



Hiring not firing and pivoting to the cloud goal slowed but not discarded

Company/ASX Code	Altium Limited ALU
AGM date	Friday 19 December 2020
Time and location	9 am AEDT Online lumiagm.com see https://www.altium.com/agm
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Mary Curran assisted by Tina Wu
Pre AGM Meeting On Line	Yes with Chair Sam Weiss, Company Secretary Alison Raffin and Non Executive Director Lynn Mickleburgh (USA)

The individuals involved in the preparation of this voting intention have a shareholding in this company.

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

Summary of ASA Position

Performance Altium received an early warning about what became the COVID19 pandemic due to their offices being in Shanghai, Shenzhen and Beijing, China. The company responded quickly, closed offices globally and instigated protocols to keep staff safe with the majority of employees working remotely. Nonetheless, the virus took its toll on the business which prior was well on its way to meeting its 2020 commitment to \$US 200 million in revenue and a future goal of 100,000 subscribers by 2025 Operating revenue for FY 2020 was US\$189.1m (versus FY 2019 US\$171.8 million) falling somewhat short but nonetheless growth of 10% and also growing the subscriber base 51,006 (2019, 43,600). Net profit after tax increased by 12% while earnings per share dropped from US\$40.57cents to US\$23.60 (down 41.8%). Dividend paid (unfranked) was 39c up 15%. License revenue increased by 22% and subscriptions by 13%. The standout this year was manufacturing (rebranded Altimade going forward). This coincides with the acquisition of Gumstix last financial year with 328% growth and also NEXUS with growth of 133%. Generally speaking, all segments except TASKING experienced year on year growth. The group continues to maintain a strong balance sheet with US\$93.1 million (2019 US\$80.5m) cash and is debt free. The company constant reviews its capital management plans and has no plans to capital raise currently, although always on the search for appropriate acquisitions. Dividend policy is well articulated with three percentage-based criteria, operating cash, revenue and NPAT. Total shareholder return was negative from 53.5% in 2019 to minus 4.83%. However, the company is bouncing back while achieving its highest price to date in March 2020 (on the cusp of the virus hitting) of \$42.76 to \$38.57 at time of writing. The company states it continues to take business from its competitors

and expand its business generally. With regard to debt levels, and extending credit, there are no 'gaping holes' and renewal rates and year-on-year payments remain constant.

Staffing A major change and initiative is pivoting the organisation structure toward the cloud and expanding the leadership capacity. This was due to the strong early adoption of Altium 365 resulting with Altium separating its Cloud operation from its software business. The business has increased its head count by approximately 10%. Sergey Kostynsky has become President at Altium. Joe Bedewi has stepped down as Altium CFO to take on a new role of EVP Corporate Development and External Affairs. Mr. Martin Ive has taken Joe's former role and previously held a senior management role at Grant Thornton.

Just before the 2019 AGM, Wendy Stops resigned (18 November 2019) and has not been replaced. The company is searching for a non-executive director who will most likely be based in USA.

Beyond 2020, the company plan to implement an Altium Ownership Plan (AOP) to allow key employees to benefit by issuing up to 5% of share capital to them. This plan is very much in incubation stage; however, the company want to flag it to both employees and shareholders alike at an early stage.

Summary

(As at FYE) US \$	2020	2019	2018	2017	2016
NPAT (\$m) US	30.9*	52.9	37.5	28.1	23.0
Share price (\$) AUD	32.48	34.2	22.51	8.57	6.46
Dividend (cents)	39c	34c	27c	23c	20c
TSR (%)	(4.83)	53.5	166	36.2	50.34
EPS (cents)	23.60	40.57	28.86	21.70	17.89
CEO total remuneration, actual (\$m)US	\$2.128	\$3.054	\$1.894	\$1,217.80	\$869.94

*due to increase in tax expense of \$US33.8 m as a result of a restructure

For 2020, the CEO's total actual remuneration was 32 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics) Exchange rate calculated at time of writing @ .71 cents AUD – USA.

Item 2	Re-election of Lynn Mickleburgh as a Director
ASA Vote	For

Summary of ASA Position

Lynn was appointed to the board in March 2017. She has held senior global roles in both Fortune 500 and high growth Saas companies including Atlassian. Holds 18400 shares.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

	Target US\$	% of Total	Max. Opportunity US\$	% of Total
Fixed Remuneration	500,000	40%	500,000	36%
STI - Cash	250,000	20%	375,000	27%
STI - Equity	-	0%	-	0%
LTI	500,000	40%	500,000	36%
Total	1,250,000	100.0%	1,375,000	100%

The Altium 2020 report provides very clear remuneration, actual (p32) and statutory (p36). Fixed annual pay (FAR), short term incentives (STI) and long-term incentives are easily understood. There are clear graphics on how STI outcomes and LTI outcomes are achieved and these are primarily monetary based. STI outcomes are based on revenue and EBITDA. LTI outcomes are based on earning per share (EPS) and revenue. The targets appear to be stretch with, for example, revenue growth 50% and EPS 50%. LTI awards are delivered in performance rights and the vesting period is five (5) years from the year of the award. Due to the fact the Aram Mirkazemi and Sergiy Kostynsky are significant shareholders, the board in discretion, makes these awards in cash. For example, Aram Mirkazemi current shareholding is 42,379% of his fees and Sergei Kostynsky 15,281% (minimum shareholding requirement is 500%). See table P 38 of Annual Report. Under normal circumstances, this is against ASA policy, however, given the large shareholding, we believe there is sufficient shareholder alignment and we make an exception to the cash payment.

Due the exceptional situation with COVID, as neither STI or LTI awards were met, the Board has made a discretionary call and allowed 'retesting' of the LTI awards. Given the uncertainty of 2021, this may stretch out to 2023 and is yet to be confirmed. Whereas in principal, ASA is opposed to this, given the extenuating circumstances, we will continue to monitor.

With regard to board members, the fee pool is AU\$1,500,000 which we feel is very fair and there are no plans to increase this. (last approved at AGM 2015). Minimum shareholding requirements are noted on P 35 (200% of annual fees within five years of appointment).

Service contracts for KMP's are being reviewed currently and the agreements are currently open (ie executives could leave with minimal notice periods).

Minimum shareholding requirements for both KMP and NED's must be met within five years from the date of inclusion in the LTI plan or appointment of NED. Participants are not permitted to sell or transfer shares if the minimum shareholding requirement is not met (exception, tax purposes).

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