
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 14, 2018

Altair Engineering Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38263
(Commission
File Number)

38-2591828
(IRS Employer
Identification No.)

1820 E. Big Beaver Road
Troy, Michigan
(Address of principal executive offices)

48083
(Zip Code)

Registrant's telephone number, including area code: (248) 614-2400

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 14, 2018, Altair Engineering Inc. issued a press release disclosing its financial information and operating metrics for its first quarter ended March 31, 2018. A copy of the press release is being furnished as Exhibit 99.1 to this Report on Form 8-K.

The information in this Report on Form 8-K and Exhibit 99.1 attached hereto is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|-------------------------------------------------------------------------------------------------------|
| 99.1 | Press Release issued by Altair Engineering Inc. dated May 14, 2018, furnished hereto. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALTAIR ENGINEERING INC.

Date: May 14, 2018

By: /s/ Howard N. Morof
Howard N. Morof
Chief Financial Officer

Altair Announces First Quarter 2018 Financial Results***First Quarter Software Product Revenue Increased 26% Year-over-Year***

TROY, Mich. – May 14, 2018 – Altair (Nasdaq:ALTR) released its financial results for the first quarter ended March 31, 2018.

“Altair started 2018 with a strong financial performance highlighted by software product revenue growth of 26% and profitability that exceeded expectations,” said James Scapa, Founder, Chairman and CEO. “Our performance in the first quarter reflects good execution, improving market dynamics and the positive impact of the investments we have made to strengthen our product portfolio and go-to-market team.”

Scapa continued, “We have further enhanced our solution set with the recent acquisitions of CANDI, which extends our capabilities around edge gateway computing and the Internet of Things, and FluiDyna, a developer of GPU-based fluid dynamics and numerical simulation technologies. These are exciting technologies that increase the value Altair can deliver for customers and exemplify our expanding number of opportunities for future growth.”

First Quarter 2018 Financial Highlights

- Software product revenue was \$68.1 million, an increase of 26% from \$54.1 million for the first quarter of 2017.
- Total revenue was \$91.7 million, an increase of 19% compared to \$76.9 million for the first quarter of 2017.
- Net income was \$3.9 million, compared to net loss of \$(2.2) million for the first quarter of 2017. Diluted net income per share was \$0.05, based on 72.4 million diluted weighted average common shares outstanding, compared to diluted net loss per share of \$(0.04) for the first quarter of 2017, based on 50.1 million diluted weighted average common shares outstanding.
- Adjusted EBITDA was \$7.7 million, compared to \$2.9 million for the first quarter of 2017. Adjusted EBITDA represents net income (loss) adjusted for income tax expense, interest expense, interest income and other, depreciation and amortization, stock-based compensation expense, restructuring charges, asset impairment charges and other special items as determined by management.
- Non-GAAP net income was \$6.1 million, compared to \$1.6 million for the first quarter of 2017. Non-GAAP net income per share was \$0.08, based on 72.8 million diluted weighted average common shares outstanding, compared to \$0.03 for the first quarter of 2017, based on 61.2 million diluted weighted average common shares outstanding. Non-GAAP net income excludes stock-based compensation, amortization of intangible assets related to acquisitions and certain tax adjustments.

- Cash flow from operations was \$26.7 million, compared to \$19.2 million for the first quarter of 2017.
- Free cash flow, which consists of cash flow from operations less capital expenditures, was \$25.0 million compared to \$18.2 million for the first quarter of 2017.

Business Outlook

Based on information available as of today, Altair is issuing forward-looking statements on guidance for the second quarter and full year 2018 as indicated below.

| | Second Quarter | | Full Year 2018 | |
|--------------------------|----------------|-----------|----------------|------------|
| | 2018 | | 2018 | |
| Software Product Revenue | \$69.0 | to \$70.0 | \$276.0 | to \$280.0 |
| Total Revenue | \$91.0 | \$92.0 | \$369.0 | \$373.0 |
| GAAP Net Income | \$ 0.5 | \$ 1.0 | \$ 11.0 | \$ 13.0 |
| Adjusted EBITDA | \$ 5.0 | \$ 5.5 | \$ 33.0 | \$ 35.0 |
| Non-GAAP Net Income | \$ 2.5 | \$ 3.0 | \$ 19.0 | \$ 21.0 |

(All figures in millions)

Conference Call Information

What: Altair First Quarter 2018 Financial Results Conference Call

When: Monday, May 14, 2018

Time: 4:30 p.m. EDT

Live Call: (866) 754-5204, domestic
(636) 812-6621, international

Replay: (855) 859-2056, passcode 2474564, domestic
(404) 537-3406, passcode 2474564, international

Webcast: <http://investor.altair.com> (live & replay)

Non-GAAP Financial Measures

This press release contains the following non-GAAP financial measures: Adjusted EBITDA, Non-GAAP Net Income, Non-GAAP Net Income Per Share and Free Cash Flow.

