

EARNINGS PRESENTATION Q2 FY24



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Q2 FY24 BUSINESS HIGHLIGHTS



Platform Announcements in Q2 FY24

The Science of Possibility

HyperWorks 2024

Latest enhancements solidify platform's status as the market's world-class environment for AI-powered simulation-driven innovation

- AI-Powered Engineering and Business – Unleashes AI across every step of the product life cycle.
- Leading the Engineering User Experience – Productivity is enhanced by intuitive workflows, efficient design environments, game-changing photorealistic graphics for better visualization, and a unified back-end data model.
- One Source of Truth: Digital Engineering – Integrates digital twins and digital threads to create a digital engineering ecosystem, providing one source of truth.
- Mechanical and Electronic System Design – Elevating design fidelity and streamlining engineering workflows with robust integration and automation capabilities.
- Simulation-Driven Design and Optimization – The most comprehensive simulation-driven design solution for design, performance analysis, and manufacturability.

Altair Named a Leader in the Gartner Magic Quadrant

June 2024 Gartner Magic Quadrant for Data Science and Machine Learning Platforms



**A Leader in the Magic Quadrant
for Data Science and Machine
Learning Platforms for its
offering, Altair RapidMiner**

“We believe being named as a Leader in this latest report validates what we have known for years: Altair has one of the market’s most unique, most comprehensive offerings for data analytics and machine learning. For us, this placement is also a testament to our unmatched vision, which has defined us since our inception. We are pioneers that define what it means to be at the forefront of technological innovation and computational intelligence. I am incredibly proud of where Altair stands today, and I look forward to the strides we continue to make each day.”

— James R. Scapa, founder and chief executive officer, Altair

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Customer in Focus

American Magic Team Taps Altair's Data Analytics Tools in the Quest for America's Cup

Challenge

America's Cup teams must adhere to a myriad of design rules and limitations to ensure reasonable competitive parity. Most notably, teams are only allowed to build a single AC75 yacht for the entire three-year development cycle. To equip their experts with best-in-class data analytics capabilities, NYYC and the American Magic team turned to Altair. More specifically, they looked to harness the power of Altair RapidMiner, Altair's data analytics and artificial intelligence (AI) platform.

Solution

Within the Altair RapidMiner platform, the American Magic team benefitted greatly from Altair Knowledge Studio, a powerful, easy-to-use machine learning and predictive analytics solution that rapidly visualizes data and quickly generates explainable results – without requiring a single line of code. Knowledge Studio brings transparency and automation to machine learning with features such as AutoML and explainable AI without restricting how models are configured and tuned, giving users control over model building.

Value

- Altair and American Magic teams' dedication to success and proactive collaboration drove next-level insights and helped the American Magic team achieve their goals in all stages of product development
- The final predictive model used within Altair HyperStudy optimized the vessel performance metrics by finding the best possible yacht setup to approach straight line segments and maneuvers, providing benchmarks for both the team's real time simulator and its sailors, advancing towards prescriptive analysis.



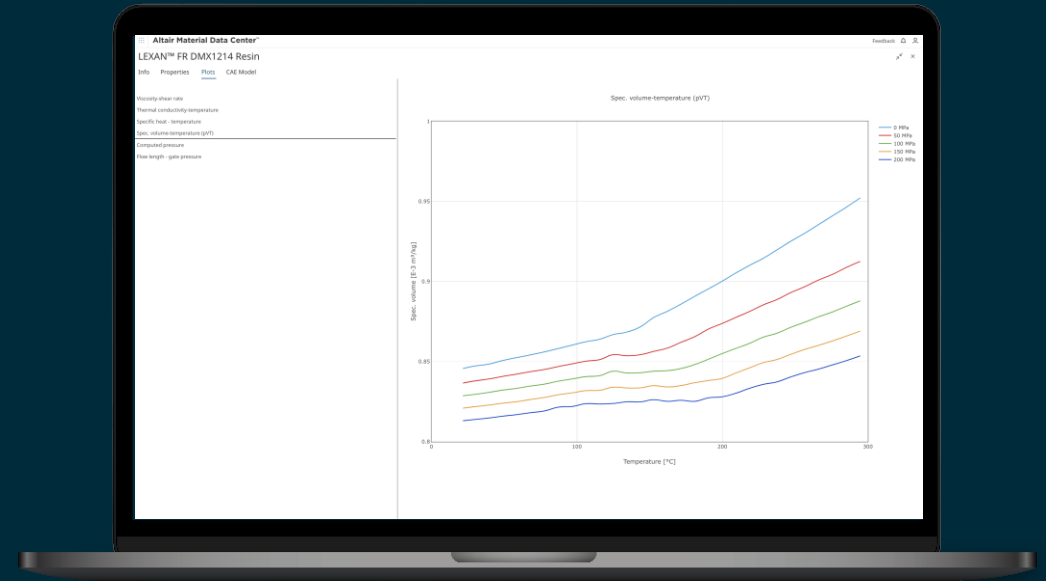
“Every time we take the yacht out and run tests, we want to see straight away how the data looked and what information we can extract from those sessions. For example, if the team changes the design of a foil, we'll run simulations on it to predict its performance. From there, we'll test it on the water and gather real-time data. Altair's technology helps us spot not only the discrepancies between the data, but also those discrepancies' potential causes. This helps us optimize our designs and solve problems.”

