN 2023 SHARES	31 DEC 2023 US\$'000	30 JUN 2023 US\$'000
Ordinary shares - fully paid	131,926,838	131,647,099	127,699	127,699

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE AU\$	US\$'000
Balance	1 July 2023	131,647,099		127,699
Share issued – Employee Performance Rights	7 September 2023	279,739	-	-
Balance	31 December 2023	131,926,838		127,699

NOTE 9

Equity - dividends

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

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
Final dividend for the year ended 30 June 2023 of AU 29 cents (30 June 2022: AU 26 cents)	24,797	23,439

The Directors have declared a partially franked interim dividend of AU 30 cents per share (2022: partially franked AU 25 cents) for the half-year ended 31 December 2023. The interim dividend is partially franked at 13% (2022: partially franked at 40%). The dividend will be paid on 26 March 2024 based on a record date of 5 March 2024. This amounts to a total dividend of US\$26.1 million based on the total number of shares outstanding.

NOTE 10

Earnings per share

	CONSOLIDATED	
	31 DEC 2023 US\$'000	31 DEC 2022 US\$'000
<i>Earnings per share - attributable to the owners of Altium Limited</i>		
Profit after income tax expense for the half-year attributable to the owners of Altium Limited	33,031	29,647
	CENTS	CENTS
Basic earnings per share	25.06	22.53
Diluted earnings per share	24.83	22.50
	NUMBER	NUMBER
Weighted average number of ordinary shares during the period		
Used in the calculation of basic earnings per share	131,825,949	131,584,167
Adjustments for calculation of diluted earnings per share:		
Unvested employee performance share rights	1,182,796	171,435
Weighted average number of ordinary shares used in calculating diluted earnings per share	133,008,745	131,755,602

NOTE 11

Contingent liabilities

As disclosed in Altium's 2022 Annual Report and subsequent ASX release on 21 November 2022, during the 2019 financial year, the Australian Tax Office (ATO) performed a risk review as part of their program of work for the Top 1000 taxpayers in the large business and international segment. The ATO subsequently commenced an audit in respect of the years ended 30 June 2014 to 30 June 2018. The focus of the audit was a company restructure implemented by Altium in 2015 which resulted in the relocation of Altium's core business assets to a wholly owned group entity in the USA, including intellectual property, valued at US\$402.9 million. The ATO examined the application of the transfer pricing and general anti-avoidance provisions of Australian tax law arising from this restructure. On 29 July 2022, the ATO issued its final position papers on the application of the general anti-avoidance provisions, and in the alternative the application of transfer pricing. In doing so, and on the advice of the ATO's General Anti-Avoidance Rules Panel, the ATO withdrew its principal anti-avoidance position and amended its secondary anti-avoidance position. In its position papers, the ATO asserted the tax liability in respect of the 2016 to 2018 tax years was within a range from AU\$21.1 million to AU\$80.0 million (excluding penalties and interest), and Altium disclosed a contingent tax liability (excluding interest and penalties) on that basis in the 2022 Annual Report.

Following the 2022 Annual Report, and further to Altium's ASX release of 21 November 2022:

- On 28 and 29 November 2022, the ATO issued amended assessments for the 2016 to 2018 tax years of approximately AU\$80.0 million in primary tax (US\$54.4 million), (which does not take into account deductions of global operating costs), AU\$19.8 million in shortfall interest charges (US\$13.5 million) and AU\$10.0 million in scheme shortfall penalties (US\$6.8 million). The contingent liability has been amended accordingly to reflect the ATO's amended assessments.
- On 9 December 2022, the ATO commenced a "roll-over audit" in relation to the post audit years (2019-2022).
- On 19 December 2022, Altium entered into a "50/50 payment arrangement" with the ATO under which Altium agreed to make a payment of 50% of the disputed primary tax amount (approximately AU\$40.0 million) (US\$27.2 million) to the ATO, with that amount being refundable to Altium (with interest) if Altium is ultimately successful in the dispute. This payment was made on 3 January 2023 and has been accounted for as a Non-Current Receivable as Altium views this amount as recoverable.

Altium has engaged external legal advisers in relation to this matter and has filed objections with the ATO in relation to the 2016 to 2018 tax years. Confidential discussions are continuing with the ATO. Altium disagrees with the ATO's amended assessments and intends to vigorously defend its position and contest the matter through litigation proceedings.

Based on information available, Altium does not consider it probable that the company will be required to pay additional tax in relation to this matter and no provision was recognised as at 31 December 2023.

