

# PIVOTAL

S Y S T E M S

## PROSPECTUS

PIVOTAL SYSTEMS CORPORATION  
ARBN 626 346 325

Prospectus for the initial public offering of  
28,785,008 CDIs over shares of common stock  
in the Company at an Offer Price of A\$1.86 per  
CDI to raise approximately A\$53.5 million



JOINT LEAD MANAGERS AND UNDERWRITERS

AUSTRALIAN LEGAL ADVISER

Shaw and Partners

 **MOELIS**  
AUSTRALIA

  
Maddocks

# IMPORTANT NOTICES

## OFFER

The Offer contained in this Prospectus is an invitation to acquire CHESS Depositary Interests (**CDIs**) over shares of common stock (**Shares**) in Pivotal Systems Corporation, a Delaware corporation ARBN 626 346 325 (**Company** or **Pivotal**). This Prospectus is issued by the Company and Pivotal SaleCo, Inc, a Delaware corporation (**SaleCo**) for the purposes of Chapter 6D of the Corporations Act.

## LODGEMENT AND LISTING

This Prospectus is dated 22 June 2018 and a copy of this Prospectus was lodged with ASIC on that date. This prospectus is a replacement prospectus which replaces the prospectus dated 12 June 2018 and lodged with ASIC on that date (**Original Prospectus**). This Prospectus differs from the Original Prospectus. The differences between this Prospectus and the Original Prospectus are in the nature of updates to clarify information including certain financial information in Section 6 (noting that such changes have no cash impact); or to supplement disclosures including in relation to Pivotal being regulated by Delaware General Corporation Law and applicable U.S. law rather than the Corporations Act 2001 (Cth); or changes to the timetable and key dates as a result of ASIC's extension of the exposure period; or changes to Section 11 (Defined Terms) to include a definition of Original Prospectus and to update the definition of the Prospectus Date to now refer to the date of lodgement of the Original Prospectus with ASIC. The Company has applied to ASX for admission of the Company to the official list of ASX and for quotation of the CDIs on ASX. Neither ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

## EXPIRY DATE

No Shares or CDIs will be allotted or issued or transferred on the basis of this Prospectus later than 13 months after the date of the Prospectus Date.

## NOTE TO APPLICANTS

The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the CDIs or Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or the Joint Lead Managers in connection with the Offer.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's CDIs. There are risks associated with an investment in the Company's CDIs, which must be regarded as a speculative investment. Some of the key risks that should be considered are set out in Section 4. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether to invest in the CDIs.

No person named in this Prospectus warrants or guarantees the Company's performance, the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

## NO OFFER WHERE OFFER WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation to apply for CDIs in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the CDIs or the Offer or to otherwise permit a public offering of the CDIs, in any jurisdiction outside Australia. The Offer is not being extended to any investor outside Australia, other than to certain institutional and sophisticated investors as part of the institutional offer in certain jurisdictions as

described in Section 8. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## NOTICE TO UNITED STATES RESIDENTS

The CDIs being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws and may not be offered or sold in the United States or to US persons absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the CDIs or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any state or other jurisdiction in which such offer, solicitation, distribution or sale would be unlawful under applicable law, including the US Securities Act and applicable state securities laws. In addition, any hedging transactions involving the CDIs or any Shares into which the CDIs may be converted may not be conducted unless in compliance with the US Securities Act. Persons who come into possession of this Prospectus outside of Australia should seek advice on and observe any such restrictions.

## FOR US RESTRICTIONS

The CDIs being offered pursuant to this Prospectus are being made available to investors in reliance on the exemption from registration contained in Regulation S of the US Securities Act for offers which are made outside of the United States. As a result of relying on the Regulation S exemption, the CDIs which are issued under Regulation S and the Offer will be "restricted securities" under Rule 144 of the US Securities Act. This means that investors in the Offer will not be able to sell the CDIs issued to them under the Offer into the United States or to a US Person for a period of 12 months from the date of allotment of the CDIs under the Offer, unless the resale of the CDIs is registered under the US Securities Act or an exemption is available. Please refer to Section 8.12 for further information.

To enforce the above transfer restrictions, Pivotal has requested that all CDIs issued under the Offer, or any Shares into which the CDIs have been converted prior to the end of the restriction period, contain a legend to the effect that transfer is prohibited except in accordance with Regulation S of the US Securities Act, or pursuant to an available exemption from registration; and that hedging transactions involving the CDIs, or any Shares into which CDIs may be converted, may not be conducted unless in compliance with the US Securities Act.

In addition, the Company has requested that all CDIs issued under the Offer bear a "FOR U.S." designation on the ASX. This designation effectively automatically prevents any CDIs from being sold on the ASX to US persons. However, investors will still be able to freely transfer their CDIs on ASX to any person other than a US person. Please refer to Section 10.11 for further information on the "FOR U.S." restrictions which will be placed on Pivotal's CDIs. Finally, all investors subscribing for CDIs under the Offer will be required to make certain representations and warranties regarding their non-U.S. status in their Application for CDIs under the Offer. Please refer to Section 10.11 for further information.

## FINANCIAL INFORMATION AND AMOUNTS

Section 6 of this Prospectus sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, except where otherwise stated.

The Financial Information is presented in abbreviated form. It does not include all of the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements

applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 6.

All financial amounts contained in this Prospectus are expressed in United States dollars and rounded to the nearest \$'000 (thousand) unless otherwise stated. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

An exchange rate of A\$1: US\$0.75 has been used throughout this Prospectus except where expressly noted otherwise.

## DISCLAIMER

No person is authorised by the Company, SaleCo or the Joint Lead Managers to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Only information or representations contained in this Prospectus may be relied on as having been authorised by the Company or its Directors, SaleCo or its directors, the Joint Lead Managers or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the Prospectus Date.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors, many of which are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements set out in this Prospectus and are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with ASX after the Prospectus Date.

Certain numerical figures included in this Prospectus may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

## PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications for CDIs under the Offer in the seven-day period after the date of lodgement of the Original Prospectus with ASIC (**Exposure**

**Period).** This period has been extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period without the Application Form by being posted on the following website [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors). Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian residents without the Application Form, by being posted on [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors).

#### **ELECTRONIC PROSPECTUS**

This Prospectus will be available in electronic form on the following website: [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors).

#### **OBTAINING A COPY OF THE PROSPECTUS**

A hard copy of this Prospectus will be available for Australian residents free of charge during the Offer Period by contacting the Pivotal Offer Information Line on 1300 737 760 between 8.30am and 5.30pm AEST, Monday to Friday (excluding public holidays). If you are eligible to participate in the Offer and are calling from outside Australia, please call +61 2 9290 9600.

This Prospectus will be made available in electronic form on the following website: [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors). Information contained on [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors), other than the Prospectus, does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Hard copy and electronic versions of the Prospectus are generally not available to persons in other jurisdictions (including the United States).

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. If unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company on the above. A paper copy of this Prospectus will be available for Australian residents free of charge by contacting the Pivotal Offer Information Line.

Tel: (+61) 2 9290 9600 (between 8.30am to 5.30pm AEST)

Applications for the CDIs under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with Section 724 of the Corporations Act.

#### **COOLING OFF RIGHTS**

Cooling off rights do not apply to an investment in CDIs pursuant to the Offer. This means that, in most circumstances you cannot withdraw your Application once it has been accepted.

#### **PRIVACY**

The Company, the Share Registry on its behalf, and the Joint Lead Managers may collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the

Securities that you hold). Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and the Share Registry may not be able to process your Application.

The Company and the Share Registry may also share your personal information with agents and service providers of the Company or others who provide services on the Company's behalf, some of which may be located outside of Australia where personal information may not receive the same level of protection as that afforded under Australian law.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors). Alternatively, you can contact the Company by webmail at [info@pivotalsys.com](mailto:info@pivotalsys.com) and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors)).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with your complaint.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

#### **DEFINITIONS, ABBREVIATIONS AND TIME**

Defined terms and abbreviations used in this Prospectus (unless specified otherwise) are explained in Section 11.

All references to time in this Prospectus refer to Sydney time unless stated otherwise.

#### **PHOTOGRAPHS, DATA AND DIAGRAMS**

Photographs and diagrams used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale and may not accurately reflect the final appearance of the subject matter which it depicts.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 31 March 2018.

#### **COMPANY WEBSITE**

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

#### **REGULATION OF PIVOTAL**

As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the *Corporations Act 2001* of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by Delaware General Corporation Law and applicable U.S. law.

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# IMPORTANT DATES

Lodgement of the Original Prospectus with ASIC	Tuesday, 12 June 2018
Lodgement of this Prospectus with ASIC	Friday, 22 June 2018
Offer opens	Wednesday, 27 June 2018
Offer closes	5:00pm Thursday, 28 June 2018
Allotment and transfer of CDIs	Monday, 2 July 2018
Trading of CDIs commences on ASX (on a deferred settlement basis)	Monday, 2 July 2018
Expected date for dispatch of holding statements	Tuesday, 3 July 2018
Trading of CDIs commences on ASX (on a normal settlement basis)	Wednesday, 4 July 2018

*All dates and times above are Australian Eastern Standard Time. The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.*



# KEY OFFER STATISTICS

Company	Pivotal Systems Corporation
Proposed ASX Code for the CDIs	PVS
Securities offered	CDIs (each representing one Share) <sup>1</sup>
Ratio of Securities per Share	1 CDI:1 Share
Number of Securities on issue as at the date of this Prospectus <sup>2</sup>	91,644,025 Shares
Number of CDIs available under the Offer	28,785,008 CDIs
Offer price per CDI	A\$1.86
Gross proceeds from the Offer <sup>3</sup>	A\$53.5 million
Proceeds of the Offer paid to Selling Shareholders (before costs) <sup>4</sup>	A\$17.5 million
Total number of Securities at completion of the Offer (on an undiluted basis)	110,998,864
Number of Options on issue at completion of the Offer	14,376,383 Options
Total number of Securities at completion of the Offer (on a fully diluted basis) <sup>5</sup>	125,375,247
Total number of Securities held by Existing Shareholders at completion of the Offer (on an undiluted basis)	82,213,856 Shares
Indicative market capitalisation at completion of the Offer (on an undiluted basis) <sup>6</sup>	A\$206.5 million
Indicative Enterprise Value at the Offer Price (on an undiluted basis)	A\$173.8 million
Pro Forma net cash (as at 31 December 2017) <sup>7</sup>	A\$32.7 million
Indicative Enterprise Value at the Offer Price (on a fully diluted basis) <sup>8</sup>	A\$200.5 million
Enterprise Value/Pro Forma FY18 Revenue <sup>9</sup>	4.3x
Enterprise value/Pro Forma FY18 Revenue (on a fully diluted basis) <sup>10</sup>	5.0x

## Notes:

1. CDIs are CHESS Depositary Interests over underlying Shares. Refer to Section 8.8 for further information on CDIs.
2. Assumes that the Share Capital Restructuring described in Section 10.4 was completed immediately prior to the Prospectus Date.
3. Calculated by multiplying the sum of the total number of New CDIs to be issued under the Offer plus the total number of Sale CDIs to be transferred under the Offer by the Offer Price.
4. Calculated by multiplying the total number of Sale CDIs to be transferred under the Offer by the Offer Price.
5. Calculated as the sum of the total number of Shares and CDIs at Completion of the Offer (on an undiluted basis plus the number of Shares that would be issued if all of the Options on issue at completion of the Offer were exercised in full.
6. Calculated by multiplying the total number of Shares and CDIs on issue at Completion of the Offer by the Offer Price (assuming no Options are exercised).
7. Refer to section 6 for details of the components of pro forma net cash.
8. Calculated as indicative market capitalisation on Completion of the Offer (on a fully diluted basis), less pro forma net cash.
9. Calculated as the indicative enterprise value (on an undiluted basis) divided by FY18 pro forma revenue.
10. Calculated as the indicative enterprise value (on a fully diluted basis) divided by FY18 pro forma revenue.

Shareholders should note that CDIs may not trade at the Offer Price post listing.

The key metrics above assume an exchange rate of A\$1: US\$0.75.

## HOW TO INVEST:

Applications for CDIs can only be made by completing and lodging an Application Form. Instructions on how to apply for CDIs are set out in Section 8 and on the back of the Application Form.

## QUESTIONS:

Please contact the Share Registry on 1300 737 760 (if calling within Australia) or +61 2 9290 9600 (if calling from outside Australia) from 9.00am to 5.00pm (Sydney time) Monday to Friday, if you have any questions about the Application Form.

# CHAIRMAN'S LETTER

22 June 2018

## DEAR INVESTOR,

On behalf of our Board of Directors, it is my pleasure to invite you to become an investor in Pivotal Systems Corporation (**Pivotal**).

Pivotal is a developer of an innovative semiconductor process solution, which measures and controls the flow of various gases used at critical stages in the manufacture of semiconductors.

Pivotal has an extensive product portfolio incorporating its Gas Flow Control (GFC) technology. The Company continues to expand its customer portfolio both in the US and internationally and as a result is achieving significant market share gains.

Pivotal's proprietary GFC devices use a combination of innovative hardware design and machine learning software to deliver gas flows at a speed and precision that is unparalleled in the industry. Pivotal's solution also includes advanced diagnostic capabilities and self-calibration functionality which provides semiconductor manufacturers with the ability to drive increased efficiency and productivity across the entire production process.

