



Forward Vision pays off

Company/ASX Code	Pro Medicus / PME
AGM date	Wednesday 25 November 2020
Time and location	10am AEDT Virtual Meeting - https://agmlive.link/agm/PME20/register
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Stewart Burn assisted by Don Pitkethly
Pre AGM-Meeting?	Yes - Sam Hupert (CEO), Clayton Hatch (CFO, Company Secretary)

Please note any potential conflict as follows: Stewart Burn and Don Pitkethly who were involved in the preparation of this voting intention both have shareholdings in this company.

Item 1	Financial Statements and Reports
ASA Vote	No vote required

Summary of ASA Position

Pro Medicus Limited (PME) is a leading medical imaging IT provider. Founded in 1983, to provide software for managing doctor's surgeries the company now provides a range of radiology software and services to hospitals, imaging centres and health care groups worldwide. With the purchase of Visage Imaging in January 2009, the company morphed to become a global provider of radiology imaging solutions (RIS), picture archiving and communication System (PACS®) and enterprise imaging strategies offering end-to-end solutions in radiology.

The company had a stellar year in FY20 with revenue of \$57m up 24% and underlying profit before tax of \$30.2m, up 33% and a net profit of \$23.1m up 20.7%. It has no debt and a cash balance of \$43.4m, up 34.3% on last year. Shareholders were well rewarded with a 50% increase in total dividend to 12c.

There was solid growth across their key portfolios – North America (up 23.7%) and Australia (up 19.2%) – while revenue from European operations fell 37.7%, largely as a result of the one-off sale to the German government in the previous period. During the year the company announced a number of key new contracts, Ohio State University (A\$9M), Northwestern Memorial health (A\$22M), Nines, (A\$6M), NYU Lagone Health (A\$25M) and more recently Ludwig-Maximilians University (A\$10M). Pro Medicus expects these new sites to contribute to increased recurring income in FY21, with FY21 expected to be better than FY20. COVID-19 has not significantly affected examination numbers to date, with average examination volumes at 30th of June, being back above 90% of normal business levels across the USA and Australia.

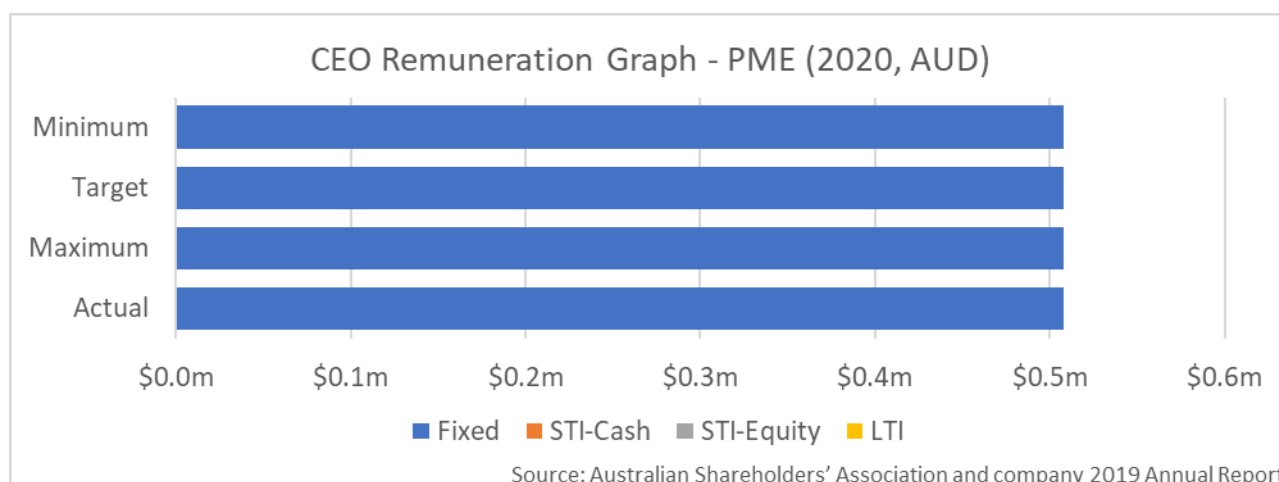
Since the end of the year Deena Shiff has been appointed as a non-executive director, the first woman to be appointed to the board, effective the 1st of August. She is considered to be an independent director and has had a legal career followed by senior executive roles in Australian telecommunications companies.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	23.1	19.1	12.7	9.3	6.4
UPAT (\$m)	22.8	18.7	12.7	9.3	6.6
Share price (\$)	26.46	25.29	8.02	5.32	4.74
Dividend (cents)	12	8	6	4	3
TSR (%)	20	90.7	6.6	44.4	193
EPS (cents)	22.2	18.5	9.7	9.1	6.3
CEO total remuneration, actual (\$m)	0.508	0.508	0.507	0.507	0.725

For 2020, the CEO's total actual remuneration was **5.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 3	Adoption of Remuneration Report
ASA Vote	For



Summary of ASA Position

This is the first year that the ASA has monitored Pro Medicus and a number of issues have been identified, mainly associated with the fact that the CEO and Technology Director were the founders of the company, are major shareholders and still continue day to day involvement in the running of the company. Discussions with the company have alleviated many of our concerns in this area. For a company with a market capitalisation of over \$3b the remuneration packages of

the CEO and directors are remarkably small, all being well below the 25th percentile of salaries analysed for the Godfrey Remuneration Group (GRG).