NOTE 12

Acquisition of subsidiary

On 21 December 2023, the Group acquired 100% of the shares and voting interests in Valispace GmbH, registered in Germany and its subsidiary Galactic Unipessoal LDA, located in Portugal (together referred to as "Valispace").

Included in the identifiable assets and liabilities acquired at the date of acquisition of Valispace are inputs, processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue in the future. The Group has concluded that the acquired set is a business.

Acquisition of Valispace will enable the Group to achieve synergies through access to Valispace's patented artificial intelligence technology.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	US\$'000
Cash	15,564
Deferred consideration	4,415
Total consideration transferred	19,979

The transaction includes deferred consideration of US\$4,415,000, this amount is agreed to be paid over a 3 year period to subject to the fulfillment of certain performance milestones and successful integration of Valispace into the Group. The Group has included US\$4,415,000 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition.

The Group has incurred acquisition-related costs of US\$410,300 on legal fees and due diligence costs to the period end 31 December 2023. These costs have been included in 'Professional advice expense'.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. The identification and fair value measurement of the assets and liabilities acquired are provisional and amendments may be made to the figures up to 12 months following the date of acquisition if new information is obtained about the facts and circumstances that existed at the date of acquisition and, if know, would have affected the measurement of the amounts recognised at that date.

	US\$'000
Cash and cash equivalents	331
Trade and other receivables	1,019
Prepayments	7
Property, plant and equipment	36
Trade and other payables	(739)
Provisions	(291)
Total identifiable net tangible assets acquired	363

Goodwill and intangible assets arising from the acquisition have been recognised as follows:

	US\$'000
Consideration transferred	19,979
Less: fair value of identifiable net tangible assets	(363)
Goodwill and intangible assets	19,616

The goodwill is attributable mainly to the skills and technical talent of Valispace's work force and the synergies expected to be achieved from integrating Valispace into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTE 13

Events after the reporting period

Altium Limited announced on 15 February 2024 that it had entered into a binding Scheme Implementation Agreement (SIA) with Renesas Electronics Corporation pursuant to which Renesas will acquire 100% of the issued shares in Altium by way of a scheme of arrangement (Scheme). Under the terms of the Scheme, Altium shareholders will receive A\$68.50 per share in cash for each Altium share held (Scheme Consideration). The Scheme is conditional on approval by Altium shareholders, Australian court approval as well as regulatory approvals, and customary closing conditions specified in the SIA. Given the close proximity of the announcement to the report release date, an estimate of the financial impact cannot be made.

Since period end, the Directors have declared a partially franked interim dividend of AU 30 cents per share. The interim dividend is franked at 13%. The dividend will be paid on 26 March 2024. The dividend will be recognised in subsequent period financial statements.

Other than those disclosed above, no matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the Group'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 Group's financial position as at 31 December 2023 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

27 February 2024
Sydney



Aram Mirkazemi
Managing Director and Chief Executive Office

Independent Auditor's Review Report

To the shareholders of Altium Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Altium Limited.

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Altium Limited (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors 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*
- 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



KPMG



Caoimhe Toouli

Partner

Sydney

27 February 2024

Glossary

METRIC	DEFINITION
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EBITDA Margin	EBITDA divided by Revenue
Underlying EBITDA	EBITDA adjusted for one-off items not expected to reoccur in the normal operating cycle and/or items identified by management and reported to the CODM bodies as not representing the underlying performance of the business
Underlying EBITDA Margin	Underlying EBITDA divided by Revenue
Recurring Revenue	<p>Recurring Revenue is used by Altium to assess the estimated amount of Altium's revenue which is recurring in nature to project future revenue. The calculation of Recurring Revenue at the end of the relevant financial period adjusts Total Statutory Revenue to remove amounts for:</p> <ul style="list-style-type: none"> • Revenue recognised upfront from Perpetual Licenses • Training and deployment services • Hardware revenue; and • License upgrades.
Annual Recurring Revenue (ARR)	The total annualised contracted value of all licenses that are term-based and subscription services (excluding perpetual licenses) that are recurring in nature. The total annualised contract value is calculated as total value of open active contracts at the relevant financial period end divided by the length of the contract in days and multiplied by 365. Calculation refined in FY23 to utilise more granular regional and customer level data rather than weighted averages. Historical data has been presented on a basis consistent with the FY23 methodology.
Average Subscription Seat Value (ASSV)	ARR divided by total number of active seats on subscription. Replaced ARRPU in FY23 to utilise more granular data at the individual contract level. Historical data has been presented on a basis consistent with the FY23 methodology.