

**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): June 4, 2019

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A Common Stock	ALTR	The Nasdaq Global Select Market

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 8.01. Other Events.

As previously disclosed, the Company filed voluntary self-disclosure notices with the U.S. Treasury Department's Office of Foreign Assets Controls (OFAC) and the U.S. Commerce Department's Bureau of Industry & Security (BIS) on May 10, 2019 regarding potential violations of U.S. economic sanctions and export control laws. Since then, the Company's ongoing internal investigation confirmed that a third-party consultant in Poland disclosed certain proprietary software to an individual subcontractor who resides in Iran. The software in question was developed by the Company's Greek subsidiary and is purely commercial in nature.

The Company's internal investigation also found additional information indicating that other users in Iran and other comprehensively sanctioned countries downloaded other software programs from a website maintained by this same Greek subsidiary. The software in question was available for download as freeware and is also purely commercial in nature. The Company believes it is reasonably likely that OFAC and BIS would view the Polish consultant's disclosure and these recently-discovered freeware downloads as violations of applicable U.S. economic sanctions and export controls laws.

The Company is still conducting its internal investigation with the assistance of outside counsel and will disclose the final results of that investigation to OFAC and BIS. Although it is too early to predict what the ongoing internal investigation might find, or what action OFAC or BIS might ultimately take, the Company does not currently have reason to believe that this matter (or any related U.S. Government investigations) will have a meaningful impact on its operations, the results of its operations for any future period, or its overall financial condition.

Forward-Looking Statements

Information in item 8.01 of this Current Report on Form 8-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to, statements regarding the Company's investigation into the matters described therein. Forward-looking statements are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results to differ materially from the Company's expectations include, among other things, the possibility that facts currently not known by the Company may be discovered and may cause the outcome of the Company's investigation to differ from current expectations.

Item 9.01. Financial Statements and Exhibits.

Explanatory Note

In connection with the consummation of the acquisition by the Company of Datawatch Corporation ("Datawatch") effected by a merger of a subsidiary of the Company with and into Datawatch on December 13, 2018 (the "Merger"), the Company filed a Current Report on Form 8-K on December 13, 2019 describing that transaction (the "Original Current Report"). On February 22, 2019, the Company filed an amendment to the Original Current Report for the purpose of amending and supplementing Item 9.01 of the Original Current Report to provide the information required by Item 9.01(a) and (b) of Form 8-K and Rule 3-05(b) of Regulation S-X that was not previously filed with the Original Current Report, as permitted by the rules of the SEC (the "Amended Current Report").

The following financial statements were filed as exhibits to the Amended Current Report: (i) the audited consolidated balance sheet of Datawatch Corporation as of September 30, 2018; (ii) the related consolidated statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the two years ended September 30, 2018; and (iii) the related notes.

The following pro forma financial information was filed as an exhibit to the Amended Current Report: (i) an unaudited pro forma condensed combined balance sheet which gave effect to the Merger as if it had occurred on September 30, 2018; (ii) the related unaudited pro forma condensed combined statements of operations for the nine-month period ended September 30, 2018, and the year ended December 31, 2017, which gave effect to the Merger as if it had occurred on January 1, 2017; and (iii) the related notes to such unaudited pro forma condensed combined financial statement.

The Company is presenting in this Current Report additional pro forma information with respect to the Merger that was not required to be included in the Amended Current Report.

Forward-Looking Statements

Information in Item 9.01 of this Current Report on Form 8-K, together with the exhibits attached hereto, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, including, but not limited to, statements regarding the integration of Altair Engineering Inc. and Datawatch Corporation, the expected benefits and costs of Altair's acquisition of Datawatch, Altair's plans relating to the acquisition, the future financial and accounting impact of the acquisition, and any statements of expectation or belief or assumptions underlying any of the foregoing. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Factors that could cause actual results and the timing of certain events to differ materially from the forward-looking statements, include, but are not limited to, the possibility that the expected costs and benefits of the Merger may not materialize as expected, the possibility that preliminary financial reporting estimates and assumptions may prove to be incorrect, the failure of Altair to successfully integrate the Datawatch business or realize synergies, conditions in the capital and financial markets, general economic conditions and other risks that are described in Altair's Annual Report on Form 10-K for the year ended December 31, 2018 and its other filings with the SEC.

(a) Financial statements of business acquired.

The following pro forma financial information is being filed as an exhibit to this Current Report and is incorporated by reference herein: Exhibit 99.1 – (i) The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018, which gives effect to the Merger as if it had occurred on January 1, 2018; and (ii) the related notes to such unaudited pro forma condensed combined financial statement.