Altair believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. The Company's management uses these non-GAAP measures to compare the Company's performance to that of prior periods for trend analysis, for purposes of determining executive and senior management incentive compensation and for budgeting and planning purposes. The Company also believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other software companies, many of which present similar non-GAAP financial measures to investors.

Company management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. Altair urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business. Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures used in this press release are included with the financial tables at the end of this release.

About Altair

Altair transforms design and decision making by applying simulation, machine learning and optimization throughout product lifecycles. Our broad portfolio of simulation technology and patented units-based software licensing model enable Simulation-Driven Innovation for our customers. With more than 2,000 employees, Altair is headquartered in Troy, Michigan, USA and operates 71 offices throughout 24 countries. Altair serves more than 5,000 customers across broad industry segments. To learn more, please visit www.altair.com.

Cautionary Language Concerning Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our business outlook, potential growth, market positioning and future investments, and our reconciliations of projected non-GAAP financial measures. These forward-looking statements are made as of the date of this release and are based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Altair’s control. Altair’s actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in Altair’s quarterly and annual reports filed with the Securities and Exchange Commission as well as other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent Altair’s views as of the date of this press release. The Company anticipates that subsequent events and developments will cause its views to change. Altair undertakes no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing Altair’s views as of any date subsequent to the date of this press release.

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Altair Engineering Inc. and subsidiaries
Consolidated balance sheets

| (In thousands) | <u>March 31, 2018</u> <u>(Unaudited)</u> | <u>December 31, 2017</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 63,196 | \$ 39,213 |
| Accounts receivable, net | 83,350 | 86,635 |
| Inventory, net | 1,051 | 1,980 |
| Income tax receivable | 6,898 | 6,054 |
| Prepaid expenses and other current assets | <u>13,148</u> | <u>10,006</u> |
| Total current assets | 167,643 | 143,888 |
| Property and equipment, net | 30,501 | 31,446 |
| Goodwill | 63,771 | 62,706 |
| Other intangible assets, net | 22,813 | 24,461 |
| Deferred tax assets | 8,824 | 8,351 |
| Other long-term assets | <u>17,270</u> | <u>17,019</u> |
| TOTAL ASSETS | <u>\$ 310,822</u> | <u>\$ 287,871</u> |
| LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 294 | \$ 232 |
| Accounts payable | 5,650 | 4,880 |
| Accrued compensation and benefits | 25,360 | 26,560 |
| Obligations for acquisition of businesses | 13,226 | 13,925 |
| Other accrued expenses and current liabilities | 21,486 | 21,744 |
| Deferred revenue | <u>152,663</u> | <u>130,122</u> |
| Total current liabilities | 218,679 | 197,463 |
| Long-term debt, net of current portion | 526 | 178 |
| Deferred revenue, non-current | 9,961 | 9,640 |
| Other long-term liabilities | <u>14,179</u> | <u>17,647</u> |
| TOTAL LIABILITIES | <u>243,345</u> | <u>224,928</u> |
| Commitments and contingencies | | |
| MEZZANINE EQUITY | 2,352 | 2,352 |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock (\$0.0001 par value), authorized 45,000 shares, none issued and outstanding | — | — |
| Common stock (\$0.0001 par value) | | |
| Class A common stock, authorized 513,797 shares, issued and outstanding 27,357 and 26,725 shares as of March 31, 2018 and December 31, 2017, respectively | 3 | 2 |
| Class B common stock, authorized 41,203 shares, issued and outstanding 36,508 shares as of March 31, 2018 and December 31, 2017 | 4 | 4 |
| Additional paid-in capital | 232,576 | 232,156 |
| Accumulated deficit | (162,579) | (166,499) |
| Accumulated other comprehensive loss | <u>(4,879)</u> | <u>(5,072)</u> |
| TOTAL STOCKHOLDERS' EQUITY | 65,125 | 60,591 |
| TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY | <u>\$ 310,822</u> | <u>\$ 287,871</u> |