Andrea Mannarino, Manager of AI and machine learning, NYYC American Magic

Altair Material Data Center

In Close Relationship with Material Producers, Suppliers and Partners

- In Q2, we partnered with HP to enrich the Altair Material Data Center with HP's proprietary material information, enhancing its utility for designers, engineers, and scientists.
- Full traceability back to the data source.
- Regular Material Data Updates.



70K+
Material Data Sets

400+
Material Producers

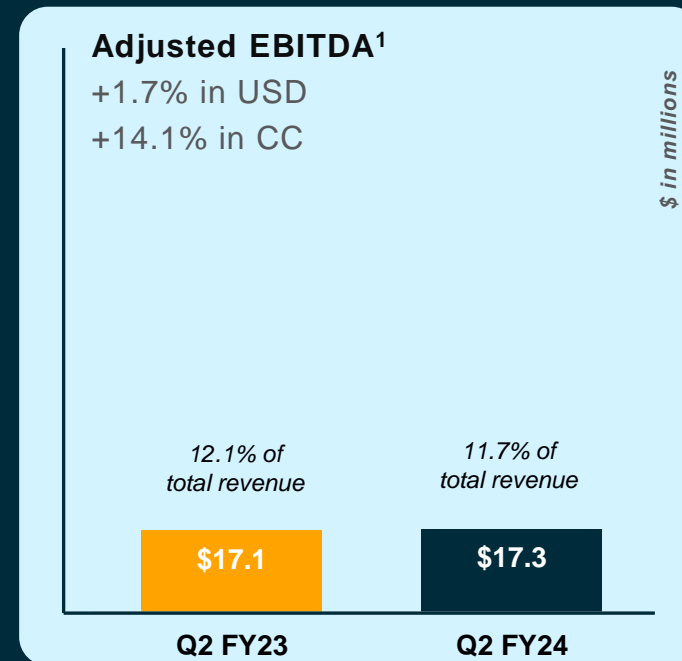
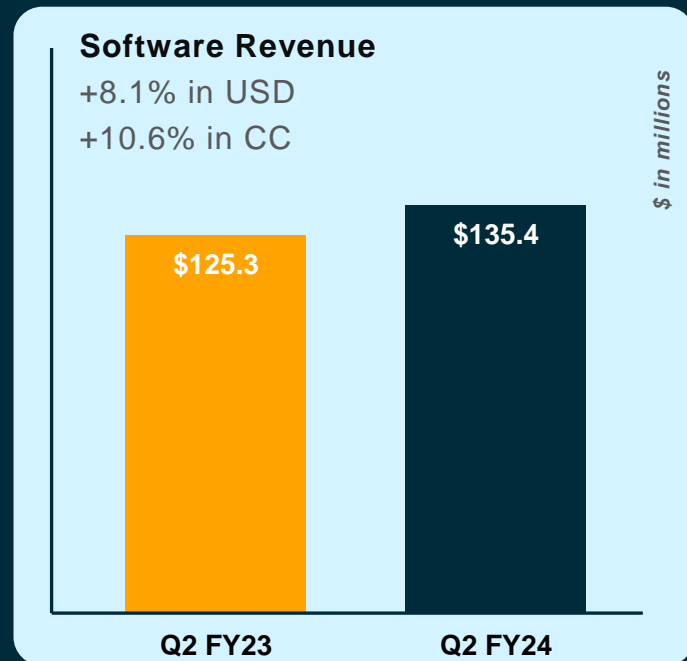


