

18 June 2021

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## Altium Limited

### Information Technology

#### HOLD

**ALU A\$34.50**      **TARGET PRICE A\$36.92**

Altium Limited (ALU) is engaged in the development and sale of computer software for the design of electronic products. ALU is based in Australia with sales operations in Americas; Europe, Middle East and Africa; Greater China; and Asia Pacific.

#### Company Data

|                              |                 |
|------------------------------|-----------------|
| Number of shares             | 131.2 M         |
| Market Capitalisation        | \$ 4,527.4 M    |
| Free float (%)               | 13.5            |
| 12-month high/low            | \$39.81/\$24.16 |
| Average Daily Turnover (\$m) | 10.1            |
| % S&P/ASX200                 | 0.22%           |
| DDM Ranking                  | 200             |
| Free Float (%)               | 82.3            |

% All Ordinaries 0.19%

GICS Industry Group Software & Services

Source: FactSet, Barclay Pearce Capital

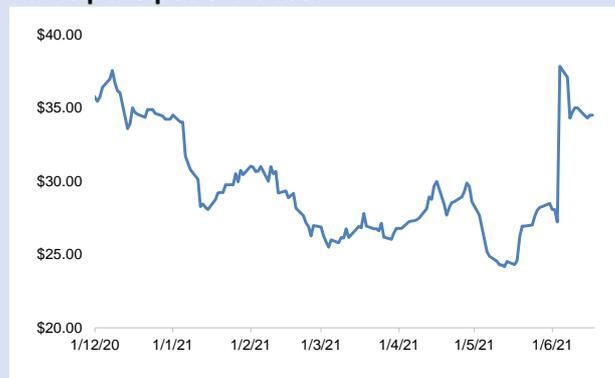
#### Earnings Summary (AUD)

| Year end June           | 2020A | 2021F | 2022F | 2023F |
|-------------------------|-------|-------|-------|-------|
| Revenue (\$M)           | 262.5 | 254.8 | 269.7 | 320.9 |
| EBITDA (\$M)            | 105.0 | 94.3  | 101.1 | 118.8 |
| Reported NPAT (\$M)     | 42.9  | 75.8  | 68.0  | 76.4  |
| Adjusted NPAT (\$M)     | 70.6  | 63.7  | 67.8  | 81.1  |
| Reported EPS (c)        | 32.7  | 59.5  | 53.4  | 61.3  |
| Adjusted EPS (c - FD)   | 58.9  | 45.5  | 52.2  | 61.4  |
| Adjusted EPS growth (%) | -1.1  | -29.3 | 22.1  | 17.8  |
| Adjusted P/E (x)        | 58.6  | 86.0  | 66.1  | 56.2  |
| Dividend (c/sh)         | 40.3  | 47.0  | 44.4  | 50.0  |
| Gross yield (%)         | 1.2   | 1.4   | 1.3   | 1.5   |
| Net yield (%)           | 1.2   | 1.4   | 1.3   | 1.5   |
| ROIC (%)                | 33.7  | 54.5  | 62.1  | 67.6  |

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## Investor Presentation and Trading Update

On 18<sup>th</sup> of June, Altium Limited (ALU) released their trading update with the following highlights:

#### Summary

- Commitment to achieve FY25 financial goals of US\$500 million revenue and 100,000 subscribers was reaffirmed;
- Cloud transition is shifting traditional maintenance subscription revenue to become SaaS-like revenue as customers adopt ALU 365, with recurring revenue expected to rise from 60% today to 80% or higher by FY25;
- FY21 revenue is expected to be at the low end of the guidance range of US\$190 million to US\$195 million;
- FY21 EBITDA margin is expected to be at low end of the guidance range of 37-39% on an underlying basis (excluding M&A costs and write-back of Solidworks minimum contractual amount due to termination);
- Adoption of the Altium 365 cloud platform has increased and there are now more than 13,100 monthly active users and over 6,300 monthly active accounts;
- China is delivering solid performance after coming back from COVID earlier than the rest of the world;
- A continued increase for Term Based Licenses is being observed;
- Renewals are strong and Octopart is on track for a record performance; and
- With the strong early adoption of its cloud platform, the Company is evolving from its PCB design origins and are now playing an essential and growing role in the design and making of smart products.

## Earnings changes

ALU provided a FY21 revenue guidance of \$251-258 million, which is higher than market expectations of \$239.2 million. ALU also provided an EBITDA margin guidance of 37%-39% in line with market expectations of 37%. Hence, we expect positive earnings revisions of 6% for FY21 and 3% for future periods.

## Valuation

We are revising our price target to \$36.92 from \$35.15 and revising our BUY recommendation to HOLD. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

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### Valuation Methodology

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### Barclay Pearce Capital Recommendation Proportions

|                 |       |   |
|-----------------|-------|---|
| Buy             | 36.6% | ( 0.0% of stocks with recommendations are Barclay Pearce clients)   |
| Speculative Buy | 0.2%  | ( 100.0% of stocks with recommendations are Barclay Pearce clients) |
| Hold            | 23.3% | ( 0.0% of stocks with recommendations are Barclay Pearce clients)   |
| Underperform    | 39.9% | ( 0.0% of stocks with recommendations are Barclay Pearce clients)   |