The CEO does not participate in a short-term incentive (STI) or long-term incentive (LTI) incentive remuneration plan that places some of their income at risk and only receive a cash remuneration. In large part this is because the CEO is co-founder and takes a notional relatively small fixed remuneration. In the event of a handover to a new CEO we would expect this to change to a conventional package.

A plan does exist for some key executives: The (STI) in the form of cash bonuses are paid to Executives based on a mix of Company based and personal performance targets. STI bonus for 2019 are based around 75% of EBIT targets being met and 25% of individual targets being met. In the 20FY only the individual targets were met.

A (LTI) plan was established during 2016-17 whereby Senior Executives of the Group were offered performance rights over the ordinary shares of Pro Medicus Limited. The performance rights, issued for nil consideration, are offered on a year to year basis and vest 4 years after grant date on completion of service, with a 3 year performance period. This long term incentive plan includes performance hurdles related to profitability - Earnings per Share (EPS) growth (60%) which is set on an annualised basis by the Board and Total Shareholder Returns (TSR) growth (40%). The Company's TSR growth performance hurdle is measured relative to the ASX300 Index (FY2017, FY2018 and FY2019) and measured relative to the ASX200 Index in FY2020 and assessed by the Board at the end of the performance period in accordance with the terms of the plan. In 2020 100% of the performance rights vested.

The majority of the directors can be considered independent and thus meet ASA guidelines and all Non-Executive Directors (NED) have a shareholding that exceeds one year's fees, except for Deena Shiff who only very recently became a shareholder and to her credit has already purchased shares in the company. We would expect her holdings to increase over the coming years. The board only has one female member, which is the recent appointment of Deena Shiff.

One issue of concern is that it took 6 months and a reminder from the ASX to establish a remuneration committee after admission to the ASX300. We did discuss this issue with the company and understand that the small size of the board led to this position and that now that Ms Shiff has come on board, a committee has been established and she will be the chair. We will monitor these issues on an on-going basis. The ASA supports the remuneration report.

Item 3a	Election of Ms Deena Shiff as a Director
ASA Vote	For

Summary of ASA Position

Ms Deena Shiff holds qualifications in law and economics and she was appointed as a director on the 1st of August 2020. She was the first woman Group Managing Director at Telstra running Telstra Wholesale and establishing and running Telstra Small and Medium Business. In 2011 Ms Shiff established Telstra's corporate venture capital arm, Telstra Ventures before leaving in 2013 to focus on a full time Board career. She currently owns

1923 shares, which she recently purchased on market. As she was only appointed 2 months ago, this shows confidence in her new company.

Her skill set appears suitable for Pro Medicus, having had roles as chairman of BAI Communications, a Non-Executive Director of the Citadel Group, Vice Chairman of the Government's Export Credit Agency EFIC, and a number of venture capital backed growth stage ICT companies, as well as her role in setting up the origins of Telstra Health.

Ms Shiff is also currently Chair of Marley Spoon AG and a Non-Executive Director of Appen Ltd, holds other board positions with Infrastructure Australia and Opera Australia and is Chair of the Government's Australia Broadband Advisory Council. This means that she is a director on 7 boards, which exceeds the ASA recommendation of a maximum of 5 NED roles. Whilst we would normally have concerns about her excessive workload, she has only been recently appointed and is the only woman on the board and we understand from the CEO that they raised the issue of workload at her interview and that her duties with some of these organisations are minimal and she is considering stepping down from the Broadband Advisory Council. We will monitor her workload on an ongoing basis.

The ASA supports the election of Ms Shiff.

Item 3b	Re-election of Mr Anthony Hall as a Director
ASA Vote	For

Summary of ASA Position

Mr Hall was Co-founder of Pro Medicus Limited in 1983 and he is the principal architect and developer of the core software systems. His current focus is the transition to and development of the Company's next generation RIS systems. Although no details are given in the annual report or notice of meeting, it is presumed that Mr Hall has been a director since its listing on the ASX and thus cannot be considered independent, he also controls over 28m shares in the company. It is difficult to see how the company can function without Anthony in its current form. Succession issues were raised with the company and they indicated that discussions in this area have occurred. The ASA supports the reappointment of Mr Hall.

Item 3c	Re-election of Dr Leigh Farrell as a Director
ASA Vote	For

Summary of ASA Position

Mr Farrell joined Pro Medicus Limited as a Director on 8 September 2017 and he currently owns 4240 shares. He is Executive Director of AdNED Pty Ltd and was previously Senior Vice President, Commercial of Certara USA, Inc. Prior to this, he was Chairman and COO of d3 Medicine LLC, which was acquired by Certara USA, Inc. Mr Farrell holds a PhD in Biochemistry and a Bachelor of Science (Honours) from Monash University and is a Fellow of the Australian Institute of Company Directors. He also serves on the audit committee.

He appears to have a skill set that is valuable to the board, has a suitable workload and the ASA supports his re-election

Item 4	Non-Executive Director Remuneration
ASA Vote	For

Summary of ASA Position

The original approval for NED fees granted at the AGM in 2005 was for up to a maximum aggregate remuneration of \$500,000. Since that date, the Company has increased the number of Non-Executive Directors and increased the amount paid to each Director, with the aggregate amount being paid to NEDs now sitting just below that limit. Approval for an increase in the maximum aggregate remuneration of Non-Executive Directors to \$1,000,000 is sought to allow scope to increase the number of Directors as the Company continues to grow and to adjust individual remuneration in line with market benchmarks. As the director's fees current paid are well below the 25th percentile of NED remuneration analysed for the Godfrey Remuneration Group (GRG) we support this resolution.

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.