Q2 FY24 FINANCIAL HIGHLIGHTS



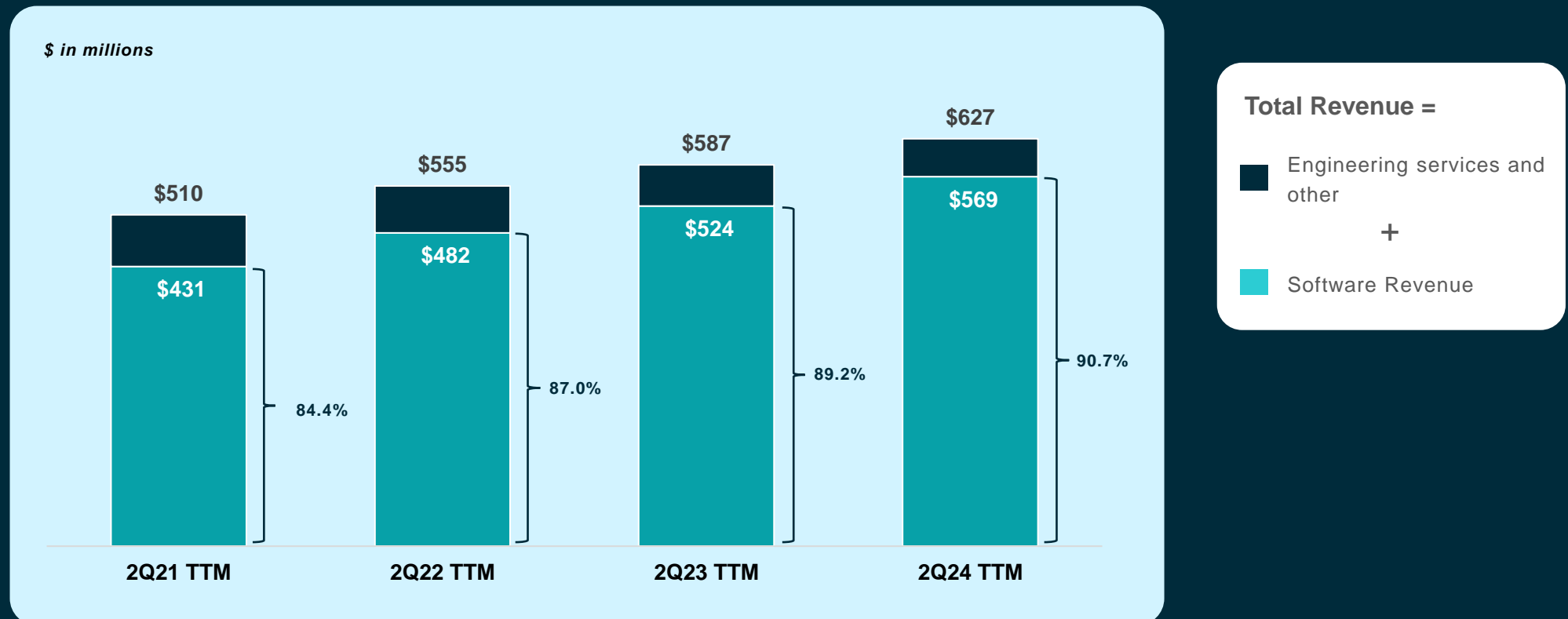
Q2 FY24 Financial Highlights

- Software revenue grew 10.6% year-over-year in constant currency driven by new and expansion wins across several verticals, led by Aerospace & Defense.
- Adjusted EBITDA grew 14.1% year-over-year in constant currency driven primarily by gross profit increase.