The ability to accurately deliver measurable and repeatable gas flows in the semiconductor manufacturing process has significant impacts on yield, output and costs, making it a key focal point for integrated device manufacturers (**IDMs**) such as Samsung, Applied Materials, TSMC, Texas Instruments and SK Hynix looking to maintain competitiveness and maximise process efficiencies.

Pivotal is a company incorporated in Delaware, United States and is a technology leader that has strong customer partnerships with many leading IDMs and original equipment manufacturers (**OEMs**). As a result, the Company is well placed to capitalise on the expected growth in global demand for semiconductors which is underpinned by increasing corporate and consumer demand for electronic devices (including mobile phones, computers, memory devices, IOT connected devices and autonomous vehicles).

Pivotal is based in Fremont, California. The Company has third party contracted manufacturing and device assembly centres in Asia (principally China and South Korea) as well as a Company-owned and managed device assembly centre at its headquarters in Fremont. The Company also has a network of technical sales and support representatives operating throughout Asia, USA and Europe.

Pivotal has gained rapid sales traction with a number of leading IDMs and OEMs, with unit orders growing 282% between 2015 and 2017. Further validation by key industry leaders is expected to continue to drive adoption and sales over the short to medium term, especially as many of Pivotal's key IDM customers have announced large capital expenditure plans for new semiconductor fabrication plants which is expected to create strong and visible near term demand for advanced GFC solutions. Pivotal also has a significant market opportunity in the retrofitting of semiconductor process tools across existing IDM fabrication plants with its GFC solution.

Pivotal's growth strategy seeks to capitalise on well-established relationships with its core blue-chip customers who have already tested and validated the Pivotal technology, or that are currently in the process of validating the technology in order to increase penetration and overall market share. The Company also intends to begin offering software upgrades to its existing customers in the medium term, along with expanding its product portfolio to gain relevance across additional manufacturing processes and industry verticals.

The Company is led by an experienced management team with a significant track record in the semiconductor industry. The senior management team will collectively own approximately 11.6% of the Company's issued capital (on a fully diluted basis) following listing on the Australian Securities Exchange.

The purpose of the Offer is to provide funding and financial flexibility to support Pivotal's growth strategy including bolstering its sales and marketing capabilities within its target markets to enable Pivotal to help accelerate adoption amongst key customers. The Offer will also enable the Company to strengthen its balance sheet via the repayment of an existing venture loan facility, enable some of the existing Shareholders to realise part or all of their investment, provide liquidity for Shares, and provide the Company with the benefits of an increased profile as a listed entity.

An investment in Pivotal provides an opportunity to gain exposure to a technology company which supplies critical components to the fast-growing semiconductor industry.

This Prospectus contains detailed information about the Offer, the historical and forecast financial results of the Company, operations, management team and future plans of Pivotal.

Section 4 includes a description of the key risks associated with an investment in Pivotal. These include risks associated with reliance on key customers, timing of purchase orders and receipt of revenues, competition risk and the protection of intellectual property. In particular, due to the nature of the semiconductor industry, where a small number of large global companies dominate the market, a significant portion of Pivotal's revenue is derived from a select few customers. Pivotal does not have formal written contracts in place with its customers who order and purchase products from Pivotal on an ad hoc basis by submitting standard purchase orders to Pivotal which then supplies the products and issues an invoice for those products. The timing of purchase orders are driven by the customers' schedule for the construction or ramp up of new semiconductor manufacturing plants and delays in construction could impact the Company's results.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision. In addition, you should also consult with your stockbroker, solicitor, accountant or other independent professional adviser.

On behalf of the Board of Directors of Pivotal, I look forward to welcoming our new Shareholders.

Yours sincerely

A handwritten signature in white ink on a dark background. The signature is stylized, starting with a large 'J' and ending with a long horizontal stroke.

John Hoffman  
Executive Chairman and Chief Executive Officer

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# 01.

## INVESTMENT OVERVIEW





# 01. INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for CDIs under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

## ABOUT THE COMPANY

QUESTION	ANSWER	MORE INFORMATION
What is the business of the Company?	Pivotal Systems Corporation is a developer of innovative gas flow control solutions to the semiconductor industry, providing semiconductor manufacturers with significant yield, cost and output benefits and enabling the manufacture of more advanced semiconductors.	Section 3.1
Where does the Company operate?	<p>Pivotal is incorporated in Delaware, United States and has offices in Fremont California (headquarters) and third party contracted manufacturing and assembling facilities in Shenzhen, China and Dongtan, South Korea.</p> <p>The Company also engages a number of sales and technical support representatives throughout the US, Europe, Japan and Asia.</p>	Section 3.7
What are the Company's key products?	<p>The Company has a number of core GFC products which address both etching and deposition stages of semiconductor manufacturing, enabling manufacturers to accurately deposit or etch away materials on a silicon wafer as part of the production process. Each product has a different flow range and therefore use case (see Section 3.4 for further detail on the product portfolio).</p> <p>All of Pivotal's products are underpinned and driven by the Company's proprietary software platform, which delivers a number of analytic and operational benefits to both IDMs and OEMs. While Pivotal's GFCs are currently sold to customers with the operating software included, management expects to begin offering software upgrades in the medium term.</p> <p>Pivotal recently released a new Ultra High Speed flow controller, which has software and hardware that enables the GFC to be controlled at the microsecond (rather than millisecond), greatly enhancing operating speed and therefore further improving output and reducing wastage.</p> <p>A unique value proposition of Pivotal's portfolio is that the design and specifications of the products are highly uniform, apart from small changes in certain hardware or software settings, making the existing technology easily adaptable to a number of adjacent markets.</p> <p>Pivotal plans to continue to expand its portfolio with the release of new products and ongoing software upgrades.</p>	Section 3.4

# 01. INVESTMENT OVERVIEW cont.

QUESTION	ANSWER	MORE INFORMATION
Who uses the Company's products?	<p>Pivotal's products are used by semiconductor manufacturers in processes which require very precise and repeatable gas flows.</p> <p>The Company's flow controllers are primarily sold to OEMs, the producers of critical process tools and instruments used in the semiconductor manufacturing process. The OEMs build Pivotal's GFCs into certain semiconductor manufacturing process tools (e.g. etching tools) before selling this equipment to IDMs.</p> <p>Pivotal also sells its products directly to IDMs to retrofit and replace old and non-performing mass flow controllers (MFCs) already installed in existing fabrication plants.</p>	Section 3.6
What is the Company's business model and how does it generate revenue?	<p>Pivotal primarily generates revenue from repeat unit sales of flow controllers to its OEM customers, which is driven by the expansion and construction of new fabrication facilities and the capital expenditure programmes of IDMs.</p> <p>Pivotal also sells GFCs directly to IDMs as one-off purchases to retrofit or replace old MFCs in the IDMs existing fabrication facilities.</p> <p>While Pivotal does not currently generate revenues from the licensing of its software platform, it intends to begin offering software upgrades to its customers in the medium-term.</p>	Section 3.5
Who owns the intellectual property behind the Company's products?	All intellectual property is wholly-owned by Pivotal and is protected by a combination of patents and copyright. The Company is also in the process of applying for registration of a number of trademarks.	Section 3.9
What is the Company's growth strategy?	<p>The Company's growth strategy involves leveraging its technology leadership and competitive advantage to drive sales within its existing customer base, and into adjacent markets.</p> <p>The four core components of Pivotal's growth strategy include:</p> <ol style="list-style-type: none"> <li>Increased penetration within existing customers, including becoming the standard flow control technology in more OEM manufacturing tools to capture greater market share;</li> <li>Bolstering sales and marketing capabilities, including participation and presence at key industry events and trade shows;</li> <li>Beginning to sell Pivotal's software through licensing its software upgrades; and</li> <li>Continuing to release new products to gain relevance to new manufacturing verticals and processes and expand the total addressable market for Pivotal's GFCs.</li> </ol>	Section 3.10
Who does the Company compete with?	Pivotal competes with other designers and manufacturers of flow control technologies.	Section 2.4

QUESTION	ANSWER	MORE INFORMATION
What are the key highlights of the Offer?	<ul style="list-style-type: none"> <li>i. Opportunity to gain exposure to the growing semiconductor industry;</li> <li>ii. Clear technology leader with a proven product that has received validation from a number of key blue chip customers;</li> <li>iii. Large and growing addressable market with further opportunity for significant expansion of market share;</li> <li>iv. Opportunity for diversification of revenue streams with growth in high quality revenue from the sale of software upgrades;</li> <li>v. Close relationships with high quality customer base comprised of leading blue-chip IDMs and OEMs;</li> <li>vi. Strong customer retention and a highly defensible product model; and</li> <li>vii. Highly aligned management team with the technical and commercial experience to deliver on the Company's growth strategies.</li> </ul>	
What are the key competitive advantages of the Company's business?	<p>The Company has a clear proprietary technological advantage over its competitors in the ability to deliver fast, accurate and repeatable gas flows for use in semiconductor manufacturing. This advantage is formed through a combination of:</p> <ul style="list-style-type: none"> <li>i. <b>Hardware:</b> innovative nanotechnology-enabled valve design and the ability to measure internal volume to a National Institute of Standards of Technology (NIST) traceable measurement of accuracy; and</li> <li>ii. <b>Software:</b> a robust software operating platform which complements the innovative hardware design with strong analytical, machine learning and diagnostic capabilities.</li> </ul> <p>Pivotal management have significant experience in the semiconductor industry along with a number of strong relationships with leading IDMs and OEMs. These relationships along with a clear technological advantage are helping to underpin strong growth.</p>	Section 3.4
What are the key risks associated with the Company?	<p>Key risks involved with an investment in Pivotal include the general and Company specific risks detailed in Section 4. A summary of the most significant risks is detailed below:</p> <p><b>Reliance on key customers and lack of formal customer contracts:</b> due to the nature of the semiconductor industry, where a small number of large global companies dominate the market, a significant portion of Pivotal's revenue is derived from a select few customers, with 97.7% of revenue in FY17 generated from Pivotal's top three customers, which is expected to decrease to 82.6% in FY18. Pivotal does not have formal written contracts in place with its customers who order and purchase products from Pivotal on an ad hoc basis by submitting standard purchase orders to Pivotal who then supplies the products and issues an invoice for those products.</p>	Section 4

# 01. INVESTMENT OVERVIEW cont.

QUESTION	ANSWER	MORE INFORMATION
<p><b>What are the key risks associated with the Company?</b> continued</p>	<p><b>Timing of purchase orders and receipt of revenues due to the delay to new fabrication plant production:</b> purchase orders are driven by the customers' schedule for the construction or ramp up of new semiconductor manufacturing plants. While Pivotal has some visibility around general timing for the construction of new facilities, the actual timing of purchase orders are generally outside of Pivotal's control and a delay to the construction of a fabrication plan may push expected revenue into the following financial period which may have a material impact on its financial results for a particular period and may impact Pivotal's ability to meet its forecasts.</p> <p><b>Supply chain disruption risk:</b> Pivotal relies on certain manufacturers to manufacture and supply critical components used in their GFC solutions. These components are used in other devices and by other businesses that may have more purchasing power than Pivotal. The global demand for these products may sometimes outstrip supply. A disruption to supply of these components could have a material adverse effect on the Company's ability to generate revenue, or result in increased cost. Also, should the Company's contract manufacturer, Compart, fail to meet Pivotal's required standards, this may impact Pivotal's ability to meet its obligations to its customers and adversely impact its financial performance or reputation.</p> <p><b>Competition risk:</b> Pivotal competes against other flow control companies, some of whom may have significantly more resources to develop new products or may improve existing products to compete directly with Pivotal. In addition, Pivotal's customers may also decide to develop their own GFC solutions in-house or Pivotal may fail to anticipate and respond to changing opportunities, technology, standards or customer requirements as quickly as competitors.</p> <p><b>Protection of intellectual property:</b> The value of Pivotal's products depends on the Company's ability to protect its intellectual property. Pivotal may be unable to detect the unauthorised use of its intellectual property rights in all instances, and actions taken to protect intellectual property may not be adequate or enforceable and actions taken to enforce its intellectual property rights may be costly and time consuming.</p> <p><b>Ability to attract or retain key personnel:</b> Loss of key members of the management team or inability to recruit new personnel with the required technical skills may adversely affect Pivotal's ability to implement its strategies and may also adversely affect the Company's future financial performance.</p> <p><b>Launch of new products:</b> The development schedule for new products or market adoption of the new products may take longer than expected, delaying the development of new revenue streams.</p> <p><b>Failure to effectively manage growth:</b> If the Company is not able to expand its manufacturing capacity and invest in systems and processes to support the development of the business, it may negatively impact the Company's financial performance.</p> <p><b>Failure to realise benefits from research and development costs:</b> An important element of Pivotal's business strategy is to continue to make investments in innovation and related product opportunities. Pivotal may not, however receive significant revenues from these investments for several years, or may not realise such benefits at all.</p>	<p><b>Section 4</b></p>

