



Company/ASX Code	Altium / ALU
AGM date	Thursday 18 November, 2021
Time and location	9.30 am, hybrid meeting on https://web.lumiagm.com (Meeting ID 325-051-657)
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Patricia Beal assisted by Norman Windell
Pre AGM Meeting?	Yes with Chair Sam Weiss

Aiming High

Please note any potential conflict as follows: One of the individuals involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Board composition; Remuneration. See below for each.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

This is an International company, which expects to grow rapidly into the expanding market of PCB design, and hopes to dominate it. For the years before 2020, it has had double digit revenue growth with expanding margins. The aim was “rule of 50”, namely the sum of the percentages of its growth rate and profit margin would exceed 50. This was interrupted by COVID-19, and they have slightly changed the long term growth and assessment targets to hopefully better focus their efforts.

Diversity and inclusion are important to Altium, whose staff comes from a range of countries, with variability in culture, age and race as well as gender. Professional development is encouraged and supported.

As a fast-growing company in the technology sector, ALU started with a small board. One NED resigned (just before 2019 AGM) and has not yet been replaced. The chair agrees there should be

a larger board, but recruitment has been delayed by the pandemic, and the specific requirements for such a company. Hopefully a larger board will happen shortly, but it does need people very committed to the company and its culture. Item 6 at the AGM will contribute to this happening.

Financial performance

H1 was affected by COVID-19; this recovered somewhat in H2, but now shortages of chips is a problem. During the worst of COVID-19, the company pivoted to the cloud. Dividends have continued, but are small (as is usual in growing companies). \$1.7m (USD) was invested in R&D. Altium has no debt.

Key events

There is a continual process of expanding Altium's offerings in electronic design software, with interrelated sections to facilitate efficiencies in design and ordering etc of PCBs. One section, TASKING, which no longer fits the overall plan, has been sold. Octopart, software which links to an online search engine to find suitable parts, was purchased to link to the overall design process. The software has pivoted to the "cloud", as Altium 365, and recurring revenue has increased. Subscriptions have been split into two streams, low-touch and high touch, high end customers. The software business (designer, Nexus and circuitmaker) are engines for dominance via the professional and CAD platforms. The cloud business (digital channel and Altium 365) are transformation engines. Together, they interact to give 4 'flywheels' for greater growth.

The outlook is for strong growth in FY22, with revenue of US\$209-217m, underlying EBITDA margin 34-36% and ARR growth of 23-27%. Longer term, they are still aiming for 100,000 subscribers and US\$500m in revenue by 2025 or shortly thereafter.

Key Board or senior management changes

Composition of the Board is unchanged, with a (non-Executive) Chair, 2 Executive Directors and 2 NED.

The senior executive team was reorganised in August 2020. Sergiy Kostynsky (Executive and CTO) was promoted to also be President, and Martin Ive became CFO and a KMP (Key Management Personnel). Henry Potts (Sales) and Joseph Bedewi (former CFO) were removed from the KMP group. It was decided that the KMP designation in future might be similarly bestowed or removed on a yearly basis if circumstances warranted.

The rem plan was also changed, see below (Appendix 1)

Summary

(As at 2021 FYE)	2021	2020	2019	2018	2017
NPAT (\$m) USD	35.3	19.7	37.5	28.1	23.0
UPAT (\$m) USD	107*	53.08	42.45	30.58	24.52
Share price (\$) AUD	36.69	32.48	34.2	22.51	8.57
Dividend (cents) AUD	38	39	34	27	23
Simple TSR (%)	14.1	-4.83	53.5	166	36.2
EPS (cents)	26.89	23.6	40.57	28.86	21.70
CEO total remuneration, actual (\$m) USD	1.007	1.700	3.054	1.894	1.218

For FY2021, the CEO's total actual remuneration was **11.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics). Note - For May 2021, the Full-time adult average weekly total earnings (annualised, original) was \$93,444 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings". A conversion rate of 1AUD = 1.3 USD was used for this calculation.

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking by the share price at the start of the year.

* The UPAT this year includes the sale proceeds of TASKING until its sale on 5/2/21.