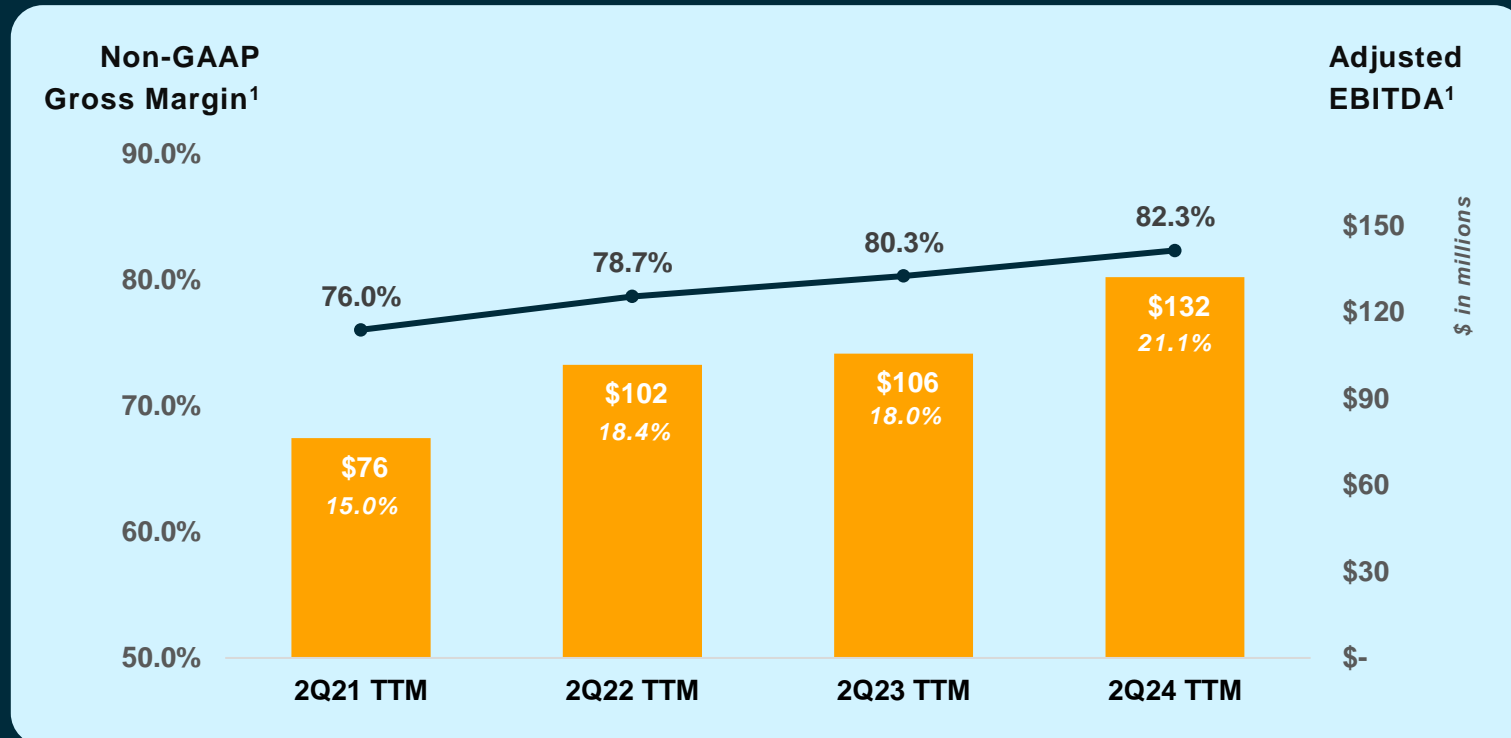
Trailing Twelve Months Total Revenue and Software Revenue

- Software revenue as a percentage of total revenue now at 90.7% for 2Q24 TTM.
- Software revenue growth at 12.5% CAGR in constant currency from 2Q21 TTM to 2Q24 TTM.



Trailing Twelve Months Non-GAAP Gross Margin and Adjusted EBITDA

- Continued non-GAAP gross margin and adjusted EBITDA margin expansion through 2Q24 TTM.
- Non-GAAP gross margin now at 82.3% for 2Q24 TTM and growing.
- Adjusted EBITDA margin year-over-year increase of 310 basis points in 2Q24 TTM. Adjusted EBITDA growth at 48% of incremental revenue growth from 2Q21 TTM to 2Q24 TTM.