Altair Engineering Inc. and subsidiaries
Consolidated statements of operations
(Unaudited)

| (in thousands, except per share data) | Three months ended | |
|------------------------------------------------------------------------------------------|--------------------|-------------------|
| | March 31, | |
| | 2018 | 2017 |
| Revenue | | |
| Software | \$68,143 | \$54,097 |
| Software related services | 9,473 | 8,971 |
| Total software | 77,616 | 63,068 |
| Client engineering services | 12,080 | 12,229 |
| Other | 2,035 | 1,585 |
| Total revenue | <u>91,731</u> | <u>76,882</u> |
| Cost of revenue | | |
| Software* | 10,922 | 8,904 |
| Software related services | 6,709 | 6,659 |
| Total software | 17,631 | 15,563 |
| Client engineering services | 10,200 | 10,141 |
| Other | 1,211 | 1,050 |
| Total cost of revenue | <u>29,042</u> | <u>26,754</u> |
| Gross profit | 62,689 | 50,128 |
| Operating expenses: | | |
| Research and development* | 22,703 | 18,770 |
| Sales and marketing* | 18,977 | 16,910 |
| General and administrative* | 16,990 | 16,089 |
| Amortization of intangible assets | 1,940 | 943 |
| Other operating income | (2,191) | (594) |
| Total operating expenses | <u>58,419</u> | <u>52,118</u> |
| Operating income (loss) | 4,270 | (1,990) |
| Interest expense | 16 | 611 |
| Other (income) expense, net | (900) | 359 |
| Income (loss) before income taxes | 5,154 | (2,960) |
| Income tax expense (benefit) | 1,234 | (772) |
| Net income (loss) | <u>\$ 3,920</u> | <u>\$ (2,188)</u> |
| Income (loss) per share: | | |
| Net income (loss) per share attributable to common stockholders, basic | \$ 0.06 | \$ (0.04) |
| Net income (loss) per share attributable to common stockholders, diluted | \$ 0.05 | \$ (0.04) |
| Weighted average shares outstanding: | | |
| Weighted average number of shares used in computing net income (loss) per share, basic | 63,638 | 50,132 |
| Weighted average number of shares used in computing net income (loss) per share, diluted | 72,390 | 50,132 |

*Amounts include stock-based compensation expense as follows (in thousands):

| | Three months ended | |
|----------------------------------------|--------------------|-----------------|
| | March 31, | |
| | 2018 | 2017 |
| Cost of revenue – software | \$ 8 | \$ 5 |
| Research and development | 47 | 775 |
| Sales and marketing | 41 | 431 |
| General and administrative | 120 | 1,658 |
| Total stock-based compensation expense | <u>\$ 216</u> | <u>\$ 2,869</u> |

Altair Engineering Inc. and subsidiaries
Consolidated statements of cash flows
(Unaudited)

| (In thousands) | Three months ended | |
|-----------------------------------------------------------------------------------------------|--------------------|------------------|
| | March 31, | |
| | 2018 | 2017 |
| OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 3,920 | \$ (2,188) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,543 | 2,461 |
| Provision for bad debt | 65 | 91 |
| Stock-based compensation expense | 216 | 2,869 |
| Deferred income taxes | (432) | 182 |
| Other, net | (7) | 18 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 4,492 | 8,153 |
| Prepaid expenses and other current assets | (715) | (4,058) |
| Other long-term assets | 119 | (1,523) |
| Accounts payable | 510 | (186) |
| Accrued compensation and benefits | (1,560) | (2,478) |
| Other accrued expenses and current liabilities | (3,967) | (632) |
| Deferred revenue | 20,505 | 16,493 |
| Net cash provided by operating activities | <u>26,689</u> | <u>19,202</u> |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (1,684) | (969) |
| Payments for acquisition of businesses | (1,199) | (1,099) |
| Payments for acquisition of developed technology | (353) | (120) |
| Other investing activities, net | 23 | (44) |
| Net cash used in investing activities | <u>(3,213)</u> | <u>(2,232)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 302 | 115 |
| Payments of initial public offering costs | (186) | (81) |
| Payments for redemption of common stock | (60) | (305) |
| Principal payments on long-term debt | (51) | (2,688) |
| Payments on revolving commitment | — | (32,061) |
| Borrowings under revolving commitment | — | 17,271 |
| Other financing activities | — | (16) |
| Net cash provided by (used in) financing activities | <u>5</u> | <u>(17,765)</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 495 | 490 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 23,976 | (305) |
| Cash, cash equivalents and restricted cash at beginning of year | <u>39,578</u> | <u>17,139</u> |
| Cash, cash equivalents and restricted cash at end of period | <u>\$63,554</u> | <u>\$ 16,834</u> |
| Supplemental disclosure of cash flow: | | |
| Interest paid | \$ 10 | \$ 634 |
| Income taxes paid | \$ 2,143 | \$ 1,641 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Initial public offering costs in other long-term assets | \$ — | \$ 1,625 |
| Property and equipment in accounts payable and other accrued expenses and current liabilities | \$ 736 | \$ 64 |
| Capital leases | \$ 565 | \$ — |