QUESTION	ANSWER	MORE INFORMATION																																			
What are the key risks associated with the Company? continued	<ul style="list-style-type: none"><li>• <b>Failure to retain existing customers and attract new customers:</b> If customers do not continue to use Pivotal's products and increase their usage over time, and if new customers do not choose to use Pivotal's products, the growth in Pivotal's revenue may slow, or Pivotal's revenue may decline, which will have an adverse impact on Pivotal's operating and financial performance.</li><li>• <b>Other risks:</b> Other general risks of an investment in Pivotal and more detail on Company specific risks are detailed in Section 4.</li></ul>	Section 4																																			
Who are the Directors of the Company?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"><li>• John Hoffman, Executive Chairman and Chief Executive Officer</li><li>• Dr. Joseph Monkowski, Executive Director and Chief Technology Officer</li><li>• Ryan Benton, Independent Non-Executive Director</li><li>• Kevin Landis, Non-Executive Director</li><li>• David Michael, Non-Executive Director</li></ul> <p>See Section 5 for further details regarding the background of the Directors.</p> <p>The Company also intends to appoint an Australian based, independent non-executive director to supplement the experience on the Board.</p>	Section 5.1																																			
Will any Director have a significant interest in the Company following Completion of the Offer?	<p>The table below details the Directors' interests in Pivotal securities.</p> <table><tr><th></th><th colspan="2">Immediately prior to the Offer (fully diluted)<sup>1</sup></th><th colspan="2">Immediately following the Offer (fully diluted)</th></tr><tr><th></th><th>Number of Shares</th><th>Percentage of Shares</th><th>Number of Shares</th><th>Percentage of Shares</th></tr><tr><td>John Hoffman</td><td>4,790,529</td><td>4.5%</td><td>4,790,529</td><td>3.8%</td></tr><tr><td>Dr. Joseph Monkowski</td><td>4,784,772</td><td>4.5%</td><td>4,784,772</td><td>3.8%</td></tr><tr><td>Ryan Benton</td><td>396,000</td><td>0.4%</td><td>396,000</td><td>0.3%</td></tr><tr><td>Kevin Landis<sup>2</sup></td><td>—</td><td>—</td><td>—</td><td>—</td></tr><tr><td>David Michael<sup>3</sup></td><td>—</td><td>—</td><td>—</td><td>—</td></tr></table> <p>1. Assumes that the Share Capital Restructuring described in Section 10.4 occurred immediately prior to the Prospectus Date.</p> <p>2. Kevin Landis is the nominee of Firsthand Venture Investors (<b>Firsthand</b>) to the Pivotal Board. Firsthand's shareholding following the completion of the Offer will be 42.9% on a fully diluted basis.</p> <p>3. David Michael is the nominee of Anzu Partners to the Pivotal Board. Anzu's shareholding following the completion of the Offer will be 8.6% on a fully diluted basis.</p> <p>See section 5.5 for details of Director's remuneration in Pivotal.</p> <p>The Company has entered into an agreement with Firsthand whereby Firsthand is granted the right to nominate a director to the Board for so long as Firsthand holds 30% or more of the issued share capital of the Company, with such right expiring four years after the date of Listing. As at the date of this Prospectus, Firsthand has nominated Kevin Landis as its nominee director to the Board.</p>		Immediately prior to the Offer (fully diluted) <sup>1</sup>		Immediately following the Offer (fully diluted)			Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	John Hoffman	4,790,529	4.5%	4,790,529	3.8%	Dr. Joseph Monkowski	4,784,772	4.5%	4,784,772	3.8%	Ryan Benton	396,000	0.4%	396,000	0.3%	Kevin Landis <sup>2</sup>	—	—	—	—	David Michael <sup>3</sup>	—	—	—	—	Section 5.5
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# 01. INVESTMENT OVERVIEW cont.

QUESTION	ANSWER	MORE INFORMATION																																								
Who are the Existing Shareholders and what will their interests be at completion of the Offer	<p>The ownership of Pivotal on a fully diluted basis immediately following Completion of the Offer will be as follows:</p> <table><thead><tr><th></th><th colspan="2">Immediately prior to the Offer (fully diluted)</th><th colspan="2">Immediately following the Offer (fully diluted)</th></tr><tr><th></th><th>Number of Shares</th><th>Percentage of Shares</th><th>Number of Shares</th><th>Percentage of Shares</th></tr></thead><tbody><tr><td>Firsthand Venture Investors</td><td>53,758,441</td><td>50.7%</td><td>53,758,441</td><td>42.9%</td></tr><tr><td>Anzu Partners</td><td>10,725,588</td><td>10.1%</td><td>10,725,588</td><td>8.6%</td></tr><tr><td>Employees/ Management/Board</td><td>18,500,806</td><td>17.5%</td><td>18,500,806</td><td>14.8%</td></tr><tr><td>Other Existing Shareholders</td><td>23,035,573</td><td>21.7%</td><td>13,605,404</td><td>10.9%</td></tr><tr><td>Investors in the Offer</td><td>–</td><td>–</td><td>28,785,008</td><td>23.0%</td></tr><tr><td><b>Total</b></td><td><b>106,020,408</b></td><td><b>100.0%</b></td><td><b>125,375,247</b></td><td><b>100.0%</b></td></tr></tbody></table> <p><i>Note: Assumes that the Share Capital Restructuring was completed immediately prior to the Prospectus Date.</i></p>		Immediately prior to the Offer (fully diluted)		Immediately following the Offer (fully diluted)			Number of Shares	Percentage of Shares	Number of Shares	Percentage of Shares	Firsthand Venture Investors	53,758,441	50.7%	53,758,441	42.9%	Anzu Partners	10,725,588	10.1%	10,725,588	8.6%	Employees/ Management/Board	18,500,806	17.5%	18,500,806	14.8%	Other Existing Shareholders	23,035,573	21.7%	13,605,404	10.9%	Investors in the Offer	–	–	28,785,008	23.0%	<b>Total</b>	<b>106,020,408</b>	<b>100.0%</b>	<b>125,375,247</b>	<b>100.0%</b>	Section 8.9
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What are the Company’s material contracts?	<p>The Company’s material contracts and arrangements include:</p> <ul style="list-style-type: none"><li>• customer purchase arrangements;</li><li>• supply agreements or arrangements;</li><li>• Compart Manufacturing and Supply Agreement;</li><li>• sales representative agreements; and</li><li>• distribution agreements.</li></ul> <p>Note that the customer purchase arrangements and certain of the supply arrangements are not formal contracted arrangements but are mostly long term arrangements based on repeat purchase orders.</p>	Section 9																																								
Will the Company pay dividends?	<p>The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate paying dividends to Shareholders for the foreseeable future.</p>	Section 6.9																																								

QUESTION	ANSWER	MORE INFORMATION																																												
What will the Company use the proceeds raised from the Offer for?	<b>APPLICATION OF PROCEEDS</b>																																													
	<table><tr><th rowspan="2">Uses</th><th colspan="3">Estimate spend</th></tr><tr><th>(A\$m)</th><th>(US\$m)</th><th>%</th></tr><tr><td>Payment of proceeds by SaleCo to Selling Shareholders</td><td>16.8</td><td>12.6</td><td>31%</td></tr><tr><td>Expansion capital to invest in sales and support offices</td><td>7.4</td><td>5.6</td><td>14%</td></tr><tr><td>Expansion capital to invest in research and development</td><td>10.4</td><td>7.8</td><td>19%</td></tr><tr><td>Working capital to support increased receivables and inventory</td><td>4.5</td><td>3.4</td><td>8%</td></tr><tr><td>Working capital to support corporate development</td><td>3.4</td><td>2.6</td><td>6%</td></tr><tr><td>Cancellation of warrants held by the Company's venture lender</td><td>0.4</td><td>0.3</td><td>1%</td></tr><tr><td>Repayment of existing bank facility</td><td>6.5</td><td>4.9</td><td>12%</td></tr><tr><td>Payment of costs of the Offer</td><td>4.1</td><td>3.0</td><td>8%</td></tr><tr><td><b>Total</b></td><td><b>53.5</b></td><td><b>40.2</b></td><td><b>100%</b></td></tr></table>		Uses	Estimate spend			(A\$m)	(US\$m)	%	Payment of proceeds by SaleCo to Selling Shareholders	16.8	12.6	31%	Expansion capital to invest in sales and support offices	7.4	5.6	14%	Expansion capital to invest in research and development	10.4	7.8	19%	Working capital to support increased receivables and inventory	4.5	3.4	8%	Working capital to support corporate development	3.4	2.6	6%	Cancellation of warrants held by the Company's venture lender	0.4	0.3	1%	Repayment of existing bank facility	6.5	4.9	12%	Payment of costs of the Offer	4.1	3.0	8%	<b>Total</b>	<b>53.5</b>	<b>40.2</b>	<b>100%</b>	
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Who are the issuers of the Securities and this Prospectus?	Pivotal is the issuer of the CDIs representing new Shares. SaleCo is transferring CDIs representing Existing Shares being sold under the Offer. Pivotal and SaleCo are issuing this Prospectus for the offer of CDIs.	Section 8.1																																												

## ABOUT THE OFFER

QUESTION	ANSWER	MORE INFORMATION
What is the Offer?	The Company and SaleCo are offering CDIs to raise A\$53.5 million (US\$40.2 million).	Section 8.1
What is SaleCo?	SaleCo is a special purpose vehicle incorporated in Delaware, US, which has been established to enable Selling Shareholders to sell Shares into the Offer.	Section 10.6
Who are the Selling Shareholders?	<p>The Selling Shareholders are certain Existing Shareholders of the Company who have elected to sell some or all of their shareholding into the Offer.</p> <p>None of the Directors or employees are selling any Shares into the Offer.</p>	Section 10.6
Is there a minimum amount to be raised under the Offer?	No, the Offer is fully underwritten by the Joint Lead Managers.	Section 8.4

# 01. INVESTMENT OVERVIEW cont.

QUESTION	ANSWER	MORE INFORMATION
What do Applicants pay when applying under the Offer?	All Applicants under the Offer will pay A\$1.86 per CDI.  The Company will retain any interest earned on Application Monies.	Section 8.1
Who are the Joint Lead Managers to the Offer?	Moelis Australia Advisory Pty Ltd and Shaw and Partners Limited.	Section 10.13
What is the purpose of the Offer?	The Offer is being conducted by the Company to: <ul style="list-style-type: none"> <li>• fund the growth of the Company's presence and market share in existing markets;</li> <li>• fund the expansion of the Company into new manufacturing verticals and processes;</li> <li>• provide a liquid market for the Company's securities;</li> <li>• enable some Existing Shareholders to realise all or part of their investment;</li> <li>• provide Pivotal with the benefits of an increased profile and enhanced image that arises from being listed; and</li> <li>• provide Pivotal with additional financial flexibility and access to capital markets, to assist in pursuing its growth strategies.</li> </ul>	Section 8.3
Will any Existing Holders be subject to escrow arrangements?	Certain existing Shareholders who are not selling all of their holding into the Offer will be restricted from dealing in their CDIs or Shares for a period of time following Completion of the Offer. These restrictions are either imposed by the ASX or have been agreed to voluntarily, or have been effected by amendment to the Company's Investors' Rights Agreement (which will terminate at Completion).	Section 10.10
Who can participate in the Offer?	The Broker Firm Offer is open to persons who have received a firm allocation of CDIs from their Broker and who have a registered address in Australia.  The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain foreign jurisdictions to apply for CDIs.	Section 8
What are CDIs	The ASX uses an electronic system called CHESS for the clearance and settlement of trades on the ASX. Pivotal is incorporated in the state of Delaware in the US, which does not recognise the CHESS system of holding securities. Accordingly, to enable companies such as Pivotal to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. CDIs represent the beneficial interest in the underlying shares in a foreign company such as Pivotal and are traded in a manner similar to shares of Australian companies listed on the ASX. Each CDI of Pivotal represents an interest in one Share.  The CDIs and Shares have not been registered under the US Securities Act. Due to certain US securities laws, you will not be able to sell CDIs into the US or to US Persons for a period of 12 months from the Allotment Date, unless the resale of the CDI is registered under the US Securities Act or an exemption is available. The Company has requested that all CDIs issued under the Offer bear a "FOR US" designation on ASX, which effectively automatically prevents any CDIs from being sold on ASX to US Persons.	Section 10.8

QUESTION	ANSWER	MORE INFORMATION
What rights and liabilities attach to the CDIs being offered?	The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company. There are certain difference between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Sections 8.8 and 10.9.	Section 8.8 Section 10.9
What law governs Pivotal?	As the Company is not established in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the Corporations Act 2001 of the Commonwealth of Australia or by the Australian Securities and Investments Commission but instead are regulated by Delaware General Corporation Law and applicable U.S. law, including in relation to laws and regulations relating to takeovers. Further information about the differences between the laws governing the Company as a US company with laws governing Australian publicly listed companies can be found in Section 10.8.	Section 10.8
Will the CDIs be quoted on the ASX?	The Company will apply to ASX within seven days of the date of this Prospectus for quotation of all CDIs on the ASX under the ticker code PVS.	Section 10.9
How do I apply for CDIs under the Offer?	The process for applying for CDIs in the Company is set out in Section 8.  Retail Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus. The Joint Lead Managers may seek to obtain identification information from Applicants. The Company reserves the right to reject an Application if that information is not provided.	Section 8
What are the fees and costs of the Offer?	The Company will pay to the Joint Lead Managers a lead manager fee equal to 4.5% of the total amount raised by the Company under the Offer.  The Company may also pay an incentive fee of up to 0.5% of the total proceeds of the Offer to the JLMs at its absolute discretion.  The Selling Shareholders (via SaleCo) will pay the Joint Lead Managers a fee equal to 4.5% of the total amount received by SaleCo with respect to the amount raised from the sale of the Sale CDIs under the Offer.	Section 10.13
Is the Offer underwritten?	The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Underwriters to terminate the Underwriting Agreement, is set out in Section 9.6.	Section 9.6
Is there a minimum amount of CDIs which I must apply for under the Offer?	Applications must be for a minimum of 1,076 CDIs (A\$2,001.36).	Section 8.4
Is there a cooling-off period?	No.	