Trended Non-GAAP Quarterly Results

Non-GAAP Results

(\$000's), except per share amounts

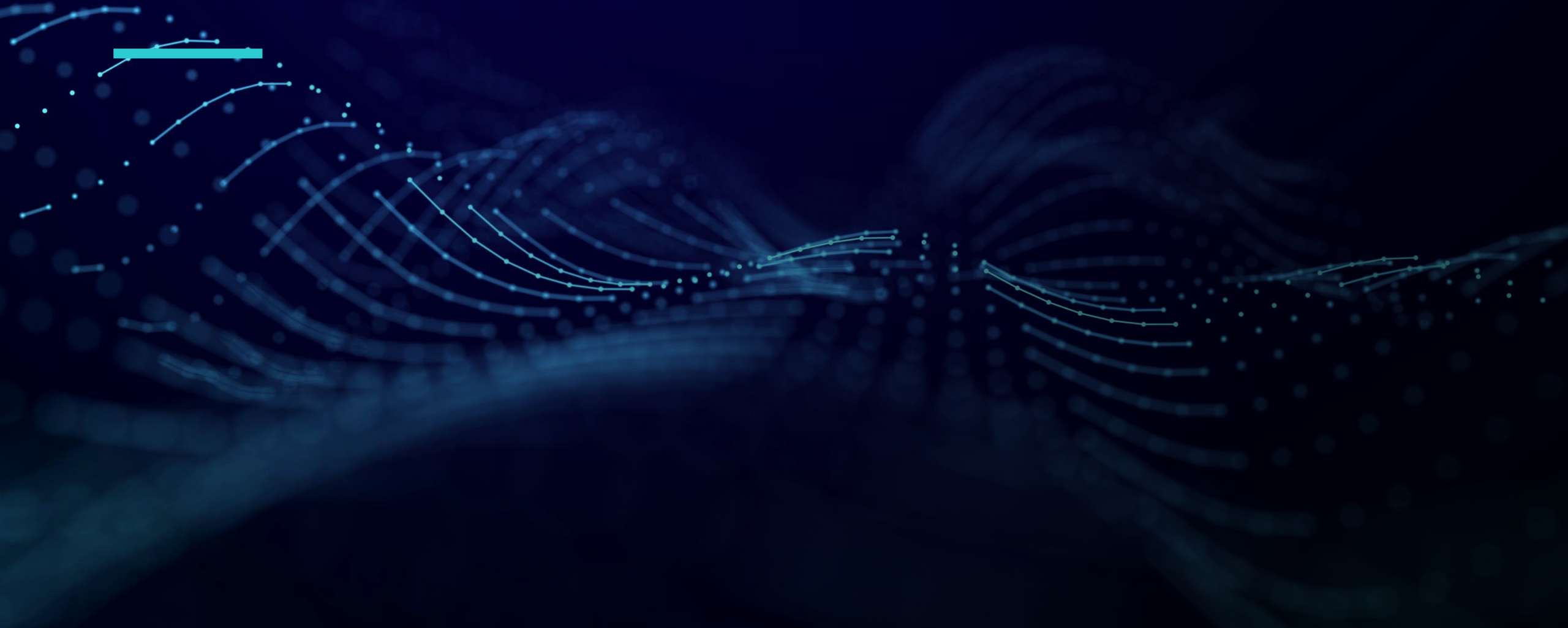
	FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24
Software revenue	\$506,508	\$149,643	\$125,321	\$119,077	\$155,933	\$549,974	\$158,429	\$135,423
Engineering services and other	65,713	16,391	15,840	14,926	15,570	62,727	14,483	13,372
Total revenue	572,221	166,034	141,161	134,003	171,503	612,701	172,912	148,795
Gross profit	457,683	136,051	112,936	107,385	144,633	501,005	144,021	120,376
<i>Gross profit margin</i>	80.0%	81.9%	80.0%	80.1%	84.3%	81.8%	83.3%	80.9%
Research and development	166,292	44,508	45,334	43,774	45,187	178,803	45,973	48,952
Sales and marketing	133,514	35,901	37,401	37,136	37,324	147,762	39,914	41,496
General and administrative	62,472	14,876	14,982	13,917	13,844	57,619	14,644	15,633
Other operating income	(2,802)	(1,401)	(854)	(915)	(2,390)	(5,560)	(1,027)	(830)
Operating expenses	359,476	93,884	96,863	93,912	93,965	378,624	99,504	105,251
Operating income	98,207	42,167	16,073	13,473	50,668	122,381	44,517	15,125
<i>Operating margin</i>	17.2%	25.4%	11.4%	10.1%	29.5%	20.0%	25.7%	10.2%
Interest expense	2,571	1,061	1,063	1,060	1,063	4,247	1,104	1,182
Other (income) expense, net	(6,526)	(1,838)	(2,853)	(4,725)	(5,923)	(15,339)	(4,842)	(5,810)
Income before income tax	102,162	42,944	17,863	17,138	55,528	133,473	48,255	19,753
Income tax expense (benefit)	26,562	11,165	4,645	4,456	14,437	34,703	12,064	4,938
Net income	75,600	31,779	13,218	12,682	41,091	98,770	36,191	14,815
Earnings per share	0.89	0.36	0.15	0.14	0.46	1.13	0.40	0.16
Diluted share count	85,392	88,041	88,383	88,556	88,977	87,642	89,806	90,660
Adjusted EBITDA	\$108,600	\$43,055	\$17,056	\$15,454	\$53,573	\$129,138	\$45,818	\$17,348
<i>Adjusted EBITDA margin</i>	19.0%	25.9%	12.1%	11.5%	31.2%	21.1%	26.5%	11.7%

