

Pivotal Systems Corporation June 2021 Quarterly Activities Report

Fremont, California and Sydney, Australia; 29 July 2021 — Pivotal Systems Corporation (“Pivotal” or the “Company”) (ASX: PVS), a leading provider of innovative gas flow control (GFC) solutions to the semiconductor industry, is pleased to release a Quarterly update and Appendix 4C Report for the quarter ending 30 June 2021 (“Q2 2021”).

Key Highlights

- The Company maintains previous guidance that FY 2021 revenues will increase from FY 2020 revenues by 35-45% to US\$30-32 million.
- Unaudited Q2 2021 revenue of US\$7.3 million was up 15% sequentially (Q1 2021: US\$6.3 million) and up 27% on the prior corresponding period (“pcp”) (Q2 2020: US\$5.8 million).
- 1H FY2021 unaudited revenues of approximately US\$13.6 million are up 35% on the pcp.
- Multiple repeat orders for the standard GFC with the market share leader in ALD.
- Taiwan based IDM retrofit orders up 52% from Q1 2021
- Remote GFC orders up 38% from Q1 2021 with a leading Japanese OEM
- Received further progress payment of USD\$180K for advanced ALD (atomic layer deposition) GFC milestone achievement under the Development Agreement signed with a leading Japanese OEM in Q1 2021.
- Unaudited Q2 2021 pro-forma gross margins of 29.9% (reported:13.1%) up from 5.5% (Q-2 2020) in the pcp and down from 30.2% in Q1 2021.
- Backlog (confirmed orders not yet shipped) at 30 June 2021 was US\$3.9 million
- Additional US\$3 million RBI Preferred Stock from Anzu RBI USA LLC drawn
- Cash at 30 June 2021 was US\$5.5 million.
- Korean upgrade and repair center Q2 2021 revenue up 60% from Q1 2021 to US\$0.4 million.
- Standard GFC for etch applications continued qualification with leading Japanese OEM.
- Maintained all manufacturing activity in China, Korea, and the United States during the reported period.
- Wafer Fabrication Equipment (WFE) market anticipated to grow 34% to US\$82 billion in 2021 driven by strong demand for leading-edge technologies powered by the digitization of industries worldwide.

Quarter Cash Flow Summary

The Company’s cash position at 30 June 2021 was US\$5.5 million.

Cash receipts from customers for the period were US\$7.4 million, up 5.0% from US\$7.1 million in Q1 2021. Cash payments for Product Manufacturing were US\$5.7 million, down 14.2% from US\$6.7 million in Q1 2021. Pivotal continued to invest in product development with US\$0.325 million in capitalized costs incurred during the quarter.

During the quarter, the Company made salary and payments of US\$0.34 million to related parties and their associates including executive director's salary payments, non-executive director fees, and fees for consulting services provided by a director-related entity.

Product Update

Continued progress of the development program with a leading Japanese OEM and a leading US Based OEM for ALD products. Passed a major milestone in the development program with the demonstration of the industry's highest flow piezoelectric control valve. This valve contains Pivotal's proprietary nanometer-level position control and achieves turn-on times of less than 10 milliseconds, making it the fastest and most accurate ALD valve available. This valve is at the heart of Pivotal's new ALD systems.

Shipped GFCs for operation at temperatures up to 70C that do not require remote electronics. These GFCs, which will find immediate use in very challenging high temperature gas applications, contain new electronics and piezoelectric actuators designed to operate at these elevated temperatures.

Operations Update

Second quarter full-time headcount was 42 employees, compared with 45 employees at Q1 2021.

In response to increased customer demand, Pivotal continued to increase production to maintain pace with expected industry growth. The Company's China and Korea based CM's continue to operate at a capacity of 4,000 units per month based on a 5-day, 2 shift production. As commented at Q1 2021, Pivotal's current capacity of 4,000 units per month is expected to be sufficient to meet 2021 expected GFC demand from customers.

Gross Margin performance for Q2 2021 of 13.1% included a one time charge for closing the Company's Korean legal entity that is no longer required and material expedite charges for 2nd source components for printed circuit boards and associated components. Pro-forma gross margins, after adjusting for these events was 29.9%. Pivotal continues to work with its key suppliers and customers to minimize any potential disruptions to component supply, which has included advanced pre-orders for certain components.

Supply Chain Risks

Supply shortages continue to emerge as the industry ramps up CAPEX spending. Pivotal has been dealing with various shortages in 1H2021 and expects continued shortages to emerge going forward. These shortages have been effectively managed in the past and Pivotal will continue to monitor and manage to the best of its ability going forward.

Industry Update

On 13 July 2021, SEMI reported the overall wafer fabrication equipment (WFE) market, encompassing the bulk of Pivotal's original equipment manufacturer (OEM) customers, continues to experience strong growth, with recent analysis by SEMI indicating WFE growth of 34% versus the pcg to approximately US\$82 billion in calendar year 2021 and an additional 6% growth in 2022 to US\$87 billion.¹

¹ Source: [https://www.semi.org/en/news-media-press/semi-press-releases/semiconductor-equipment-forecast-post-industry-high-\\$100-billion-2022-semi-reports](https://www.semi.org/en/news-media-press/semi-press-releases/semiconductor-equipment-forecast-post-industry-high-$100-billion-2022-semi-reports)

Outlook

Pivotal continues to see continued growth in the overall semiconductor industry. With the Company's recently announced US \$6.7 million capital raise, Pivotal is well funded to meet its product and growth objectives in 2021 with client-led new product development efforts as the key catalyst for Pivotal's long term growth opportunities.