# 01. INVESTMENT OVERVIEW cont.

## KEY FINANCIAL INFORMATION

QUESTION	ANSWER	MORE INFORMATION								
What is the key financial information you need to know about the Company's financial position, performance and prospects?	Set out below is a selected summary of the Company's Pro Forma Statement of Financial Position as at 31 December 2017.	Section 6								
	<table><tr><th>Item (US\$'000)</th><th>Pro Forma Historical December 2017</th></tr><tr><td>Cash</td><td>24,513</td></tr><tr><td>Net Tangible Assets</td><td>27,923</td></tr><tr><td>Net Assets</td><td>36,272</td></tr></table>		Item (US\$'000)	Pro Forma Historical December 2017	Cash	24,513	Net Tangible Assets	27,923	Net Assets	36,272
	Item (US\$'000)		Pro Forma Historical December 2017							
	Cash		24,513							
Net Tangible Assets	27,923									
Net Assets	36,272									
The Pro Forma Financial Information detailed in Section 6 and the Investigating Accountant's Report detailed in Section 7 is based on various best estimates assumptions. These assumptions should be read in conjunction with the risk factors set out in Section 4.										
On what basis has the financial information been prepared?	The financial information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards. Accounting policies relevant to the financial information are included in Appendix 2.	Section 6 Appendix 2								



QUESTION	ANSWER	MORE INFORMATION
What is Pivotal's historical and forecast financial performance	A selected summary of Pivotal's Pro Forma financial information is presented below:	Section 6

## GENERAL

QUESTION	ANSWER	MORE INFORMATION
How can I obtain further information?	<p>If you would like more information or have any questions relating to the Offer, you can contact the Offer Information Line on 1300 737 760 between 8.30am and 5.00pm AEST, Monday to Friday (excluding public holidays). If you are calling from outside Australia, please call +61 2 9290 9600.</p> <p>If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.</p>	

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# 02.

## INDUSTRY OVERVIEW



## 02. INDUSTRY OVERVIEW

### 2.1 INTRODUCTION

Pivotal is a developer of GFC systems, which are integral in the production of semiconductor devices (Semiconductors). Semiconductors are a key component in almost all modern electronics, including various kinds of communication, computing, IOT, automotive and control technologies.

Semiconductors can be broadly categorised into either:

- a. Integrated Circuits (ICs), commonly known as microchips or microprocessors; or
- b. Optoelectronics, Sensors and Discretes (OSDs), which are commonly used in the technologies enabling flat panel screens and photovoltaics (e.g. solar panels).

Much of the electronics and technology that is used by corporates and consumers today contains either IC and/or OSD devices.

Pivotal's current GFC product portfolio controls the flow of gas into process tools used in the production of ICs. Pivotal's devices are either sold to:

- Original Equipment Manufacturers (OEMs): to be used in both deposition and etching process tools supplied to Integrated Device Manufacturers for application in the semiconductor manufacturing process.
- Integrated Device Manufacturers (IDMs): to retrofit existing process tools installed in semiconductor fabrication plants.

### 2.2 OVERVIEW OF THE GLOBAL SEMICONDUCTOR INDUSTRY

Semiconductor materials are materials which have conductivity between conductors such as general metals and non-conductors or insulators such as ceramics. Semiconductors are made from pure elements, typically silicon, with small amounts of other elements being added to change the conductivity of the material.

Semiconductor devices are electronic components that exploit the electronic properties of semiconductor materials.

Semiconductor devices are generally categorised into two main forms:

1. **ICs:** An IC (also commonly referred to as a 'chip') is a device built on a semiconductor substrate or base layer by diffusion of trace elements onto the surface. The IC technology was first developed in 1958 and today is embedded into most electronic devices. There are three types of ICs:
  - Digital – microprocessors, microcontrollers, timers, logic gate and memory devices (such as DRAM and NAND Flash);
  - Analog – sensors, operational amplifiers and compact power management circuits; and
  - Mixed-Signal – combination of digital and analog.
2. **OSDs:** OSD's consist of optoelectronic, sensor and discrete devices. The overall OSD market is experiencing strong growth stemming from advancements in underlying market segments including solid state lighting, IoT, self-driving cars and smart-grid energy. Further explanation of the OSD segments are contained below:
  - Optoelectronic devices – devices that operate on both light and electrical currents and focus on light-emitting or light-detecting devices. Optical sensors are contained in end-use devices including digital cameras, LEDs and solar cells;
  - Electronic sensors – convert stimuli including heat, light and sound into electrical signals. Devices which integrate electronic sensors include hard disk drives, temperature and pressure sensors; and
  - Discrete devices – elementary electronic devices constructed as a single unit. Prior to ICs, all transistors, resistors, capacitors and diodes were discrete devices.

## 02. INDUSTRY OVERVIEW cont.

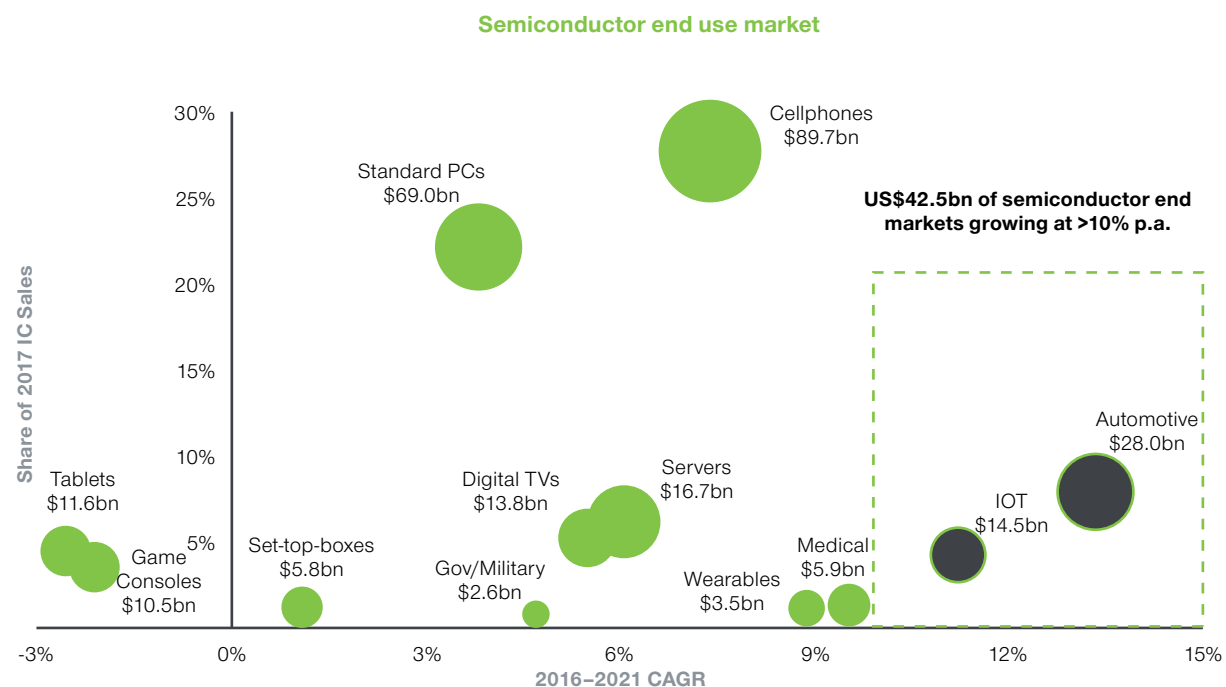
### 2.2.1 Semiconductor end-uses and demand drivers

The global semiconductor market is driven by various end-use products and applications, which include communication devices, commercial mainframe computing, personal computers (PCs), vehicles and Internet of Things (IoT) connected devices.

The mobile phone and PC end markets together accounted for the majority of revenue for the semiconductor industry in 2017 (see Figure 2.1 below).

IC Insights estimates that the highest growth semiconductor markets by end-use products are automotive and IoT, each forecast to grow at greater than 10% per annum in the 5 year period from 2016 to 2021 (see Figure 2.1 below).

**FIGURE 2.1: SEMICONDUCTOR MARKET SIZE BY TOP 10 END-USE PRODUCT (US\$BN)<sup>1</sup>**



Source: IC Insights – McClean Report 2018

Global unit shipments of mobile phones, automobiles and PCs achieved flat to negative unit growth in 2017 of 0%, 2% and (3%) respectively. In the same period, the number of semiconductor devices for these end-use products grew at 7.5%, 13.5% and 4% respectively. The disparity between the growth in the end use products and the high growth of the semiconductor market is a result of the increasing content of semiconductors in end-use products.

Over the past 30 years, electronic systems have increasingly been comprised of semiconductor content (ICs and OSDs). In other words, semiconductors are making up a larger proportion of components within the electronic system. This increase through to 2017 (see Figure 2.4 below) has been driven by factors such as the increase in functionality and memory of smartphones. For example, smartphones now have multiple ICs across data processors, graphics processors, displays, connectivity and memory (both NAND flash memory and DRAM memory).

1. IC Insights forecast growth rates of IC sales for a dozen major end-use electronic systems.

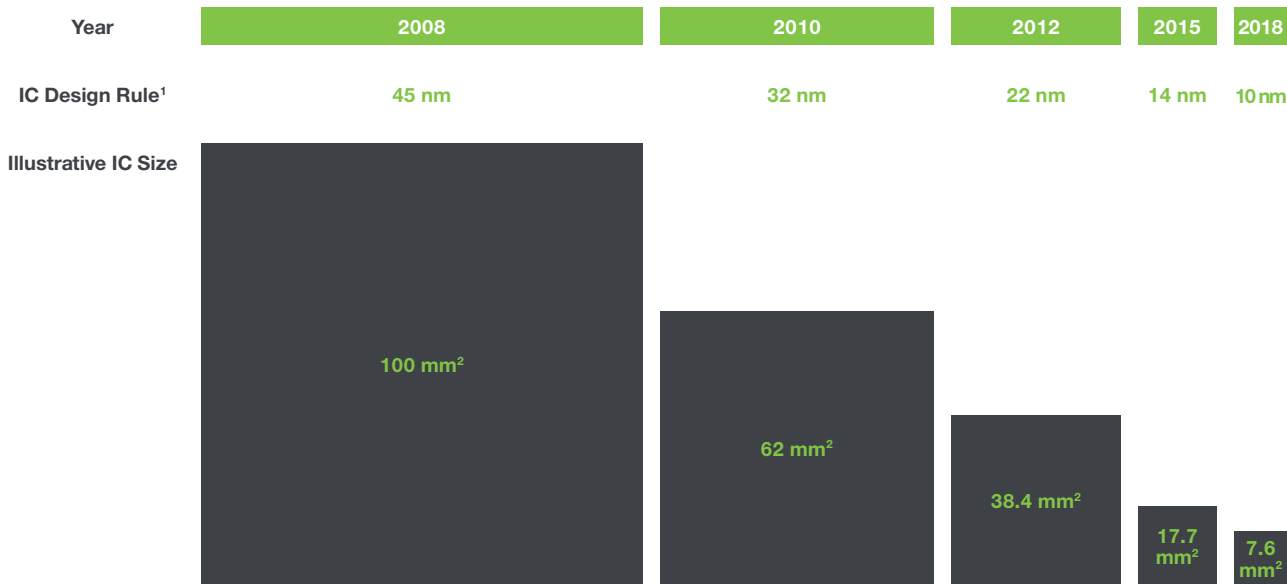
2.2.2 Semiconductor market

The semiconductor industry has historically achieved growth in excess of the broader electronic systems market, reflecting the increasing proportion of build materials that are comprised of semiconductor content (see Figure 2.4 below).

In 1965, Intel co-founder Gordon Moore observed the exponential growth in the number of transistors per IC and predicted that this number would continue to double every two years. This observation has been largely proven correct and has since become known as “Moore’s Law.”

Since 1965, IDMs have maintained significant research and development programs to maintain competitiveness by increasing the number of transistors per IC. This competition has required large and regular capital expenditure investments in leading edge process tools. Section 2.3 discusses the IDMs medium term outlook for the construction of new manufacturing facilities and the associated investment required in new process tools.

FIGURE 2.2: EXAMPLE IC GEOMETRIC IMPROVEMENTS BY AN IDM



Note 1:  
IC Design Rules refer to the feature size of the transistor gate, which is the minimum length of the transistor channel. Decreasing the length of the transistor channel (i.e. decreasing the feature size of the transistor from 14nm to 10nm) enables more transistors to be placed on an IC, therefore enhancing overall performance of the IC device.