Q3 2024 and FY 2024 Guidance

(in millions, except %)

	Third Quarter 2024		Full Year 2024	
Software Revenue	\$ 130.0	to	\$ 133.0	\$ 590.0 to \$ 600.0
<i>Growth Rate</i>	9.2%		11.7%	7.3% to 9.1%
<i>Growth Rate - Constant Currency</i>	11.1%		13.7%	8.9% to 10.8%
Total Revenue	\$ 145.0		\$ 148.0	\$ 648.0 to \$ 658.0
<i>Growth Rate</i>	8.2%		10.4%	5.8% to 7.4%
<i>Growth Rate - Constant Currency</i>	10.0%		12.3%	7.5% to 9.1%
Net (Loss) Income	\$ (14.0)		\$ (11.1)	\$ 22.6 to \$ 30.3
Non-GAAP Net Income	\$ 13.4		\$ 15.7	\$ 108.4 to \$ 114.4
Adjusted EBITDA	\$ 16.0		\$ 19.0	\$ 136.0 to \$ 144.0
Net Cash Provided by Operating Activities				\$ 133.0 to \$ 141.0
Free Cash Flow				\$ 122.0 to \$ 130.0

GAAP to NON-GAAP RECONCILIATIONS



GAAP to Non-GAAP Reconciliations

(\$000's), except %'s

	Q2 FY24			Q2 FY23	Increase/(Decrease) %	
	As reported	Currency changes	As adjusted for constant currency	As reported	As reported	As adjusted for constant currency
Software revenue	\$ 135.4	\$ 3.3	\$ 138.7	\$ 125.3	8.1%	10.6%
Total revenue	\$ 148.8	\$ 3.4	\$ 152.2	\$ 141.2	5.4%	7.8%
Billings	\$ 154.5	\$ 3.7	\$ 158.2	\$ 147.8	4.5%	7.1%
Adjusted EBITDA	\$ 17.3	\$ 2.2	\$ 19.5	\$ 17.1	1.7%	14.1%

GAAP to Non-GAAP Reconciliations

(\$000's), except %'s

	Trailing Twelve Months Ended June 30,			
	2021	2022	2023	2024
Net (loss) income	(5,595)	(31,752)	(45,422)	26,713
Income tax expense	6,514	17,533	22,697	9,794
Stock-based compensation	33,946	64,067	90,870	73,038
Interest expense	11,903	7,389	6,146	6,242
Depreciation and amortization	25,693	28,283	39,173	39,193
Restructuring expense	5,078	(25)	—	—
Special adjustments, interest income and other ⁽¹⁾	(1,216)	16,332	(7,783)	(22,787)
Adjusted EBITDA	76,323	101,827	105,681	132,193
Adjusted EBITDA Margin	15.0%	18.4%	18.0%	21.1%

(1) The trailing twelve months ended June 30, 2021, includes \$0.3 million of interest income and \$1.0 million of proceeds from settlements related to an historical acquisition. The trailing twelve months ended June 30, 2022, includes \$16.6 million expense on the repurchase of convertible senior notes, \$5.7 million currency losses on acquisition-related intercompany loans, a \$5.3 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$0.7 million of interest income. The trailing twelve months ended June 30, 2023, includes \$3.2 million currency gains on acquisition-related intercompany loans, a \$6.1 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$10.7 million of interest income. The trailing twelve months ended June 30, 2024, includes \$21.6 million of interest income, \$0.9 million currency losses on acquisition-related intercompany loans, and a \$2.1 million gain from the mark-to market adjustment of contingent consideration associated with the World Programming acquisition.