(d) Exhibits:

Exhibit No.	Description
99.1	<u>The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018, which gives effect to the Merger as if it had occurred on January 1, 2018; and the related notes to such unaudited pro forma condensed combined financial statement.</u>

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.

Dated: June 4, 2019

By: /s/ Howard N. Morof

Name: Howard N. Morof

Title: Chief Financial Officer

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On November 5, 2018, Altair Engineering Inc. (“Altair” or the “Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”), by and among Altair, Dallas Merger Sub, Inc., a Delaware corporation and a wholly-owned indirect subsidiary of Altair (“Purchaser”), and Datawatch Corporation (“Datawatch”).

In accordance with the terms of the Merger Agreement, Purchaser commenced a tender offer (the “Offer”) to purchase all of the issued and outstanding shares of common stock, par value \$0.01 per share (the “Shares”), of Datawatch at a purchase price of \$13.10 per Share, net to seller in cash (the “Offer Price”). On December 13, 2018, promptly after the expiration of the Offer, Purchaser irrevocably accepted for payment all Shares that were validly tendered and not validly withdrawn pursuant to the Offer and payment for such Shares was made to the depository, which acted as agent for tendering stockholders whose Shares were accepted for payment, in accordance with the terms of the Offer.

Also on December 13, 2018, Altair completed the acquisition of Datawatch through the merger of Purchaser with and into Datawatch, with Datawatch surviving as a wholly owned subsidiary of the Company (the “Merger”). The Merger was governed by Section 251(h) of the Delaware General Corporation Law, with no stockholder vote required to consummate the Merger. At the effective time of the Merger (the “Effective Time”), any Share not purchased pursuant to the Offer (other than Shares (i) owned by Datawatch’s stockholders who perfected their statutory rights of appraisal under Delaware law, (ii) then owned by Datawatch or owned both at the commencement of the Offer and at the Effective Time by any wholly owned subsidiary of Datawatch and (iii) irrevocably accepted for purchase in the Offer or owned both at the commencement of the Offer and at the Effective Time by Purchaser, the Company or any other wholly owned subsidiary of the Company) was cancelled and converted into the right to receive the Offer Price, without interest and less any applicable withholding taxes.

In connection with the closing of the Offer and the Merger, the Company paid approximately \$168 million for the Shares, without giving effect to related transaction fees and expenses paid, approximately \$6.7 million for certain restricted stock units that accelerated upon a change in control, and retired approximately \$8 million in outstanding Datawatch debt. The Company funded these payments from available cash on hand and a drawdown from its existing credit facility.

The unaudited pro forma condensed combined financial statement presented herein was prepared using the acquisition method of accounting in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations*, with Altair considered as the accounting acquirer. Accordingly, consideration paid by Altair to complete the Merger has been allocated to identifiable assets acquired and liabilities assumed of Datawatch based on estimated fair values as of the closing date of the Merger. Management made a preliminary allocation of the fair value of consideration transferred to the assets acquired and liabilities assumed based on the information available and management’s preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed. The finalization of the purchase accounting assessment may result in changes to the valuation of assets acquired and liabilities assumed, which could be material. Accordingly, the pro forma adjustments related to the allocation of consideration transferred are preliminary and have been presented solely for the purpose of providing unaudited pro forma combined financial statement in this Current Report on Form 8-K. Management expects to finalize the accounting for the business combination as soon as practicable within the measurement period in accordance with ASC 805, but in no event later than one year from December 13, 2018.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 gives effect to the acquisition of Datawatch as if it had occurred on the first day of Altair’s fiscal year 2018.

The pro forma condensed combined financial statement presented herein does not necessarily reflect what the combined results of operations would have been had the acquisition occurred on the date indicated. The pro forma condensed combined financial statement presented herein also may not be useful in predicting the future results of operations of the combined company. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

The unaudited pro forma condensed combined financial statement presented herein has been derived from, and should be read in conjunction with:

- The audited consolidated financial statements and accompanying notes of Altair as of and for the year ended December 31, 2018, as contained in its Annual Report on Form 10-K filed on March 1, 2019; and
- The audited consolidated financial statements and accompanying notes of Datawatch as of and for the year ended September 30, 2018, as contained in Amendment No. 1 to Altair's Current Report on Form 8-K filed on February 22, 2019.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(in thousands, except per share data)