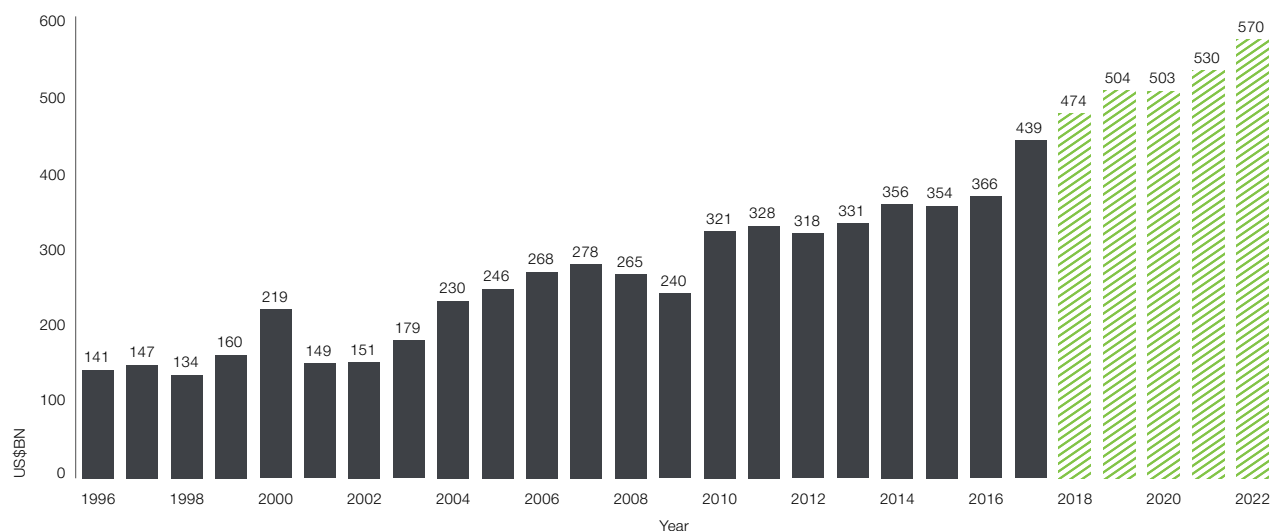
The global market for semiconductors in 2017 was US\$439 billion,<sup>2</sup> having grown at a 4.7% CAGR since 2007. The market is forecast to grow to US\$570 billion by 2022, representing a CAGR of 5.4% from 2017. Shipment growth is expected to continue to grow at a CAGR of 7.0% through to 2022.<sup>3</sup>

2. IC Insights, 2018 McClean Report.  
3. IC Insights, 2018 McClean Report.



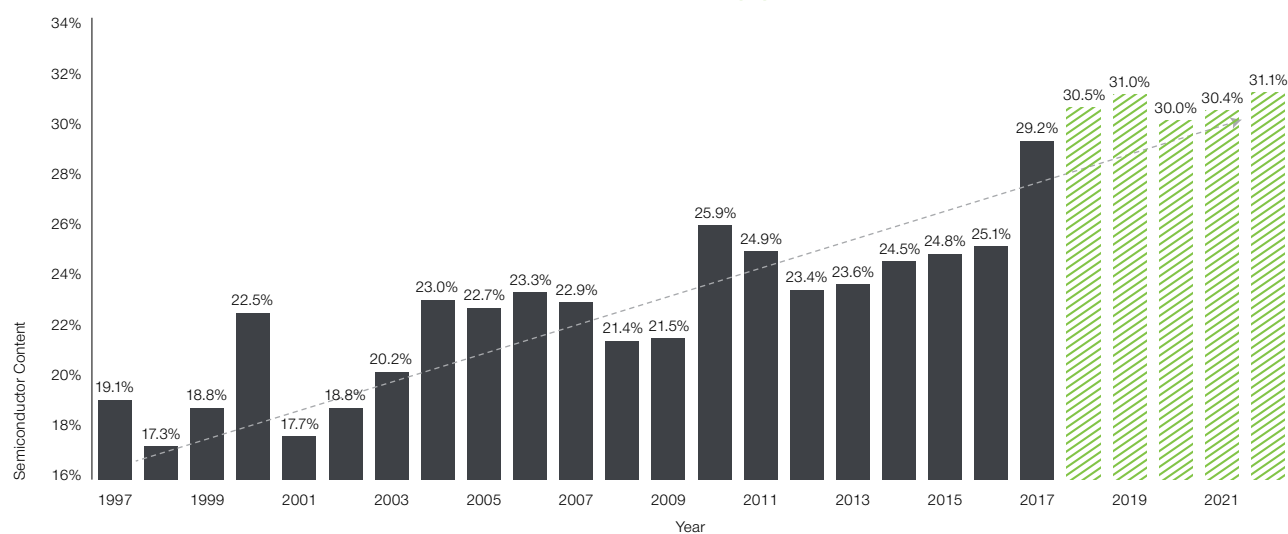
## 02. INDUSTRY OVERVIEW cont.

**FIGURE 2.3: GLOBAL SEMICONDUCTOR MARKET SIZE (US\$BN)**



Source: IC Insights – McClean Report 2018.

**FIGURE 2.4: ELECTRONIC SYSTEM SEMICONDUCTOR CONTENT (%)**

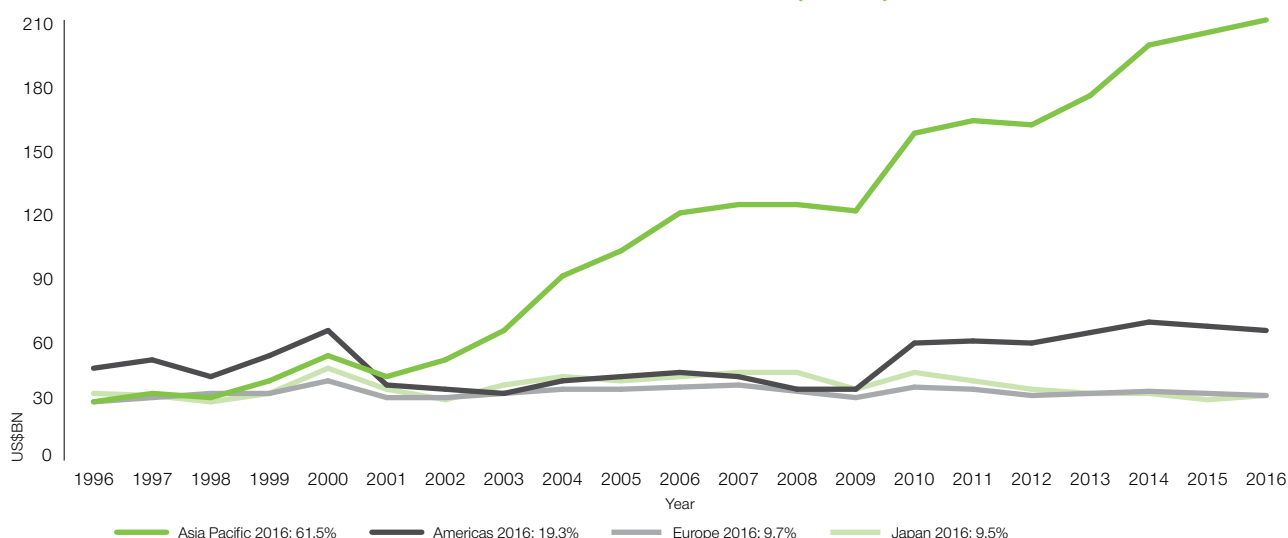


Source: IC Insights – McClean Report 2018.

Since 2001, the Asia Pacific semiconductor market has quadrupled in size, from US\$39.8 billion to over US\$208 billion in 2016<sup>4</sup> and represents 56.8% of the total manufacturing market. This is largely driven by unit growth and market share gains by a number of IDMs who are located in, or are building new fabrication plants in the region.

4. The Semiconductor Industry Association (SIA) report.

**FIGURE 2.5: SIZE OF GLOBAL SEMICONDUCTOR MARKET BY REGION (US\$BN)**



Source: World Semiconductor Trade Statistics 2017.

### 2.2.3 Key industry participants – IDMs

The global semiconductor IDM market is concentrated around a small number of large global companies. This is largely a result of the significant investment required to establish manufacturing facilities, together with the ongoing and significant R&D spend needed to develop new products. The major IDMs operating in the semiconductor market are listed in the Table 1 below:

**TABLE 1: MAJOR GLOBAL IDMS**

Company Name	Headquarters	2017 Semiconductor Revenue (US\$)	YoY Semiconductor Revenue Growth <sup>5</sup>
Samsung Electronics	Korea	\$65.6b	48.1%
Intel	United States	\$61.0b	7.1%
TSMC	Taiwan	\$32.1b	9.1%
Texas Instruments	United States	\$13.9b	10.9%
SK Hynix	Korea	\$26.2b	75.8%
Toshiba	Japan	\$13.5b	23.2%

Source: IC Insights – McClean Report 2018.

The global semiconductor industry generated annual revenue of over US\$439 billion in 2017 with 986 billion units shipped. IC Insights forecasts industry revenue (including both ICs and OSDs) to increase 8% in 2018 to US\$474 billion, whilst unit shipments are expected to grow 9% to over 1 trillion.

Pivotal's gas flow control systems are part of the semiconductor capital equipment sub-segment, in which IDMs are forecast to spend 20.5% of their revenue on capital equipment in 2018 (approximately US\$97.1 billion). This is forecast to return to the long-term average capital equipment spend of between 16-17% of semiconductor annual revenue by 2022.<sup>6</sup>

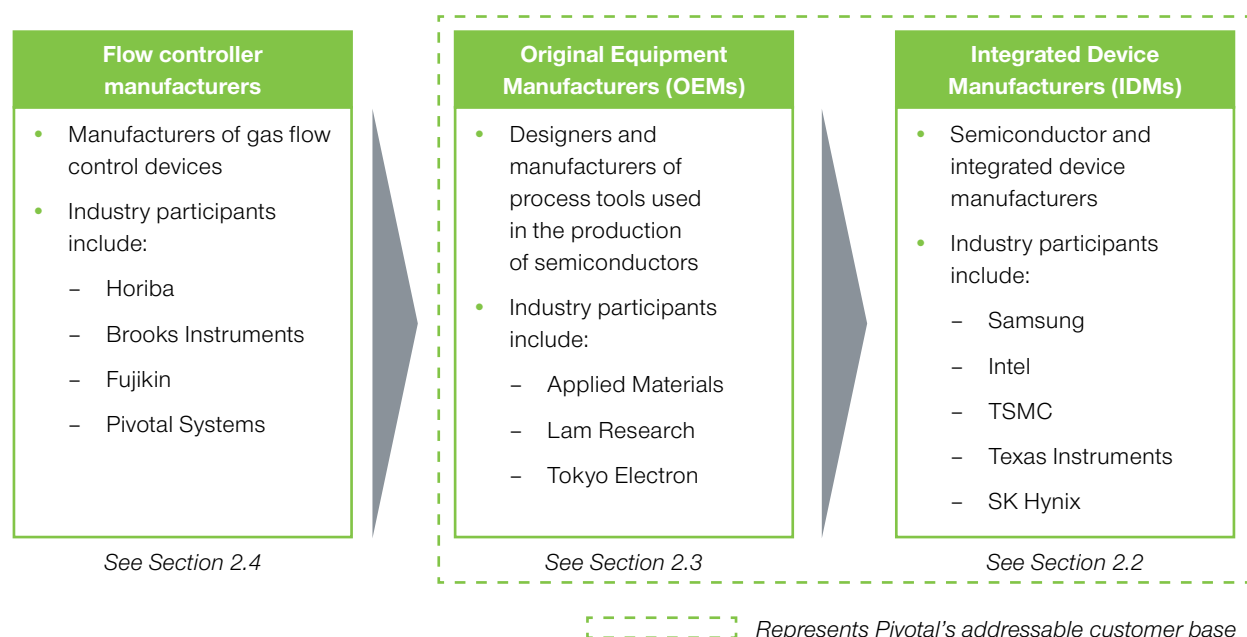
5. Year on year calculation is based on the respective company's financial year end.

6. IC Insights McClean Report 2018.

## 02. INDUSTRY OVERVIEW cont.

The addressable market for flow controllers in semiconductor device manufacturing (including Pivotal's GFC products) was estimated to be US\$542 million in 2017. This is forecast to grow to US\$764 million by 2023, implying a 5.9% CAGR.<sup>7</sup> Pivotal is also currently evaluating how it can utilise its existing intellectual property portfolio to service other flow control markets (which includes applications in chemical and pharmaceutical industries among others) which represent an estimated addressable market for flow control products of approximately US\$477 million per annum in 2017. Together the total addressable market for flow controllers was estimated to be approximately US\$1 billion in 2017.<sup>8</sup>

**FIGURE 2.6: OVERVIEW OF THE FLOW CONTROL VALUE CHAIN**



### 2.3 OVERVIEW OF CAPITAL EQUIPMENT MARKET

The semiconductor capital equipment market, a sub-segment of the broader semiconductor market, refers to the capital equipment or process tools used by IDMs to produce semiconductor devices. This capital equipment is manufactured by OEMs and is classified as either front-end or back-end capital equipment:

1. Front-end capital equipment is used in the fabrication of silicon, deposition and etching, in addition to other manufacturing functions.<sup>9</sup>
2. Back-end capital equipment is used in processes relating to the assembly, packaging and testing of ICs or OSDs.

Semiconductor fabrication plants typically have hundreds of manufacturing process tools which are used in the various stages of manufacturing semiconductors, each performing a process to produce a specific element of a semiconductor. Some process tools require a large number of flow controllers, for example a typical etching tool producing elements of an ICs can currently contain up to 96 flow controllers. Therefore, it is not unusual for an IDM's fabrication plant to contain over 75,000 flow controllers installed across a number of process tools.