GAAP to Non-GAAP Reconciliations

(\$000's), except %'s	Trailing Twelve Months Ended June 30,			
	2021	2022	2023	2024
Gross profit	382,876	429,117	461,684	507,545
Stock-based compensation expense	3,935	7,172	9,742	8,870
Restructuring expense	936	89	—	—
Non-GAAP gross profit	387,747	436,378	471,426	516,415
Gross margin	75.1%	77.4%	78.7%	80.9%
Non-GAAP gross margin	76.0%	78.7%	80.3%	82.3%

GAAP to Non-GAAP Reconciliations

(\$000's), except %'s

	FY 22	Q1 FY 23	Q2 FY 23	Q3 FY 23	Q4 FY 23	FY 23	Q1 FY 24	Q2 FY 24
Gross profit	449,332	133,299	110,364	104,917	142,330	490,910	142,019	118,279
Stock-based compensation expense	8,351	2,752	2,572	2,468	2,303	10,095	2,002	2,097
Non-GAAP gross profit	457,683	136,051	112,936	107,385	144,633	501,005	144,021	120,376
Gross margin	78.5%	80.3%	78.2%	78.3%	83.0%	80.1%	82.1%	79.5%
Non-GAAP gross margin	80.0%	81.9%	80.0%	80.1%	84.3%	81.8%	83.3%	80.9%
	FY 22	Q1 FY 23	Q2 FY 23	Q3 FY 23	Q4 FY 23	FY 23	Q1 FY 24	Q1 FY 24
Total operating expense	456,269	128,113	126,633	116,181	119,740	490,667	121,084	128,182
Stock-based compensation expense	(76,436)	(19,409)	(21,164)	(18,058)	(16,855)	(75,486)	(13,997)	(15,258)
Amortization	(27,510)	(7,814)	(7,625)	(7,704)	(7,708)	(30,851)	(7,438)	(7,629)
Gain (loss) on mark-to-market adjustment of contingent consideration	7,153	(7,006)	(981)	3,493	(1,212)	(5,706)	(145)	(44)
Non-GAAP operating expense	359,476	93,884	96,863	93,912	93,965	378,624	99,504	105,251

GAAP to Non-GAAP Reconciliations

(\$000's), except %'s

	FY 22	Q1 FY 23	Q2 FY 23	Q3 FY 23	Q4 FY 23	FY 23	Q1 FY 24	Q2 FY 24
Net (loss) income	(43,429)	(1,959)	(22,280)	(4,362)	19,675	(8,926)	16,547	(5,147)
Income tax expense (benefit)	15,216	9,232	8,678	(6,541)	10,176	21,545	6,769	(610)
Stock-based compensation	84,787	22,161	23,736	20,526	19,158	85,581	15,999	17,355
Interest expense	4,377	1,526	1,528	1,529	1,533	6,116	1,576	1,604
Depreciation and amortization	35,504	9,750	9,738	9,783	9,853	39,124	9,619	9,938
Special adjustments, interest income and other ⁽¹⁾	12,145	2,345	(4,344)	(5,481)	(6,822)	(14,302)	(4,692)	(5,792)
Adjusted EBITDA	108,600	43,055	17,056	15,454	53,573	129,138	45,818	17,348
Adjusted EBITDA Margin	19.0%	25.9%	12.1%	11.5%	31.2%	21.1%	26.5%	11.7%

⁽¹⁾ FY 22 includes \$16.6 million expense on the repurchase of convertible senior notes, \$6.8 million currency losses on acquisition-related intercompany loans, a \$7.2 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$4.1 million of interest income. Q1 FY 23 includes a \$7.0 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$2.9 million of interest income, and \$1.8 million currency gains on acquisition-related intercompany loans. Q2 FY 23 includes \$4.0 million of interest income, \$1.3 million currency gains on acquisition-related intercompany loans, and a \$1.0 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q3 FY 23 includes \$4.8 million of interest income, \$2.8 million currency losses on acquisition-related intercompany loans, and a \$3.5 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q4 FY 23 includes \$5.2 million of interest income, \$2.9 million currency gains on acquisition-related intercompany loans, and a \$1.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. FY 23 includes \$16.9 million of interest income, \$3.2 million currency gains on acquisition-related intercompany loans, and a \$5.7 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q1 FY 24 includes a \$0.1 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$5.7 million of interest income, and \$0.9 million currency losses on acquisition-related intercompany loans. Q2 FY 24 primarily includes \$5.9 million of interest income.