Item 2	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

See details in Appendix 1 below

In the Annual Report, there is a table linking the results and the hurdles to the incentives, for the past 5 years; and also a clear table showing the components of the rem received for each KMP (pp 33, 34).

The purpose of the rem, is stated as to "encourage key executives to focus on the creation of enduring value for investors, whilst retaining them for the long-term". This seems to work well, given these are very committed, as well as very well qualified, people.

Item 3	Re-election of Samuel Weiss as a Director
ASA Vote	For

Summary of ASA Position

Samuel Weiss is described as Non-executive Chairman of Altium, and has held this position since 2007, very shortly after it listed. Through length of tenure he might not be considered as truly “independent”. However we are convinced his continued holding of this position is vital to the company at this time, due to his experience in governance, technology, market strategy and global markets. Mr Weiss is still a director of 3PLearning, but no longer Chairman.

He holds a very significant parcel of shares in the company, evidence of his “skin in the game”. ASA will vote undirected proxies for his re-election.

Item 4	Re-election of Sergiy Kostynsky as a Director
ASA Vote	For

Summary of ASA Position

Mr Kostynsky is President and Chief Technology Officer of ALU. He has 20 years of extensive experience in CAD software, the last 10 after he rejoined the company (as VP Engineering) after the Morfik Technology acquisition. He was appointed as an Executive Director in 2018. While it is not usual policy for ASA to support more than one Executive Director, this company has an unusually small board, and it is one where all members seem to contribute very significantly. Mr Kostynsky certainly has a very large shareholding in the company and is a critical member of the board, so we shall vote for his continued board membership.

Item 5	Renewal of proportional takeover provisions - Special Resolution
ASA Vote	For

Summary of ASA Position

ASA prefer full takeovers so that shareholders are not left with a controlling shareholder and would usually support these resolutions.

Item 6	Increase in NED fee pool
ASA Vote	For

Summary of ASA Position

The fee pool has not been increased since 2015. Currently there are 5 directors; the constitution allows for up to 9, and certainly there is a current need for some increase. While the increase sought is from \$1,500,000 to \$2,250,000, there is no intention to use the full extent of the increase immediately.

Item 7	Adoption of new or amended constitution - Special Resolution
ASA Vote	Against

Summary of ASA Position

Currently, emergency legislation enables virtual meetings to be held. ASIC has a relief power under s253TA of the Corporations Act to allow virtual-only meetings in exceptional circumstance, so we do not see any urgency to change the Constitution.

Experience suggests that the current technology is not always as reliable as it might be, and also many users are unfamiliar with the various types of technology they might encounter, causing dissatisfaction with it.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.

Appendix 1

Remuneration framework detail

CEO rem. Framework for FY22	Target* \$m(US)	% of Total	Max. Opportunity \$m(US)	% of Total
Fixed Remuneration	0.500	40	0.500	40
STI - Cash	0	0	0	0
STI - Equity	0	0	0	0
LTI	0.750	60	0.75	60
Total	1.25	100	1.25	100

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Due to COVID-19, the objectives for FY 2020 (revenue and underlying EBITDA margin) were at the lower end of the target range. The Board then decided, in view of the overall results, not to award any incentives in that FY. LTI were awarded for the FY 2021.

The senior leadership scheme was reorganised in 2021: all incentives were combined together as LTI, reflecting the long term strategy planning and targets which ALU sets. LTI thus becomes 60% of total available rem; previously STI was 20% and LTI 40%.

AS the CEO and President are already such large holders of shares in the company their LTI will be cash only. To align their interests with those of the company, it requires them each to hold 500% of FAR in shares; they hold respectively over 51,000% and almost 13,000% (annual report p 32), so it can hardly be argued that they need any more shares! The other ongoing KMP satisfies the requirement, but not with such excess, so any LTI for him will be as equity.

With one of the long term targets of the company being 100,000 subscribers, the new 3rd hurdle of "adoption" (ie PCB design subscriptions) was added. The measures for achievement this FY are 1/3 each for revenue, adoption and underlying EBITDA margin. The rationale for this approach is described p 31 of the Annual Report; with actual values for entry and target for each parameter not being published each year till after the end of the FY. Vesting is after 5 years.