7. Excludes the potential revenues from retrofitting existing process tools.

8. Market and Markets Report – November 2017.

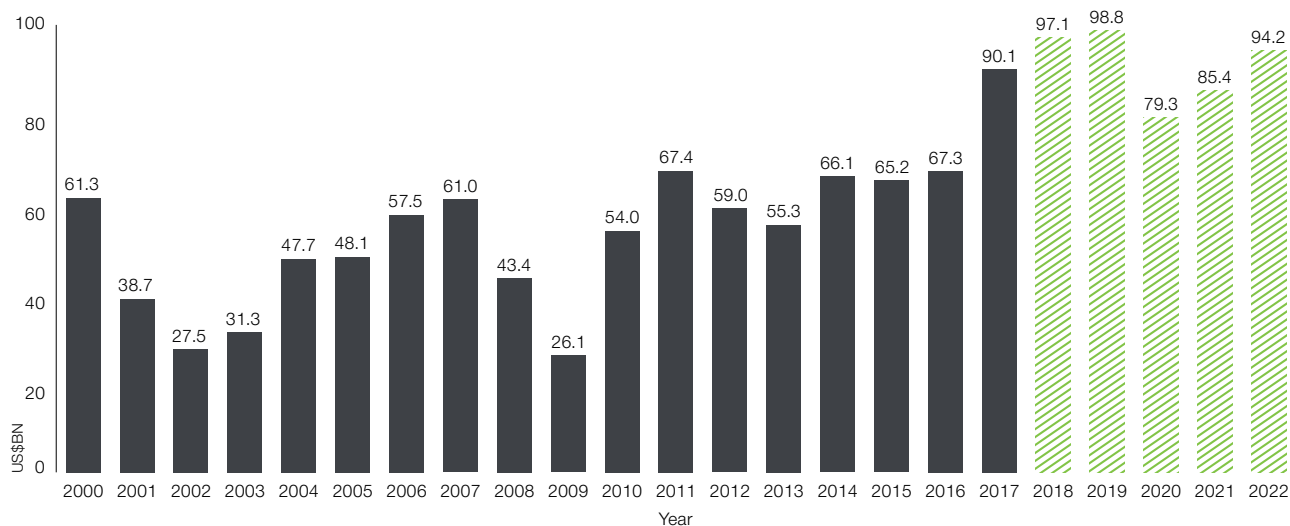
9. See semiconductor manufacturing in Section 3.3.

### 2.3.1 Market size

Spending on semiconductor capital equipment increased in 2017 to US\$90.1 billion. This was largely due to a step up in capacity from Samsung as they expanded fabrication capacity. IC insights estimates Samsung's US\$24.2 billion spend in semiconductor outlays in 2017 were segmented as follows:

- **3D NAND memory:** US\$12.0 billion including a significant ramp up in capacity at its Pyeongtaek fabrication plant;
- **DRAM:** US\$6.2 billion used for process migration and additional output capacity; and
- **Foundry/Other:** US\$6.0 billion for increasing 10 nanometer process capacity.

**FIGURE 2.7: GLOBAL SEMICONDUCTOR CAPITAL EXPENDITURE TRENDS (US\$BN)**



Source: IC Insights, 2018 – March Update.

Historically, the semiconductor capital equipment market has been cyclical as it is linked to the capital expenditure programs of the IDMs. IC Insights forecasts IDMs will continue to invest heavily in 3D NAND flash and DRAM product lines to 2019, followed by a brief cyclical downturn in currently planned capital expenditure in 2020 before rebounding in 2021 and 2022.

## 02. INDUSTRY OVERVIEW cont.

### 2.3.2 Growth drivers

The core growth catalyst in the capital equipment market stems from the pipeline of new fabrication plants being constructed by IDMs. A typical new fabrication plant costs approximately US\$7 billion and requires significant planning, typically being commissioned over multiple phases spanning between two to four years. This provides OEMs and their suppliers (including Pivotal) with reasonable visibility over the IDMs future capital equipment requirements and the timing of associated tool deliveries. Table 2 below illustrates the planned timing and size of new fabrication facilities by key IDMs.

**TABLE 2: CAPITAL EXPENDITURE ESTIMATES BY IDM**

IDM	Fabrication plant	Location/ Country	Use	Ann.	First Tool Delivery	Est. Capex
Hynix	M15	Korea	NAND Flash	Dec-16	2018	US\$2.1b <sup>10</sup>
Hynix	M14	Korea	DRAM/NAND	Jul-17	<i>Undisclosed</i>	<i>Undisclosed</i> <sup>11</sup>
Hynix	Wuxi Fab 2	China	DRAM	Oct-17	2019	Undisclosed <sup>12</sup>
Toshiba	Yokkaichi	Japan	3D NAND Flash	Oct-17	2019	US\$1.8b <sup>13</sup>
Samsung	Pyeongtaek Fab 1	Korea	DRAM/NAND	Oct-14	2017	US\$26.1B <sup>14</sup>
Samsung	Xian-2	China	3D NAND Flash	Nov-17	2019	US\$7b <sup>15</sup>
TSMC	Fab 18	Taiwan	5nm	Jan-18	2020	US\$17.2b <sup>16</sup>
Intel	Fab 42 Arizona	United States	IA Microprocessor	Feb-18	2020	US\$5b <sup>17</sup>
Samsung	Hwaseong EUV	Korea	Extreme Ultra Violet	Feb-18	2020	US\$6b <sup>18</sup>

Future demand for semiconductor capital equipment is driven through advancements in IC technology. IDMs require leading-edge tools to make increasingly complex chip designs required to meet advancements in both industrial and consumer applications. Specifically, smaller IC geometries with greater numbers of transistors in each chip allows IDMs to provide their customers with higher performance products which utilise lower power consumption.

As IC geometries get smaller, process tools need to be configured to provide the greater speed and precision in gas flows required for each step in the manufacturing process. Pivotal's GFC devices provide industry leading speed and precision for OEMs and IDMs.

10. Estimated capital expenditure relates to the announcement on 22 December 2016 <https://www.skhyun.com/eng/pr/pressReleaseView.do?seq=1966&offset=1>  
<http://www.cctimes.kr/news/articleView.html?idxno=512217>

11. M14 Fab expansion relates to the announcement on 25 July 2017 <https://www.skhyun.com/eng/pr/pressReleaseView.do?seq=2233&offset=1>

12. Wuxi Fab 2 expansion relates to the announcement on 26 October 2017 [http://www.zdnet.co.kr/news/news\\_view.asp?article\\_id=20171026094648](http://www.zdnet.co.kr/news/news_view.asp?article_id=20171026094648)

13. Estimated capital expenditure relates to the expenditure on manufacturing equipment for the Phase 1 clean room and the construction of the Phase 2 clean room, this information is presented in Toshiba's announcement on October 11 2017 [https://www.toshiba.co.jp/about/ir/en/news/20171011\\_1.pdf](https://www.toshiba.co.jp/about/ir/en/news/20171011_1.pdf)

14. Pyeongtaek Fab 1 expansion relates to the announcement on 6 October 2014  
<https://news.samsung.com/global/samsung-electronics-signs-agreement-to-construct-new-semiconductor-fabrication-plant-in-korea>

15. Estimated capital expenditure relates to the announcement on 21 November 2017 <http://www.asiae.co.kr/news/view.htm?idxno=2017112111041996438>

16. Estimated capital expenditure relates to the announcement on 26 January 2018  
<http://www.tsmc.com/tsmcdotcom/PRListingNewsAction.do?action=detail&language=E&newsid=THGOHITHTH>

17. Estimated capital expenditure relates to the announcement on 23 February 2018 <http://www.kbench.com/?q=node/185928>

18. Estimated capital expenditure relates to the announcement on 23 February 2018  
<https://news.samsung.com/global/samsung-electronics-breaks-ground-on-new-euv-line-in-hwaseong>



### 2.3.3 Key industry equipment participants

A small number of large global companies dominate the OEM landscape as demonstrated in Table 3 below.

**TABLE 3: OVERVIEW OF KEY CAPITAL EQUIPMENT PARTICIPANTS**

Company Name	Company Overview	FY17 Revenue (US\$)	YoY Growth <sup>1</sup>
Applied Materials (NASDAQ: AMAT)	Headquartered in the United States, Applied Materials engages in the manufacturing and sale of semiconductor fabrication equipment and services to the semiconductor industry.	\$14.5b	34.3%
ASML Holding (AEX: ASML)	Headquartered in the Netherlands, ASML engages in the development, production, marketing, sale and servicing of lithography related systems for the semiconductor industry.	\$10.8b	33.2%
Lam Research (NASDAQ: LRCX)	Headquartered in the United States, Lam Research engages in the manufacturing and sale of semiconductor fabrication equipment and services to the semiconductor industry.	\$8.0b	36.2%
Tokyo Electron (TSE/TYO: 8035)	Headquartered in Japan, Tokyo Electron engages in the development, manufacturing and sale of integrated circuit and display production equipment, electronic parts and telecommunications equipment.	\$7.4b	20.4%
Shibaura Electronics (TSE/TYO: 6957)	Headquartered in Japan, Shibaura Electronics engages in the manufacture and sale of semiconductor fabrication equipment and services to the semiconductor industry.	\$203.8m	3.8%

Source: Factset as at 14 May 2018.

Notes:

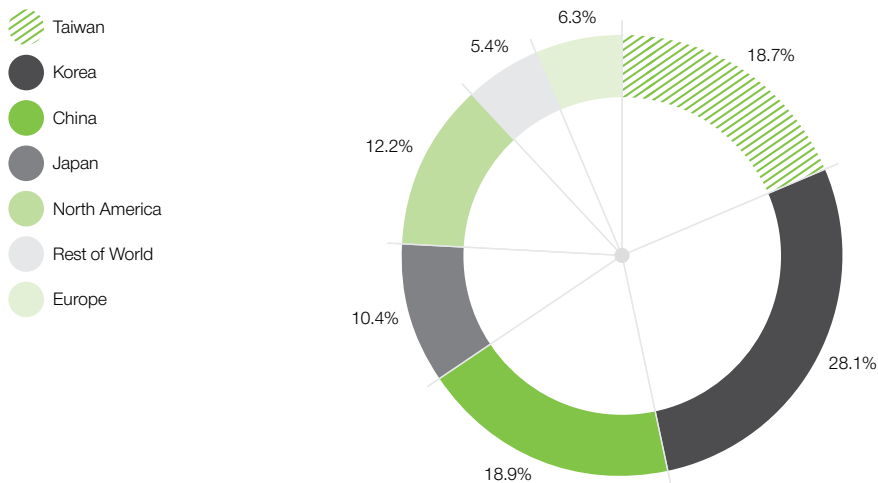
1. Year on year calculation is based on the respective company's financial year end.

## 02. INDUSTRY OVERVIEW cont.

### 2.3.4 Geography of OEMs

In recent years, most IDMs have shifted towards increasing their semiconductor manufacturing presence in China to supplement traditional markets in South Korea, Japan and Taiwan. This is reflected in the breakdown of OEM sales by geography, which is highly concentrated within these key market regions (see Figure 2.8 below).

**FIGURE 2.8: 2018 CAPITAL EQUIPMENT FORECAST REVENUE**



Source: IC Insights, 2018 McClean Report.

## 2.4 FLOW CONTROL MARKET

Flow control devices, commonly referred to as 'Mass Flow Controllers' (MFC), are an integral component of the semiconductor manufacturing process and are utilised to control the flow of gas in the deposition and etching process tools.

Pivotal's differentiated gas flow controllers (a type of MFC) achieve significant performance benefits over its competitor's solutions in the deposition and etching processes by providing:

- greater accuracy in gas flows;
- faster operating speeds;
- real-time monitoring and calibration; and
- inbuilt machine learning and intelligence.

By using the Pivotal solution, the IDM can improve production yield, increase production output and reduce waste, improving the overall manufacturing efficiency and lowering the cost of semiconductors.