The Company maintains its expectation that FY 2021 revenues will increase from FY 2020 revenues by 35-45% to US\$30-\$32 million.

After the Reporting Period

On 21 July 2021, the Company completed and was successful in the recertification of its ISO9001:2008 standard. This standard is an industry benchmark that ensures consistent, high-quality products and services are being provided to customers. This audit was conducted by the international ISO auditing firm DNV over three days and covered all aspects of the Company's operations. The audit tested the Company's quality management system and processes. By meeting all the applicable requirements, Pivotal received its three-year recertification.

On 22 July 2021, Pivotal Systems announced a US\$6.7 million share placement (A\$9.1 million) to new and existing institutional investors, including cornerstone commitments from the Company's largest Australian institutional investor Viburnum Funds along with participation of the Company's second largest shareholder in the US, Anzu Partners, LLC (subject to shareholder approval at shareholder meeting expected to take place in September 2021). Funds raised under the placement will be deployed into working capital investments, principally inventory (US\$4.7 million) required to support expected strong growth in the WFE market throughout the remainder of 2021 and into 2022. The remaining US\$2 million will be invested into new business development initiatives and some additional capital expenditures related to tooling.

Investor Conference Call

The Company will host an investor conference call at 9.00am AEST today (4.00pm PDT on Wednesday 28 July) with Mr. John Hoffman, Chairman and CEO and Mr. Michael Bohn, Acting CFO.

Details of the call are set out below.

In order to pre-register for the conference call and avoid a queue when calling, please follow the link below. You will be given a unique pin number to enter when you call which will bypass the operator and give you immediate access to the event. Investors are advised to register for the conference in advance by using the Diamond Pass link to avoid delays in joining the call directly through the operator:

<https://s1.c-conf.com/DiamondPass/10014980-js74d3.html>

Alternatively, you may dial in with the following details, approximately ten minutes before the scheduled start time and provide the Conference ID to an operator.

Conference ID: **10014980**

Participant Dial-in Numbers:

Australia Toll Free: 1800 908299
Australia Local: +61 2 9007 8048
New Zealand: 0800 452 795
Canada/USA: 1855 624 0077
Hong Kong: 800 968 273
Japan: 006 633 868 000
China: 108 001 401 776
Singapore: 800 101 2702
United Kingdom: 0800 0511 453

THIS RELEASE DATED 29 JULY 2021 HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE BOARD OF DIRECTORS OF PIVOTAL SYSTEMS.

- ENDS -

For further information, interview and photos:

Investor Relations & Media (Australia):

Dr Thomas Duthy
Nemean Group
tduthy@pivotalsys.com
+61 402 493 727

Media Contact (US):

Pia Brandt
Anzu Partners
pjb@anzupartners.com

ASX Representative:

Danny Davies
Company Matters Pty Ltd
davies@companymatters.com.au

If investors wish to subscribe to Pivotal Systems' email alert service for ASX Announcements, please follow this [link](#).

Safe Harbor Statement

This press release and the accompanying Appendix 4C contains forward-looking statements, which address a variety of subjects including, for example, our statements regarding expected growth rates, expected product offerings, product development, marketing position and technical advances. Statements that are not historical facts, including statements about our beliefs, plans and expectations, are forward-looking statements. Such statements are based on our current expectations and information currently available to management and are subject to a number of factors and uncertainties, which could cause actual results to differ materially from those described in the forward-looking statements. The Company's management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or the ASX Listing Rules. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experience and our present expectations or projections.



About Pivotal Systems Corporation (ASX: PVS)

Pivotal Systems Corporation (ARBN 626 346 325), is a company incorporated in Delaware, USA, whose stockholders have limited liability. Pivotal Systems provides the best-in-class gas flow monitoring and control technology platform for the global semiconductor industry. The Company's proprietary hardware and software utilizes advanced machine learning to enable preventative diagnostic capability resulting in an order of magnitude increase in fab productivity and capital efficiency for existing and future technology nodes. For more information on Pivotal Systems Corporation, visit <https://www.pivotalsys.com/>.

Notice to U.S. persons: restriction on purchasing CDIs

Pivotal Systems is incorporated in the State of Delaware and its securities have not been registered under the U.S. Securities Act of 1933 or the laws of any state or other jurisdiction in the United States. Trading of Pivotal Systems' CHESS Depositary Interests ("CDIs") on the Australian Securities Exchange is not subject to the registration requirements of the U.S. Securities Act in reliance on Regulation S under the U.S. Securities Act and a related 'no action' letter issued by the U.S. Securities and Exchange Commission to the ASX in 2000. As a result, the CDIs are "restricted securities" (as defined in Rule 144 under the U.S. Securities Act) and may not be sold or otherwise transferred except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. For instance, U.S. persons who are qualified institutional buyers ("QIBs", as defined in Rule 144A under the U.S. Securities Act) may purchase CDIs in reliance on the exemption from registration provided by Rule 144A. To enforce the transfer restrictions, the CDIs bear a FOR Financial Product designation on the ASX. This designation restricts CDIs from being purchased by U.S. persons except those who are QIBs. In addition, hedging transactions with regard to the CDIs may only be conducted in compliance with the U.S. Securities Act.