

A strong year for Altium with solid Revenue and Profit growth.

Company/ASX Code	Altium Limited/ALU
AGM time and date	1.30pm (AEDT) Thursday, 16 November 2023
Location	Water Room, Pier One Sydney Harbour, 11 Hickson Road, Walsh Bay
Registry	Computershare
Type of meeting	Physical
Monitor	Norman Windell
Pre-AGM Meeting	Yes with Samuel Weiss, Chairman and Natasha Davidson, General Council and Company secretary

Monitor Shareholding: The individual (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Financial Statements and Reports	No vote
2	Adoption of the Remuneration Report	Against
3	Election of Mr Michael Hawker as Director	For
4	Election of Ms Sylvia Wiggins as Director	For
5	Election of Ms Lauren Williams as Director	For

2. Summary of Issues and Voting Intentions for AGM/EGM

- Major changes to the Board composition with 2 departures, 3 new Directors and the Chairman set to step down.
- CEO Remuneration structure does not align with ASA guidelines.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE 2023)	2023	2022	2021	2020	2019
Revenue (US\$m)	263.3	220.8	191.1	189.1	171.8
EBITDA (US\$m)	96.0	79.8	67.2	75.6	62.7
UEBITDA (US\$m)	95.4	81.1	69.0	72.8	62.9
UPAT (US\$m)	66.3	55.5	107.0	30.9	52.9
Share price (A\$)	36.92	26.91	36.69	32.48	34.20
Dividend (cents) (A\$)	54	47	40	39	34
Simple TSR (%)	39.2	-25.4	14.2	-3.9	53.4
EPS (cents)	50.41	42.23	81.56	23.6	40.57
CEO total remuneration, actual (US\$K)	862	994	1008	1700	3054

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.

Altium (ASX:ALU) is a multinational software corporation headquartered in San Diego, California, that focuses on electronics design systems for three dimensional (3D) Printed Circuit Board (PCB) design and embedded system development. Altium products are found everywhere from world leading electronic design teams to the grassroots electronic design community.

Altium Revenue increased 19.2% to US\$263.3 for FY23 putting it on track towards its aspirational US\$500 target for FY26 albeit that growth will have to increase to about 24% in each of the next 3 years. EBITDA increased by 20.3% to US\$96.0, Underlying EBITDA Margin decreased slightly to 36.2% compared to 36.7% prior year. Profit after Tax increased by 19.5%

Geographically China revenue continued to decline, Altium have now appointed a Master Distributer to improve the situation, sales offices have been opened in Korea, Japan and India and a Head of Sales for Europe appointed.

The transition from perpetual to term-based licenses continued in FY23 increasing recurring revenue to 77.3% of total revenue. This was helped by the adoption of the Altium 365 digital collaboration platform which has gained more than 36,700 active users since its launch in May 2020.

Operating expenses grew by 20.2% due to an increased R&D headcount, increase in share-based payment expenses, increase in web advertising, ATO compliance costs, increase in Amazon web services costs for Altium 365 and increased travel costs post pandemic.

The declared dividend was increased by 14.9% to A\$0.54.

The CEO actual total remuneration in the above table is trending down due to the non-achievement of the LTI in 2020 and the low achievement of the LTI in 2021 as shown below.

Remuneration Report

Altium stated in their Annual Report that their approach to compensation is designed to incentivise a mostly US based executive team and be consistent with the expectations of the ASX and the Australian investor community.

Altium does not have a STI scheme.

For the LTI the Performance Metrics remained the same as FY22 although the weightings were changed slightly to give more emphasis to Group Revenue.

The following are the FY23 Incentive Outcomes.

For the year ended 30 June 2023, LTI performance for Executive KMP was assessed on Revenue, Underlying EBITDA Margin, Group Active Subscriptions and Altium 365 Adoption goals.

PERFORMANCE METRIC	WEIGHTING	ENTRY (80%)	TARGET (100%)	STRETCH (125%)	YEAR ENDED 30 JUNE 2023 RESULTS	30 JUNE 2023 ACHIEVEMENT	30 JUNE 2023 WEIGHTED ACHIEVEMENT
Group Revenue (million)	40%	US\$255	US\$260	US\$265	US\$263.3	116%	46.5%
Underlying EBITDA Margin	30%	35.0%	36.0%	37.0%	36.2%	105%	31.5%
Active Subscriber Seats	15%	59,500	59,500	60,000	61,159	125%	19.0%
Altium 365 Adoption	15%	4,750	5,000	5,250	5,333	125%	19.0%
							116.0%

The 5-year trend for achievement of the LTI, including the previous STI performance targets was as follows:

	2023	2022	2021	2020	2019	2018
Achievement	116.0%	80.0%	43.2%	0%	100%	100%

The following are the major differences from ASA guidelines:

- Both the CEO and President receive their LTI incentive as cash, on the basis that their shareholding is well above the 500% of base pay level limit.
- A TSR hurdle is not included in the LTI plan, with achievement of a combination of revenue, underlying EBITDA margin, subscriber and Altium 365 adoption targets measured at 12 months only. Upon the performance conditions being satisfied the award will be paid in three approximately equal tranches following the end of the financial year subject only to employment testing after the first year.
- Only 44% of the CEO's pay is genuinely at risk based on target LTI. ASA guideline is for at least 50% of the CEO's pay to be genuinely at risk.