The following table provides a reconciliation of Adjusted EBITDA to net income (loss), the most comparable GAAP financial measure (in thousands):

| | (Unaudited) | |
|------------------------------------------|--------------------|-----------------|
| | Three months ended | |
| | March 31, | |
| | 2018 | 2017 |
| Net income (loss) | \$ 3,920 | \$(2,188) |
| Income tax expense (benefit) | 1,234 | (772) |
| Stock-based compensation expense | 216 | 2,869 |
| Interest expense | 16 | 611 |
| Interest income and other ⁽¹⁾ | (1,255) | (85) |
| Depreciation and amortization | 3,543 | 2,474 |
| Adjusted EBITDA | <u>\$ 7,674</u> | <u>\$ 2,909</u> |

(1) Includes a non-recurring adjustment for a change in estimated legal expenses resulting in \$2.0 million of income and a non-recurring adjustment for royalty contracts resulting in \$0.9 million of expense for the three months ended March 31, 2018.

The following table provides a reconciliation of Non-GAAP net income and Non-GAAP diluted earnings per share to net income (loss) and earnings (loss) per share - diluted, the most comparable GAAP financial measures (in thousands):

| | (Unaudited) | |
|------------------------------------------------------------------------------------------|--------------------|-----------------|
| | Three months ended | |
| | March 31, | |
| | 2018 | 2017 |
| Net income (loss) | \$ 3,920 | \$(2,188) |
| Stock-based compensation expense | 216 | 2,869 |
| Amortization of intangible assets | 1,940 | 943 |
| Non-GAAP net income | <u>\$ 6,076</u> | <u>\$ 1,624</u> |
| Earnings (loss) per share - diluted | \$ 0.05 | \$ (0.04) |
| Non-GAAP earnings per share - diluted | \$ 0.08 | \$ 0.03 |
| GAAP diluted shares outstanding: | | |
| Weighted average number of shares used in computing net income (loss) per share, diluted | 72,390 | 50,132 |
| Non-GAAP diluted shares outstanding: | | |
| Weighted average number of shares used in computing net income per share, diluted | 72,800 | 61,200 |

The following table provides a reconciliation of Free Cash Flow to net cash provided by operating activities, the most comparable GAAP financial measure (in thousands):

| | (Unaudited) | |
|-------------------------------------------|---------------------------|-----------------|
| | Three months ended | |
| | March 31, | |
| | 2018 | 2017 |
| Net cash provided by operating activities | \$26,689 | \$19,202 |
| Capital expenditures | (1,684) | (969) |
| Free cash flow | <u>\$25,005</u> | <u>\$18,233</u> |

The following table provides a reconciliation of projected net income to projected Non-GAAP net income, the most comparable GAAP financial measure (in thousands):

| | (Unaudited) | | | |
|-----------------------------------|----------------------------|-----------------|--------------------------|-----------------|
| | Three months ending | | Year ending | |
| | June 30, 2018 | | December 31, 2018 | |
| | low | high | low | high |
| Net income | \$ 500 | \$ 1,000 | \$11,000 | \$13,000 |
| Stock-based compensation expense | 500 | 500 | 2,000 | 2,000 |
| Amortization of intangible assets | 1,500 | 1,500 | 6,000 | 6,000 |
| Non-GAAP net income | <u>\$ 2,500</u> | <u>\$ 3,000</u> | <u>\$19,000</u> | <u>\$21,000</u> |

The following table provides a reconciliation of projected Adjusted EBITDA to projected net income, the most comparable GAAP financial measure (in thousands):

| | (Unaudited) | | | |
|--------------------------------------------|----------------------------|-----------------|--------------------------|-----------------|
| | Three months ending | | Year ending | |
| | June 30, 2018 | | December 31, 2018 | |
| | low | high | low | high |
| Net income | \$ 500 | \$ 1,000 | \$11,000 | \$13,000 |
| Income tax expense | 600 | 600 | 4,200 | 4,200 |
| Stock-based compensation expense | 500 | 500 | 2,000 | 2,000 |
| Interest expense | - | - | - | - |
| Interest income and other | - | - | - | - |
| Depreciation and amortization | 3,400 | 3,400 | 13,500 | 13,500 |
| Other non-recurring charges ⁽¹⁾ | - | - | 2,300 | 2,300 |
| Adjusted EBITDA | <u>\$ 5,000</u> | <u>\$ 5,500</u> | <u>\$33,000</u> | <u>\$35,000</u> |

(1) Represents projected non-recurring costs related to accelerated compliance-related costs or impairment charges.