

ASX / Media Release

Pivotal Records Record First Half 2021 Revenue Growth of 35% to US\$13.6 Million

Key highlights:

- Product revenues up 34.8% to US\$13.6 million versus the prior corresponding period (pcp), including software and service sales of US\$0.7 million, up 98% on the pcp
- EBITDA loss improved 88% to US\$0.3 million
- Net Loss After Tax of US\$1.4 million, down 72% on pcp
- Cash outflows from operations of US\$2.2 million, a 51% improvement on pcp
- Japanese OEM progress payments for ALD Device remained on track to plan
- Initiated Qualification of Etch GFC with a leading Japanese OEM
- Remote GFC for High Temperature Applications Sales up 320% from 1H2020 from \$164.3K to \$532K in 1H2021.
- Forecast semiconductor equipment growth of 30% in 2021 and 11% in 2022

Fremont, California and Sydney, Australia; 27 August 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 announce its financial results for the half year ended 30 June 2021 (1H 2021).

Pivotal recorded revenue for the period of US\$13.6 million, an increase of 34.8% from 1H 2020, which reflected continued strong demand for Pivotal’s products and services from semiconductor original equipment manufacturers (OEMs) and Integrated Device Manufacturers (IDMs). The Company’s reported net loss after tax of US\$1.4 million was an improvement of 72% on the pcp.

Mr. John Hoffman, Chairman and CEO of Pivotal Systems said: “I am pleased with the strong growth recorded in revenues for the period and the reduction in our EBITDA loss and improvements in our underlying cash consumption.”

Additionally, Mr. Hoffman commented “Our innovation drive continues, with solid progress made during the half with our next generation atomic layer deposition GFCs being developed under existing agreements with a leading Japanese and US OEM. In addition, our standard etch GFC will commence on-tool qualification at a leading Japanese etch OEM in 2H2021, with first product revenues anticipated to begin thereafter. When these additional revenue opportunities are overlaid with the current growth trajectory in the business from existing customers, the future for Pivotal remains very exciting.”

During the half year, the number of repeat/qualified customers increased by 14% to 41 versus the pcp and was up 3% from FY 2020, while a total of 7 customers are currently evaluating Pivotal’s GFCs (1H 2020: 6).

The revenue split between OEM/IDM at FY2020 was 90%/10% versus 94%/6% in the pcp. Pivotal’s top global customers accounted for 84% of revenues in 1H 2021 versus 79% in 1H 2020. Pivotal’s revenue mix is also expected to gradually diversify away from low flow (Etch) GFC sales in coming periods, which accounted for over 99% in 1H 2021 versus 99% of sales in 1H 2020. The Company’s high temperature GFC products have shown continued sales growth with a leading Japanese OEM, with Pivotal qualifying

additional process gases for the high temperature application(s).

The installed base of Pivotal's GFCs continues to expand, with increasing numbers of GFCs progressively coming out of warranty. During 2020, Pivotal fully qualified its Korean Repair and Upgrade Center, which provides both repair and software upgrades to IDM and OEM customers globally. The Company experienced 97.7% growth in repair revenue to US\$696k in 1H 2021 versus the prior corresponding period (pcp).

Gross Profit of US\$2.9 million in 1H 2021 was up 1853% versus the pcp (US\$0.1 million), reflecting product gross margins of 21.2% (1H 2020: 1.5%). In 1H 2020 gross profit was negatively impacted by the occurrence of approximately US\$1.8 million in duty levied by United States Customs and Border Protection. In Q2 2021, a one-time charge for closing the Company's Korean legal entity that was no longer required and material expedite charges for second source components for printed circuit boards and associated components impacted gross margins. After adjusting for this impact, pro-forma 1H 2021 gross margins were 30.5% versus 18.9% (pro-forma) for 1H 2020. The improvement is attributable to no further US duties and lower manufacturing overhead associated with the Company's transformation center in Korea.

Total operating expenses for 1H 2021 were US\$5.7 million were comparable to 1H 2020 expenses of US\$5.1 million. The Company continued to invest in research and development, with total expenditure (expensed and capitalized) of US\$1.7 million up 18% versus the pcp. This increase is due to a ramp up in spending for our ALD products. Sales and marketing expenditure of US\$1.8 million in 1H 2021 was up 12% versus the pcp, reflecting higher commission expense on higher revenues achieved in 1H 2021.

The Company closed the half year with a cash balance of US\$5.5 million. The Company raised an additional US\$3.0 million with RBI Preferred Stock funding from Anzu Partners in June 2021. In July, the Company announced a US\$6.7 million capital raise, with US\$0.9 million subject to shareholder approval relating to Anzu Partners' participation in the placement. The Company recorded a US\$1.25 million balance outstanding on the term loan with Bridge Bank, down from US\$1.75 million as at 31 December 2020.

Outlook

The overall wafer fabrication equipment (WFE) market, encompassing the bulk of Pivotal's original equipment manufacturer (OEM) customers, is forecast to show 30% growth in 2021 to US\$84 billion with and an additional 11% growth in 2022 to US\$93 billion.¹ The growth in equipment sales provides Pivotal with a solid foundation of sales leverage into this market with Pivotal now qualified at the top three equipment companies globally for etch and deposition.

On 26 July 2021, SEMI reported North America-based semiconductor equipment manufacturers posted US\$3.67 billion in billings worldwide in June 2021 (three-month average basis), up 58.4% compared with June 2020.² The average second quarter 2021 billings growth exceeds 50% versus Q2 2020, which according to SEMI is "driven by a continued structural shift in the industry marked by higher capital investments as demand for the semiconductors needed to power technologies unleashed by innovation and the digitization of economies which continues to grow."

¹ Source: SEMI world Fab forecast June 2021

² Source: <https://www.semi.org/en/news-media-press/semi-press-releases/north-american-semiconductor-equipment-industry-posts-june-2021-billings>



While the demand continues to be very strong, there are pressures impacting the supply chain across the industry caused by further COVID-19 waves affecting a range of countries, particularly across Southeast Asia which is ostensibly facing its worst outbreak of the virus since the start of the pandemic.

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 impact of recent COVID-19 restrictions in Malaysia and China, however, are causing increased uncertainty for Pivotal's printed circuit board (PCB) and electronic component supply chain partners. As a result, while Pivotal's Q3 revenue projections remain on track, the impact on Q4 revenue (and therefore full year revenue) remains uncertain. Pivotal will provide updates to the market as it obtains further insights.

Investor Conference Call

The Company will host an investor conference call today at 9.30am AEST (4.00 PDT on Thursday, 26 August) 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 webcast 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/10014987-k37dy3.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: **10014987**

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The presentation and audio can also be accessed via the webcast link:

<https://services.choruscall.com.au/webcast/pivotalsys-210827.html>

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A recording of the call and slide presentation will be made available within the Investors section of the Company website at: <https://www.pivotalsys.com/investors#presentations>

THIS RELEASE DATED 27 AUGUST 2021 HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE BOARD OF DIRECTORS OF PIVOTAL SYSTEMS.

- ENDS -

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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 investor presentation, Appendix 4D and Half Year Financial Report contain 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

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technology nodes. For more information on Pivotal Systems Corporation, visit <https://www.pivotalsys.com/>.

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