### 2.4.1 Market size and growth

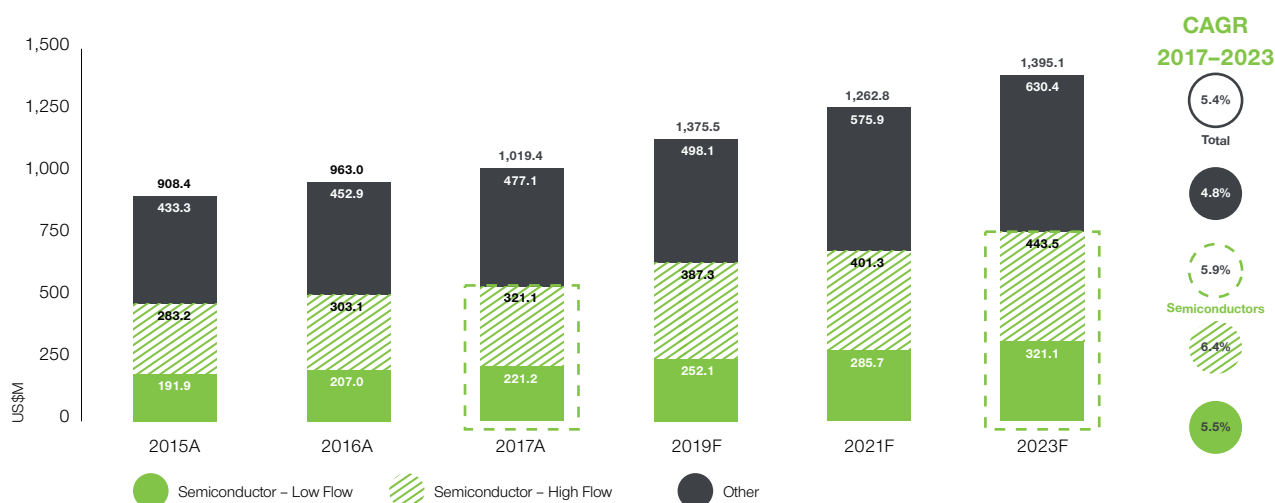
Market and Markets estimate the MFC market for semiconductors (both IC and OSDs) will achieve 5.9% CAGR from 2017 to 2023 to reach US\$764.6 million. The low flow MFC (predominantly etch) and high flow MFC (predominantly deposition) semiconductor markets were US\$221.2 million and US\$321.1 million respectively in 2017. The low flow MFC market is forecast to grow at a CAGR of 5.5% to US\$321.1 million in 2023 and the high flow MFC market forecast to grow at a CAGR of 6.4% to US\$443.5 million over the same period. In addition to the semiconductor market, MFCs are also used in a range of other industries (including chemicals and pharmaceuticals). Including these other industries, Market and Markets estimate the total addressable market to be US\$1.0 billion in 2017, which is forecast to achieve 5.4% CAGR from 2017 to 2023 to US\$1.4 billion.<sup>19</sup>

The MFC market can be segmented by product type, reflecting the type of tool in which the MFCs are installed.

<sup>19</sup>. Market and Markets November 2017.

The size and growth of the MFC market largely reflects the demand for semiconductor manufacturing equipment, such as deposition and etch process tools as discussed in Section 2.3. Ongoing demand for these tools reflects the requirement for IDMs to expand production capacity, together with investing in new process tools to develop smaller, faster and more energy efficient semiconductors.

**FIGURE 2.9: MFC MARKET INCLUDING LOW FLOW (ETCH) AND HIGH FLOW (DEPOSITION) BREAKDOWN (US\$M)**



Source: Markets and Markets, Mass Flow Controller Market Global Forecast to 2023 Report.

## 2.4.2 Competitors

The MFC market is comprised of a small number of competitors, each currently with a large share of the total flow control market. The companies outlined in Table 4 below represent Pivotal's main competitors in semiconductor flow control.

**TABLE 4: MANUFACTURERS OF MFCs**

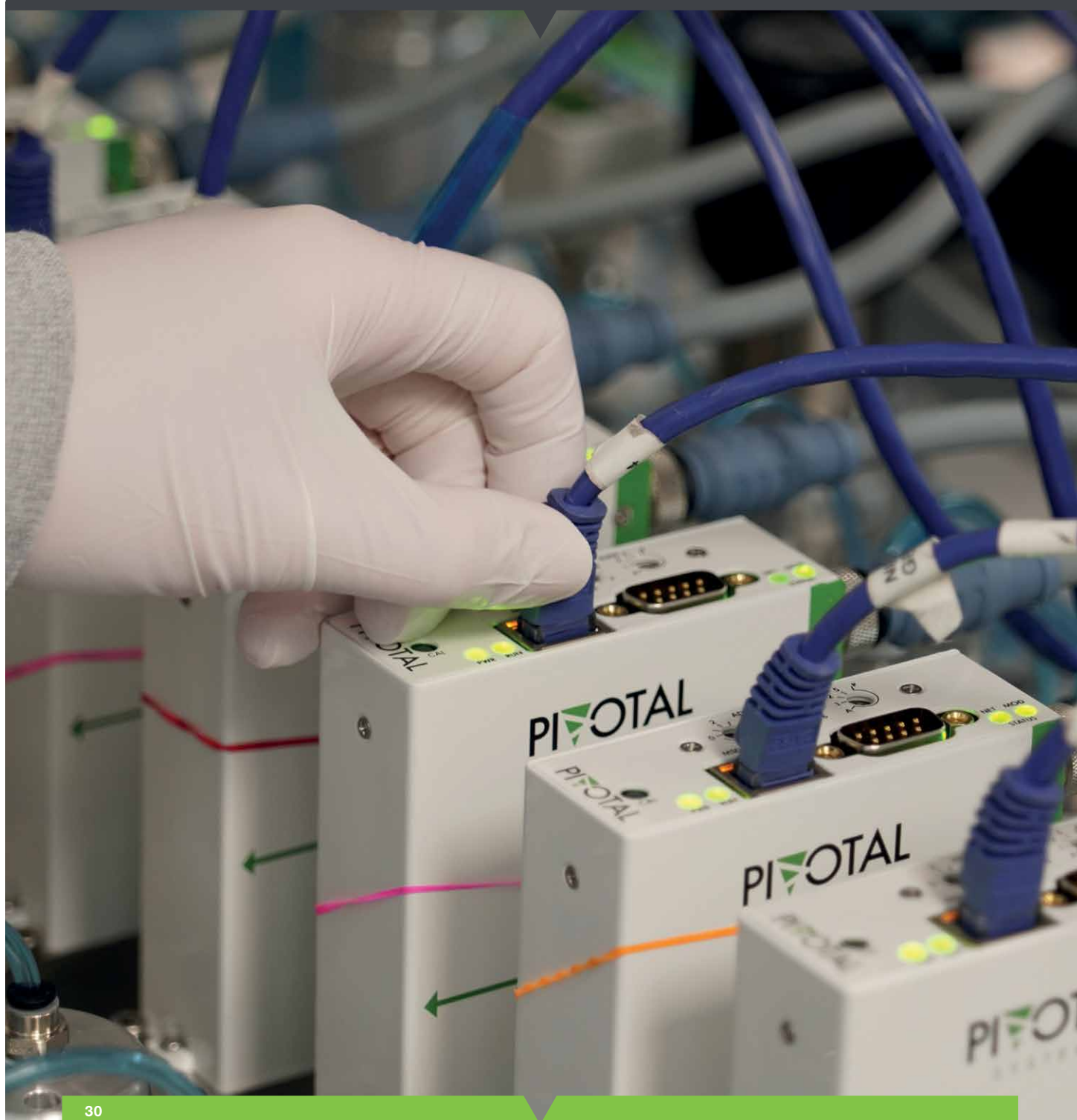
Company Name	Company Overview
Brooks Instruments (division of Illinois Tool Works (NYSE:ITW))	Provides a range of flow and pressure control instrumentation in addition to measurement equipment for industrial and semiconductor applications.
Fujikin	Engages in the manufacturing of fluid and gas automatic control equipment, specialised control units, and ultra high purity valves and fittings.
Horiba, Ltd. (TSE/TYO: 6856)	Provides an extensive array of instruments and systems for applications ranging from automotive R&D, process and environmental monitoring, in-vitro medical diagnostics, semiconductor manufacturing and metrology.
Hitachi Metals	Provides an MFC portfolio consisting of analog, digital and pressure insensitive MFCs. The offering is further complimented by vapour delivery and exhaust pressure control products.

Significant barriers exist for new competitors looking to enter the flow controller market, including the existing participants' intellectual property rights over their technical flow controllers, capital and time required to develop a new non-infringing technology, necessary customer relationships and long lead times for customer validation to translate into sales.

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# 03.

## COMPANY OVERVIEW



## 03. COMPANY OVERVIEW

### 3.1 OVERVIEW OF PIVOTAL

Pivotal is a manufacturer and supplier of GFCs to both OEMs and IDMs with applications in the production of semiconductors. Based in Fremont, California, Pivotal has its headquarters and manufacturing operations in the United States and has contracted manufacturing facilities in South Korea and China with additional sales and technical support representatives located across the United States, Europe, Japan and Asia.

The ability to accurately measure and control the flow of gases is critical to the manufacture of semiconductors. Precise amounts of chemical vapours are flowed at precise times to either deposit or etch away materials on a silicon wafer in order to create an integrated circuit. As discussed in Section 3.3, this process may be repeated hundreds of times depending on the complexity of the IC and its connections. Hence, the accuracy of gas flows in the manufacturing process has significant impacts on yield, output and cost, as well as the performance of the end product, making it a key focal point for IDMs.

Pivotal was initially established in 2003 to address process critical inefficiencies in the measurement of gas flows used in highly complex semiconductor manufacturing processes. In 2010, management soon recognised that there had been little innovation in flow control technology and existing products were becoming incapable of meeting increasingly complex semiconductor design requirements. In particular, technological enhancements in end-use products require an increasing number of transistors be contained in each IC, requiring greater precision and control over gas flows used in the manufacturing process.

In 2010, Pivotal began research into the design of the GFC in order to solve both current and anticipated manufacturing issues faced by IDMs. The innovative design of Pivotal's GFCs combines proprietary nanotechnology hardware and upgradable machine learning software to provide enhanced measurement and control of gas flows, benefitting IDMs through increased production yields and process efficiencies, as well as decreased maintenance requirements (such as the manual calibration of sensors on the flow controller). Pivotal's core technology platform is supported by strong patent protection and provides a number of performance benefits over its competitors' products (see Section 3.4 for further detail).

Pivotal currently has a broad portfolio of GFCs covering all deposition and etch process steps in semiconductor manufacturing. Pivotal has received EtherCAT and ODVA quality certifications as well as ISO9000 on all of its products.

Since 2013, Pivotal's software-driven, nanotechnology controlled product design has received strong recognition and has experienced rapid sales traction with a number of leading OEMs and IDMs, with unit orders having grown 282% between 2015 and 2017. As OEMs and IDMs require flow control suppliers to undertake significant and sometimes lengthy validation processes, further validation of the Pivotal technology by key industry leaders is expected to continue to drive adoption and sales over the short to medium term. As detailed in Section 3.6, Pivotal's GFCs have been validated by, or are in the process of being validated by, a number of customers across deposition and/or etch processes.

Pivotal has a global footprint with Pivotal operated and third-party contracted manufacturing and assembly centres in Asia and the USA, along with a network of technical, sales and support representatives in United States, Europe, Japan and Asia.

Development of the product portfolio and execution of the Company's growth strategy has largely been funded by raising various rounds of equity capital as well as a venture loan of \$4.9 million which will be repaid from the proceeds of the Offer. Management expects that the net proceeds raised under the Offer along with cashflows generated from operating activities will provide sufficient capital to enable the Company to execute on its near term growth strategies.

Over the long term, Pivotal plans to continue to expand its flow controller portfolio to gain relevance to new manufacturing processes and industrial verticals outside of semiconductors to increase its total addressable market.

## 03. COMPANY OVERVIEW cont.

### 3.2 CORPORATE HISTORY

FIGURE 3.1: HISTORY OF PIVOTAL

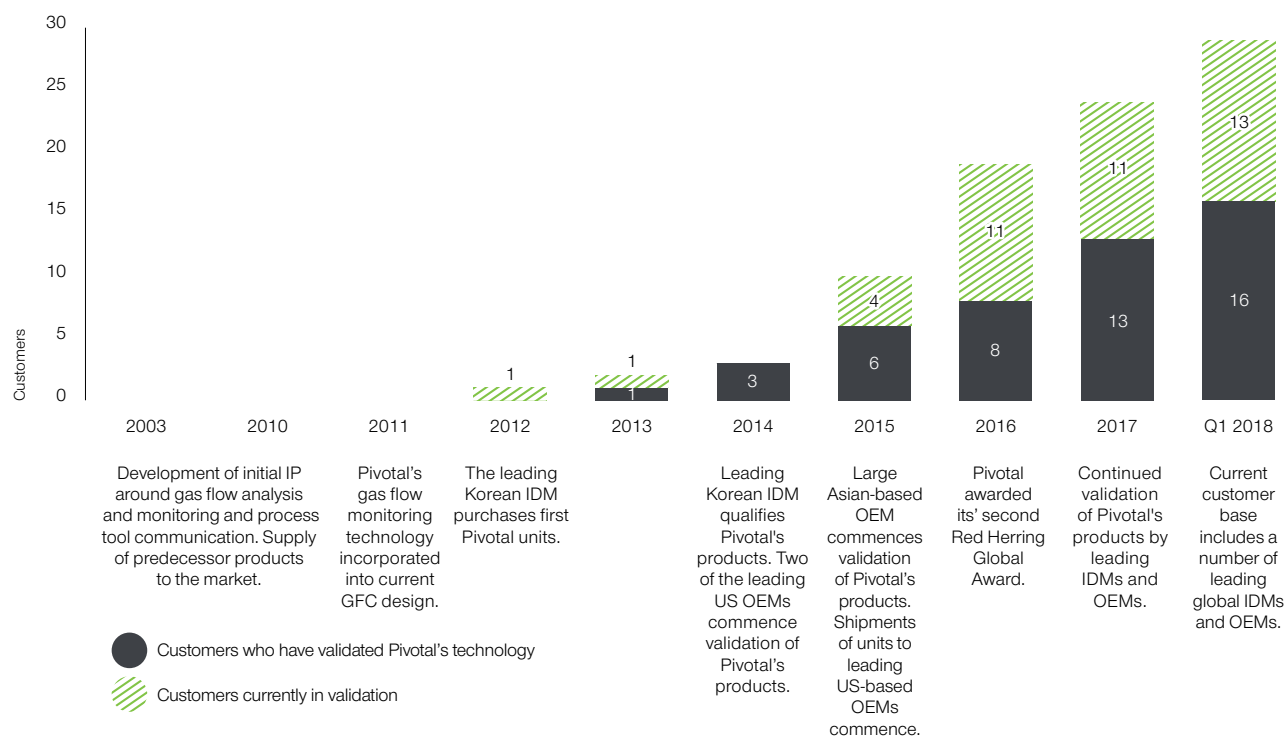




TABLE 1: INDUSTRY RECOGNITION

Award	Description		
	Red Herring Global Award	Prestigious global and regional technology awards for leading innovative private companies.	<ul style="list-style-type: none"> <li>• <b>2015.</b> Awarded for North American and global regions.</li> <li>• <b>2016.</b> Awarded for global regions.</li> </ul>
	Inc.500	Awards focused on high growth private companies in North America.	<ul style="list-style-type: none"> <li>• <b>2015.</b> Ranked 1st in Engineering Companies and 301st overall in fastest growing private company categories.</li> </ul>

### 3.3 LARGE MARKET OPPORTUNITY

The semiconductor industry is a highly competitive global industry in which a relatively small number of IDMs have traditionally competed on the basis of cost competitiveness and yield. As IC designs have become more complex and intricate, the focus of competition amongst IDMs has increasingly shifted towards manufacturing process technology to enable them to create the most advanced products.