	Historical Year Ended		Pro Forma Adjustments (Note 3)	Pro Forma Combined
	December 31, 2018	September 30, 2018		
	ALTAIR ENGINEERING INC.	DATAWATCH CORPORATION		
Revenues:				
Software	\$ 304,361	\$ 43,066	\$ (8,227) A,B	\$339,200
Software related services	36,945	1,331		38,276
Total software	341,306	44,397	(8,227)	377,476
Client engineering services	47,852	—		47,852
Other	7,221	—		7,221
Total revenue	396,379	44,397	(8,227)	432,549
Cost of revenues:				
Software	45,774	4,420	(285) A,C	49,909
Software related services	26,415	—	—	26,415
Total software	72,189	4,420	(285)	76,324
Client engineering services	38,979	—	—	38,979
Other	4,805	—	—	4,805
Total cost of revenues	115,973	4,420	(285)	120,108
Gross profit	280,406	39,977	(7,942)	312,441
Operating expenses:				
Research and development	97,592	11,421	(1,035) A,C	107,978
Sales and marketing	80,277	21,112	(2,054) A,C	99,335
General and administrative	79,751	11,835	(10,493) ACD	81,093
Amortization of intangible assets	7,739	1,200	5,250 AE	14,189
Other operating income	(9,597)	—	(126)	(9,723)
Total operating expenses	255,762	45,568	(8,458)	292,872
Operating income (loss)	24,644	(5,591)	516	19,569
Interest expense	200	399	(404) F	195
Other (income) expense, net	(2,580)	(231)	280 A	(2,531)
Income (loss) before income taxes	27,024	(5,759)	640	21,905
Income tax expense	13,309	11	(420) G	12,878
Net income (loss)	\$ 13,715	\$ (5,748)	\$ 1,060	\$ 9,027
Earnings (loss) per share:				
Basic earnings per share	\$ 0.20			\$ 0.13
Diluted earnings per share	\$ 0.18			\$ 0.12
Weighted average shares used in computing earnings per share:				
Basic	67,468			67,468
Diluted	74,878			74,878

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Note 1 — Basis of Presentation

The unaudited pro forma condensed combined statement of operations was derived from the historical audited consolidated financial statements of Altair and Datawatch, and gives effect to the acquisition as if it had occurred on the first day of Altair's last fiscal year 2018.

The historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined statement of operations to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable, and (3) expected to have a continuing impact on the combined results following the business combination.

Altair has a different fiscal year end than Datawatch. Datawatch's fiscal year ends on September 30 of each year and Altair's fiscal year ends on December 31 of each year. As the fiscal years do not differ by more than 93 days, pursuant to Rule 11-02(c)(3) of Regulation S-X, the historical statement of operations of Datawatch used in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2018 was prepared by using the audited consolidated statements of operations of Datawatch for the year ended September 30, 2018.

The unaudited pro forma condensed combined statement of operations is based on a preliminary allocation of fair value of purchase consideration, provided for illustrative purposes only, and does not purport to represent what the combined company's results of operations would have been had the acquisition occurred on the date indicated. It also may not be useful in predicting the future results of operations of the combined company. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. In addition, the unaudited pro forma condensed combined statement of operations does not reflect any future planned cost savings initiatives following the completion of the business combination.

Note 2 — Reclassifications

Altair has made certain reclassifications to the Datawatch statement of operations for the purposes of preparing the unaudited pro forma combined statement of operations for the year ended September 30, 2018 to conform to Altair's historical presentation as detailed below.

Reclassifications in the unaudited pro forma condensed combined statement of operations for the year ended September 30, 2018 (in thousands):

Datawatch Corporation Consolidated Statement of Operations	Adjustments						Datawatch Corporation Consolidated Statement of Operations after Adjustments	
	(a)	(b)	(c)	(d)	(e)	(f)		
Revenues:								
Software	\$24,759	\$ 15,588	\$ —	\$ —	\$ —	\$ —	\$ 2,719	\$ 43,066
Software related services	—	1,331	—	—	—	—	—	1,331
Maintenance	15,588	(15,588)	—	—	—	—	—	—
Professional services	1,331	(1,331)	—	—	—	—	—	—
Total software	41,678	—	—	—	—	—	2,719	44,397
Client engineering services	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Total revenue	41,678	—	—	—	—	—	2,719	44,397
Cost of revenue								
Software	1,298	—	3,622	—	—	(500)	—	4,420
Software related services	—	—	—	—	—	—	—	—
Cost of maintenance and services	3,622	—	(3,622)	—	—	—	—	—
Total software	4,920	—	—	—	—	(500)	—	4,420
Client engineering services	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Total cost of revenue	4,920	—	—	—	—	—	—	4,420
Gross profit	36,758	—	—	—	—	—	2,719	39,977
Operating expenses:								
Research and development	—	—	—	11,421	—	—	—	11,421
Sales and marketing	22,597	—	—	—	—	(700)	(785)	21,112
General and administrative	11,835	—	—	—	—	—	—	11,835
Amortization of intangible assets	—	—	—	—	—	1,200	—	1,200
Other operating income	—	—	—	—	—	—	—	—
Engineering and product development	11,421	—	—	(11,421)	—	—	—	—
Total operating expenses	45,853	—	—	—	—	500	(785)	45,568
Operating income (loss)	(9,095)	—	—	—	—	—	3,504	(5,591)
Interest expense	399	—	—	—	—	—	—	399
Other (income) expense, net	(57)	—	—	—	(174)	—	—	(231)
Foreign currency transaction loss	(174)	—	—	—	174	—	—	—
Income (loss) before income taxes	(9,263)	—	—	—	—	—	3,504	(5,759)
Income tax expense	11	—	—	—	—	—	—	11
Net income (loss)	\$ (9,252)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,504	\$ (5,748)