GAAP to Non-GAAP Reconciliations

(\$000's)

	FY 22	Q1 FY 23	Q2 FY 23	Q3 FY 23	Q4 FY 23	FY 23	Q1 FY 24	Q2 FY 24
Net income (loss)	(43,429)	(1,959)	(22,280)	(4,362)	19,675	(8,926)	16,547	(5,147)
Stock-based compensation expense	84,787	22,161	23,736	20,526	19,158	85,581	15,999	17,355
Amortization of intangible assets	27,510	7,814	7,625	7,704	7,708	30,851	7,438	7,629
Non-cash interest expense	1,806	465	465	469	470	1,869	472	422
Impact of non-GAAP tax rate ⁽¹⁾	(11,346)	(1,933)	4,033	(10,997)	(4,261)	(13,158)	(5,295)	(5,548)
Special adjustments and other ⁽²⁾	16,272	5,231	(361)	(658)	(1,659)	2,553	1,030	104
Non-GAAP net income	75,600	31,779	13,218	12,682	41,091	98,770	36,191	14,815

⁽¹⁾ The Company used a non-GAAP effective tax rate of 26% in FY 22 and FY 23, and 25% in Q1 and Q2 FY 24.

⁽²⁾ FY 22 includes \$16.6 million expense on the repurchase of convertible senior notes, \$6.8 million currency losses on acquisition-related intercompany loans, and a \$7.2 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q1 FY 23 includes a \$7.0 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$1.8 million currency gains on acquisition-related intercompany loans. Q2 FY 23 includes \$1.3 million currency gains on acquisition-related intercompany loans and a \$1.0 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q3 FY 23 includes \$2.8 million currency losses on acquisition-related intercompany loans and a \$3.5 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q4 FY 23 includes \$2.9 million currency gains on acquisition-related intercompany loans and a \$1.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. FY 23 includes \$3.2 million currency gains on acquisition-related intercompany loans and a \$5.7 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q1 FY24 includes \$0.9 currency losses on acquisition-related intercompany loans and \$0.9 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. Q2 FY24 includes \$0.1 currency losses on acquisition-related intercompany loans.

GAAP to Non-GAAP Reconciliations

(in thousands)	(Unaudited)			
	Three Months Ending September 30, 2024		Year Ending December 31, 2024	
	Low	High	Low	High
Net (loss) income	\$ (14,000)	\$ (11,100)	\$ 22,600	\$ 30,300
Stock-based compensation expense	17,800	17,800	68,900	68,900
Amortization of intangible assets	8,400	8,400	31,500	31,500
Non-cash interest expense	300	300	1,500	1,500
Impact of non-GAAP tax rate ⁽¹⁾	900	300	(17,200)	(18,900)
Special adjustments and other ⁽²⁾	—	—	1,100	1,100
Non-GAAP net income	\$ 13,400	\$ 15,700	\$ 108,400	\$ 114,400

(1) The Company uses a non-GAAP effective tax rate of 25%.

(2) The year ending December 31, 2024, includes a \$0.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$0.9 million of currency losses on acquisition-related intercompany loans.

GAAP to Non-GAAP Reconciliations

(in thousands)	(Unaudited)			
	Three Months Ending September 30, 2024		Year Ending December 31, 2024	
	Low	High	Low	High
Net (loss) income	\$ (14,000)	\$ (11,100)	\$ 22,600	\$ 30,300
Income tax expense	5,400	5,500	19,000	19,300
Stock-based compensation expense	17,800	17,800	68,900	68,900
Interest (income) expense	(3,900)	(3,900)	(16,200)	(16,200)
Depreciation and amortization	10,700	10,700	40,600	40,600
Special adjustments and other ⁽¹⁾	—	—	1,100	1,100
Adjusted EBITDA	\$ 16,000	\$ 19,000	\$ 136,000	\$ 144,000

(1) The year ending December 31, 2024, includes a \$0.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$0.9 million of currency losses on acquisition-related intercompany loans.

GAAP to Non-GAAP Reconciliations

(in thousands)	(Unaudited)	
	Year Ending December 31, 2024	
	Low	High
Net cash provided by operating activities	\$ 133,000	\$ 141,000
Capital expenditures	(11,000)	(11,000)
Free cash flow	\$ 122,000	\$ 130,000



THANK YOU