Governance and culture

Altium's Corporate Governance Statement can be found here:-

<https://www.altium.com/corporate-governance>

During the FY23 reporting period, the Board reviewed the roles and responsibilities of the Board and its Committees, in particular, the Board's oversight of risk-related matters. Following this review, it was determined that in FY24, a standalone Risk Management and Governance Committee would be established.

The Board, with the assistance of the Human Resources Committee, has developed a Board skills matrix setting out the mix of skills, expertise, experience and diversity that the Board currently has or seeks to introduce to its membership. The Board Matrix can be found in the Corporate Governance Statement.

Key board or senior management changes

In line with its intention to expand and renew its board, 3 new Directors have been appointed and two Directors have stepped down from the Board. Those stepping down are Ms Lynn Mickleburgh after 6 years on the Board and Mr Simon Kelly after 1 year on the Board.

As two of the three new directors are female it makes the Board more gender diverse, increasing from a 20% female composition to a 33% female composition. The Board is also slightly larger with 6 members instead of 5. Details are under the Rationale for Voting Intentions below.

Samuel Weiss, who was elected as Non-Executive Chairman in 2007, has flagged his intention to step down as Chair but to continue as a Board Member, a suitable replacement is currently being sought.

During the year that ended in June, Altium accelerated the process of adding to their leadership pool and were successful in recruiting Ananth Avva, General Manager of Cloud, Gérard Métrailler, General Manager of Software, Sanjay Gupta, Head of M&A and Marc Boonen, Chief Commercial Officer

Sustainability/ESG

Altium does not consider that it has any substantial exposure to environmental and social risks. Morningstar Sustainalytics, the global ESG research and data house, has consistently rated Altium as low risk¹.

In FY22 Altium identified three key ESG themes for focus:

- (Environmental) Facilitating environmental sustainability in electronics;
- (Social) Facilitating access to education for women and girls to offer them the opportunity to become PCB design engineers; and
- (Governance) Creating transformational governance for our Board and our Company

Altium's 2023 ESG Report details their progress on the key ESG themes identified above.

<https://cdn-static.altium.com/sites/default/files/2023-09/ESG-2023-Fin.pdf>

4. Rationale for Voting Intentions

Resolution 2 - Adoption of the Remuneration Report (against)

The Altium Remuneration Report in the 2023 Annual Report is easy to understand.

It has a logical relationship between rewards and financial performance and corporate governance but it is not in keeping with ASA guidelines with hurdles measured at 12 months only and awards paid in cash with year two and three vesting relying on retention only. Other differences are noted above.

The framework for FY23 remuneration is laid out in Appendix 1.

Resolution 3 - Election of Mr Michael Hawker as a Director (for)

Mr Hawker is a professional company director with over 35 years' experience in financial services and insurance. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets.

Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe. Mr Hawker has been Chairman of the Insurance Council of Australia, Chairman of the Australian Financial Markets Association, a member of the Australian Governments Financial Sector Advisory Committee, and a member of the Business Council of Australia.

Other current directorships are as a Non-executive Director of Washington H. Soul Pattinson Limited, Allianz Australia, Vicinity Centres, BUPA Global and is Deputy Chairman of BUPA Australia. He is a member of the board of the Museum of Contemporary Art.

Whilst his workload is of concern, ASA can support his election.

Resolution 4 - Election of Ms Sylvia Wiggins as Director (for)

Ms Wiggins is an experienced listed company director, audit and risk committee chair, listed company CEO and CFO who brings strong commercial judgment, deep sector expertise and the ability to engage and influence stakeholders at all levels.

In a career spanning over 30 years in Australia and overseas, she has led transformational business change in a range of sectors, including energy, infrastructure, resources, finance, funds management, transport and government (finance and defence).

Prior to her portfolio career Ms Wiggins was the Executive Director – Finance & Commercial at Infigen Energy Group responsible for finance and commercial activities at Infigen Energy which transitioned the operating model for renewable energy gentailers.

Ms Wiggins has spent many years as an investment banker working globally in both advisory and principal investment.

Other current directorships are as a Non-executive Director of Service Stream Limited, where she chairs the Audit and Risk Committee and a Non-executive Director of Aeris Resources Limited where she chairs the Sustainability Committee.

ASA can support her election.

Resolution 5 - Election of Ms Lauren Williams as Director (for)

Ms Williams has a proven track record in the development and execution of digital strategy and in building high-growth technology businesses.

Ms Williams served as a Non-Executive Director for the IPO of Cashrewards where she served on the Due Diligence and Remuneration Committees. Prior to her board career, Ms Williams was most recently the CEO of Carsguide/Autotrader, a digital automotive marketplace and media business. Under her guidance, the business experienced significant growth and was acquired by USA-based Cox Automotive, a global software company.

Prior to this role, Ms Williams held senior leadership and corporate development positions at BBC Worldwide (London/Sydney), Nine Entertainment Co, and Fairfax Digital. Ms Williams began her career in investment banking in the global technology group at Solomon Smith Barney (Silicon Valley) followed by several years in management consulting.

Other current directorships are as a Non-executive Director of Constructiv Technologies Group, where she chairs the Remuneration Committee.

ASA can support her election.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY23	Target* US\$K	% of Total	Max. Opportunity US\$K	% of Total
Fixed Remuneration	500	55.6%	500	34.8%
STI - Cash	0	%	0	%
STI - Equity	0	%	0	%
LTI	400	44.4%	937.5	65.2%
Total	900	100.0%	1437.5	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.