- (a) Represents the reclassification of \$15.6 million from Maintenance revenue to Software, and \$1.3 million from Professional services to Software related services.
- (b) Represents the reclassification of \$3.6 million from Cost of maintenance and services to Cost of revenue, Software.
- (c) Represents the reclassification of \$11.4 million from Engineering and product development to Research and development.
- (d) Represents the reclassification of \$0.2 million from Foreign currency transaction loss to Other (income) expense, net.
- (e) Represents the reclassification of \$0.5 million from Cost of revenue, Software and \$0.7 million from Sales and marketing to Amortization of intangible assets.

(f) Represents the impact of adopting ASC 606, increasing software revenue by \$2.7 million and decreasing sales and marketing by \$0.8 million due to capitalized contract costs.

Note 3 — Adjustments to the Unaudited Pro Forma Statements of Operations

The pro forma adjustments are based on Altair's preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined statement of operations (in thousands):

(A) Represents the activity from Datawatch since the date of acquisition which is reflected in the consolidated financial results of Altair as of December 31, 2018

(B) Represents the decrease in the amount of deferred revenue recognized as a result of the Datawatch acquisition of \$5.4 million. After the acquisition the reduction of deferred revenue will reduce revenue related to the assumed software and software related service as the services are over the term of the agreements. The pro forma adjustments to reduce revenue by \$5.4 million for the year ended December 31, 2018 reflect the difference between prepayments related to software and software related services and the fair value of the assumed deliverables as they are satisfied, assuming the transaction was consummated the entire year.

(C) Represents the decrease in stock-based compensation expense as a result of the Datawatch acquisition:

	Historical Expense Year ended September 30, 2018	Pro Forma Combined Year ended September 30, 2018	Pro Forma Adjustment Year ended September 30, 2018
Cost of Sales – Software	\$ (62)	\$ 17	\$ (45)
Research and development	(869)	584	(285)
Sales and marketing	(592)	150	(442)
General and administrative	(1,452)	454	(998)
	<u>\$ (2,975)</u>	<u>\$ 1,205</u>	<u>\$ (1,770)</u>

- The Merger Agreement modified outstanding unvested restricted stock units and provided for a cash payout of \$13.10 per share. This modification will result in the recognition of post combination expense based on a respective employee's meeting the service conditions in the original award. The pro forma adjustment decreases compensation expense by \$1.8 million in the twelve month period ended September 30, 2018. The reduction is principally attributed to the 512,184 restricted stock units that vested immediately prior to the Merger due to change-in-control provisions in the original awards and were cash settled. Thus, there is no post-combination expense related to these awards.

(D) Represents the adjustment for transaction costs related to the Datawatch transaction. Through December 31, 2018 approximately \$8.4 million had been incurred by Altair and had been recognized as an operating expense in Altair's operating results for the year then ended.

(E) Represents the increase in amortization expense as a result of the Datawatch acquisition:

	Year ended December 31, 2018
Developed technology	\$ 3,767
Customer relationships	2,683
Historical amortization expense	(1,200)
	<u>\$ 5,250</u>

- This adjustment reflects the increase in the amortization expense as a result of the amortization of acquired identifiable intangible assets. Trade names are indefinite lived intangibles, developed technology has a life of 6 years and is being amortized on a straight line basis, and customer relationships have a 10 year life and are being amortized using an accelerated amortization method. The historical \$0.3 million of amortization expense previously recognized in the Datawatch financial statements reduces the amortization of the acquired intangible assets.

(F) The \$0.4 million adjustment in the year ended December 31, 2018 is to eliminate the interest expense Datawatch paid; Datawatch entered into a debt agreement in January 2018, and thus there was no debt outstanding and no interest expense in Datawatch's 2018 fiscal year.

(G) Represents the tax impact of the pro forma adjustments based on statutory tax rates. The income tax expense is based on applicable statutory tax rates for the jurisdictions associated with the respective pro forma adjustments. Because the tax rates used for these pro forma financial statements are an estimate, the statutory rate will likely vary from the actual effective tax rate in subsequent periods.