



Altium gets altitude

Company/ASX Code	Altium Limited ALU
AGM date	Friday 6 December
Time and location	2pm Sheraton Grand Hotel, 161 Elizabeth Street, Sydney
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Mary Curran assisted by Tina Wu
Pre AGM Meeting?	Yes, with Chair Sam Weiss, Director Wendy Stops, Company Secretary Alison Raffin

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

Summary of ASA Position

The designer software company's 2020 commitment to US\$ 200 million (m) in revenue and a future goal of 100,000 subscribers by 2025 has certainly 'taken off'. Operating revenue for Financial Year 2019 (FY19) was a record US\$171.8 million, (growth of 23.1% from 140.1m) through 43,698 subscribers. Net profit after tax (NPAT) increased by 41.1% to US\$ 59.2m with earnings per share of US 40.57cents. Dividend declared (unfranked) was 34 cents (c, Australian) up 26% from 27c. License revenue increased from US\$64.4m to US\$ 82.6m and subscriptions and maintenance went up from US\$57m to US\$65m between FY18 and FY19. Octopart search advertising increased from \$12m to \$18m. This is a young business and a fast-growing segment of the business. The group has a strong balance sheet with US\$80.5m cash and is currently debt free. Total shareholder return was 53.5%.

In April 2019 the company acquired Gumstix, an American based company specialising in embedded hardware development and manufacturing and named after Wrigley's chewing gum (vis-a-vis size). It is not profitable yet but adds another string to the Altium bow and its next phase of expansion. To increase its global footprint, Altium has opened a new sales office in Beijing and expanded the sales centres in Shenzhen and Shanghai. China growth is 37%, compared to Americas 14%, EMEA 15%. Altium employs 771 employees drawn from 17 countries and aged from 18 to 73. The headquarters are in La Jolla, USA. Key additions are the Nexus sales team which uses a solution sales model and "CyberPod" teams that focus on subscriber retention.

The company is taking market share from competitors such as Cadence/Mentor/Eagle.

With regard to Environment Social Governance (ESG) Altium has ensured measures regarding fair labour practices and is committed to a safe and healthy workplace. Through "Altium Pay-it-Forward" it awards one student team or start-up company a direct gift which has been used for

‘giving voice to the voiceless’ and ‘building an exoskeleton to enable paraplegics to walk’. Students and start-ups also receive no or low cost Altium designer licences.

The tax benefit brought about by the company’s move to the US (relating to the amortisation of intellectual property) will most likely be consumed over the next two to three years and expected tax rate then will be in the vicinity of 27%.

The company provided a much-enhanced Annual Report this year, with some excellent tables, (a very clear skin in the game table P 32) and clear remuneration outcomes.

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 \$	2019	2018	2017	2016	2015
NPAT (\$m) US	52.9	37.5	28.1	23.0	92.4 ¹
UPAT (\$m)	53.08	42.45	30.58	24.52	15.4
Share price (\$) AUD	34.2	22.51	8.57	6.46	4.43
Dividend (cents)	34	27	23	20	16
TSR (%)	53.5	166	36.2	50.34	88
EPS (cents)	40.57	28.86	21.70	17.89	12.47
CEO total remuneration, actual (\$m) US	3.054	1.894	1,217.80	869.94	697.29

¹ 2015 NPAT US\$92.4m includes US\$77m deferred tax asset recognised on the transfer of core business assets to the USA. The UPAT is US\$15.4 excluding this US\$77m abnormal item.

For 2019, the CEO’s total actual remuneration was **51 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics) Exchange rate calculated at time of writing @ .68 cents (USD-AUD)

Item 2	Re-election of Raelene Murphy as a Director
ASA Vote	For

Summary of ASA Position

Raelene was appointed to the board in September 2016. She has held senior global roles in accounting and finance. She served as Managing Director of Korda Metha and is an experienced non executive director with roles in Bega Cheese, Integral Diagnostics Limited and Clean Seas Seafood. She currently holds 8,791 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 2019 report provides very clear remuneration, actual (p26) and statutory (p30) which is new this year. 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 has been increased this year to 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, made the awards in cash. For example, Aram Mirkazemi current shareholding is 45,703% of his fees (value AUD \$331M and \$75K unvested performance rights) and Sergei Kostynsky 16,479% (value \$83M and \$179K unvested performance rights) (minimum shareholding requirement is 500%). Under normal circumstances, this is against ASA policy, however, given the large shareholding, we believe there is sufficient shareholder alignment and make an exception to the cash payment.

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).

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

To comment further on 'skin in the game', 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).

Item 4	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

This is where a company renews its constitutional provisions which don't allow a predator to only bid for a proportion of a shareholders' interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder and would support this resolution. The renewed provisions will expire after three years unless renewed again by special resolution.

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

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