This shift has generated strong demand for improved gas flow control technology and provided a significant opportunity for Pivotal to help address key process inefficiencies in relation to gas flows. Table 2 below summarises some of the most important and disruptive issues currently faced by IDMs due to inadequate gas flow control technology, particularly in relation to the speed, accuracy and measurement of gases used during the manufacturing process.

### 3.3.1 Semiconductor manufacturing process

The process of manufacturing semiconductors typically consists of more than a hundred individual steps, during which hundreds of copies of an IC or OSD are formed on a single silicon wafer. Figure 3.2 outlines the detailed steps as the wafer is fabricated.

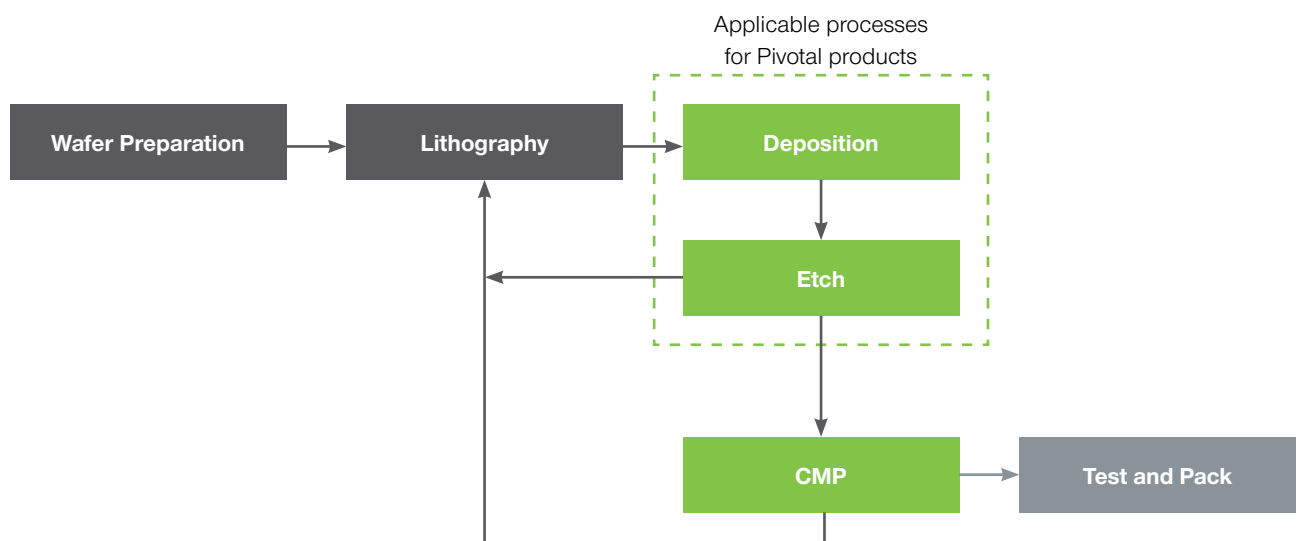
Two key processes to manufacture a semiconductor are deposition and etching:

- Deposition relates to a range of processes where materials at the atomic or molecular levels are deposited onto the wafer as a thin layer often via a flow of gas; and
- Etching is the process of selectively removing material from the wafer through the use of reactive gasses to produce a pre-designed pattern.

Both deposition and etching require the precise flow of various gases (up to 16 gases per production chamber) and are repeated multiple times, layering patterns that ultimately form a complete IC. This layering process creates electrically active regions on the semiconductor wafer surface.

Prior to etching, lithography is undertaken which refers to the process of transferring specific patterns to the surface of a substrate. The substrate then passes through the etching processes described above. Chemical-mechanical planarisation (CMP) is also undertaken selectively (either between process steps or at the end of the manufacturing process), whereby chemicals are used in conjunction with a polishing pad to remove irregularities and ensure the wafer is flat, either for further lithography or prior to packaging. These four processes defined above are repeated many times depending upon the design of the device.

**FIGURE 3.2: SEMICONDUCTOR MANUFACTURING PROCESS**



As IC geometries become smaller and more complex, the number of deposition and etching steps is increasing dramatically. For example, for certain products, management estimates the number of etch steps for a 7 nm IC can be 10-15 times the etch steps required for a 28nm IC. This can require shorter processing times (in some cases from minutes to seconds) making operating speed and throughput critical considerations for IDMs. The complexity of leading ICs requires an increase in process steps and the number of layers per device. This presents technical challenges for the IDMs including the uniformity of wafer layers, together with accuracy and depth of etches. This places greater emphasis on the accuracy and precision of deposition and etch gas flows into the process chamber, leaving a number of issues with existing flow control technologies.



## 03. COMPANY OVERVIEW cont.

TABLE 2: ISSUES WITH EXISTING FLOW CONTROL TECHNOLOGIES

ISSUES WITH TRADITIONAL FLOW CONTROLLERS	IMPLICATIONS
Inability to accurately measure and control gas flows during production	<ul style="list-style-type: none"><li>• <b>Unpredictable production yields.</b> Significant variations in production yields generally measured as the number of good devices that are able to be derived out of the total possible number of devices per wafer. Yields often vary in a wide range between 85%-99% of total factory output.</li><li>• <b>Potential spoilage of semiconductor wafers during manufacturing process.</b> Irreparable damage to wafers during the production process, largely as a result of inaccurate gas flows, often requires wafers to be scrapped and causes a loss of valuable production time and resources.</li><li>• <b>Gas waste.</b> The various gases used in semiconductor manufacturing processes are often expensive and toxic. Control and waste minimisation is important to limit costs as well as associated environmental issues involved in the disposal of excess gases unnecessarily expended during the production process.</li><li>• <b>Extra costs for ancillary equipment.</b> Inadequate flow control technology requires expensive upstream and downstream equipment to be added to the process tools, including valves and manometers, to help stabilise and measure gas flows.</li></ul>
Slow speed to turn on and off gas flows, or settling time	<ul style="list-style-type: none"><li>• <b>Productivity losses.</b> Manufacturing processes for certain types of ICs are becoming even more precise, requiring extremely short pulses of gas at or below the standard cubic centimetre per minute level. Slower gas flow settling times can reduce efficiency across the entire manufacturing line and cause a loss of valuable production yield.</li><li>• <b>Gas waste.</b> See above.</li></ul>
No or limited gas flow intelligence or diagnostics	<ul style="list-style-type: none"><li>• <b>Limited visibility.</b> Facility problems or tool specific variations are not detected which can cause loss of valuable production time and output.</li></ul>
Requirement for recalibration of current mass flow controllers	<ul style="list-style-type: none"><li>• <b>Maintenance costs and production down time.</b> The positioning of the valve and sensors used in some flow controllers 'drift' out of their original factory specifications. Periodically the process tool itself needs to be taken out of production for it to be manually recalibrated, losing valuable production time.</li></ul>

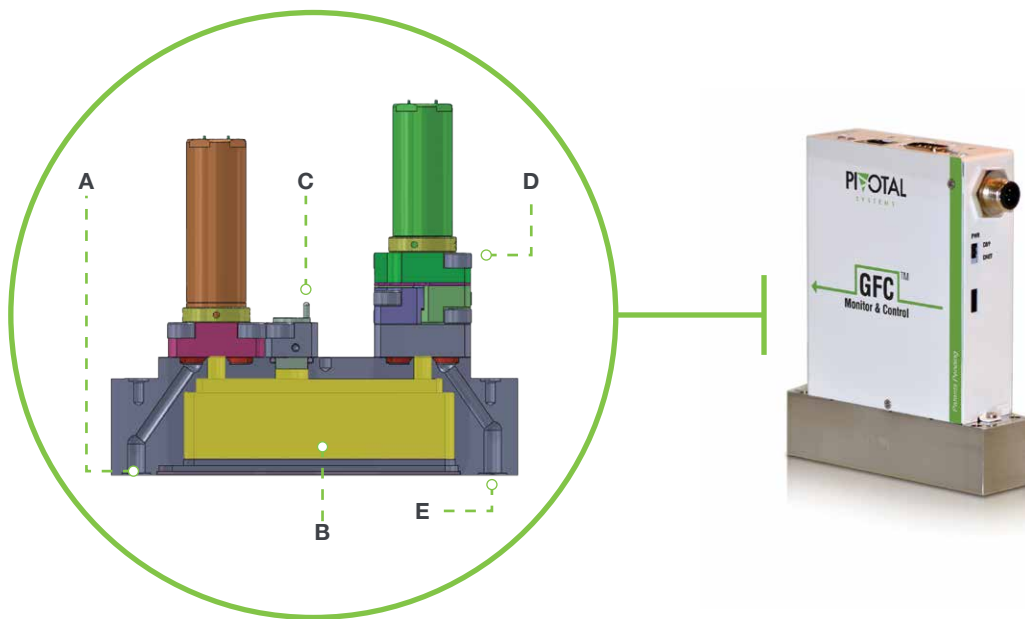
### 3.4 PRODUCT OVERVIEW

Pivotal's GFCs help solve key semiconductor manufacturing issues through a proprietary hardware design, which is underpinned and driven by an internally developed and proprietary software operating system, together providing a complete flow control and real-time measurement solution to its customers.

Some of the key hardware components contained in Pivotal's GFC are set out in Figure 3.3 below.

**FIGURE 3.3: HARDWARE COMPONENTS**

Example Image



Key:

A: Gas inlet.

B: Internal volume.

C: Pressure transducer.

D: Pivotal valve technology.

E: Gas outlet into process tool production chamber.

## 03. COMPANY OVERVIEW cont.

The hardware design incorporates the following product features:

- The **control valve** uses nanotechnology to deliver industry leading accuracy in gas flows. The valve can be controlled to the nanometre and at the millisecond (or at the microsecond for the Ultra High Speed device), which allows the device to make adjustments in real time to deliver the required gas flow into the production tool.
- The **internal volume** is measured on each device in order to classify the device as a National Institute of Standards and Technology (NIST) traceable primary flow standard. This volume, together with the pressure transducer which measures the change in pressure, enables accurate monitoring of gas flows in real-time, every micro or millisecond. This measurement methodology avoids the need for recalibration of the device, as well as providing the user with meaningful information regarding real-time flow accuracy.

These core hardware features are supported and driven by Pivotal's proprietary GFC application software (running on a real-time Linux operating system), which has been developed internally with years of refinement and performance optimisation. This software platform provides the following capabilities:

- **Machine learning.** The rate of flow, pressure and temperature of gases are constantly monitored within the device and Pivotal's software processes this information against the expected gas flow. The outcomes of each gas flow are updated into the GFCs 'lookup table' creating a feedback loop to adjust the valve position depending on variations in the GFCs operating condition. This learning process ensures the quantity of gas delivered into the process tool is accurate and repeatable throughout the manufacturing process regardless of changes in the operating conditions, such as downstream pressure of the gas.
- **Diagnostics.** By recording data from each process run and comparing it against the expected results, Pivotal's software can provide the IDM and/or OEM with actionable data insights allowing them to identify performance inhibitors including gas leakage points, upstream pressure issues, temperature control issues and other facility-level issues such as upstream contamination, or if the line is running low or contains the incorrect gas.
- **Interoperability.** Pivotal has developed its GFC to be interoperable with the major OEMs from a system programming language perspective. The leading OEMs such as Applied Materials, Lam Research and Tokyo Electron each may use a different operating language and MFC suppliers typically need to provide a different MFC model for each OEM. From an IDM perspective, the ability of Pivotal's GFCs to operate across different OEM products can reduce the inventory of spare gas flow devices that an IDM needs to maintain at each facility.

Pivotal's in-house software team is focused on continuously optimising and improving the software platform, particularly as it relates to the manufacturing process and the product pipeline (see Table 3 below). Pivotal has the ability to deliver ongoing software updates capable of delivering these incremental improvements to process manufacturing performance without any change to the hardware required. This service is expected to be offered to IDMs in the medium term.

**TABLE 3: KEY PERFORMANCE MEASURES FOR FLOW CONTROLLERS**

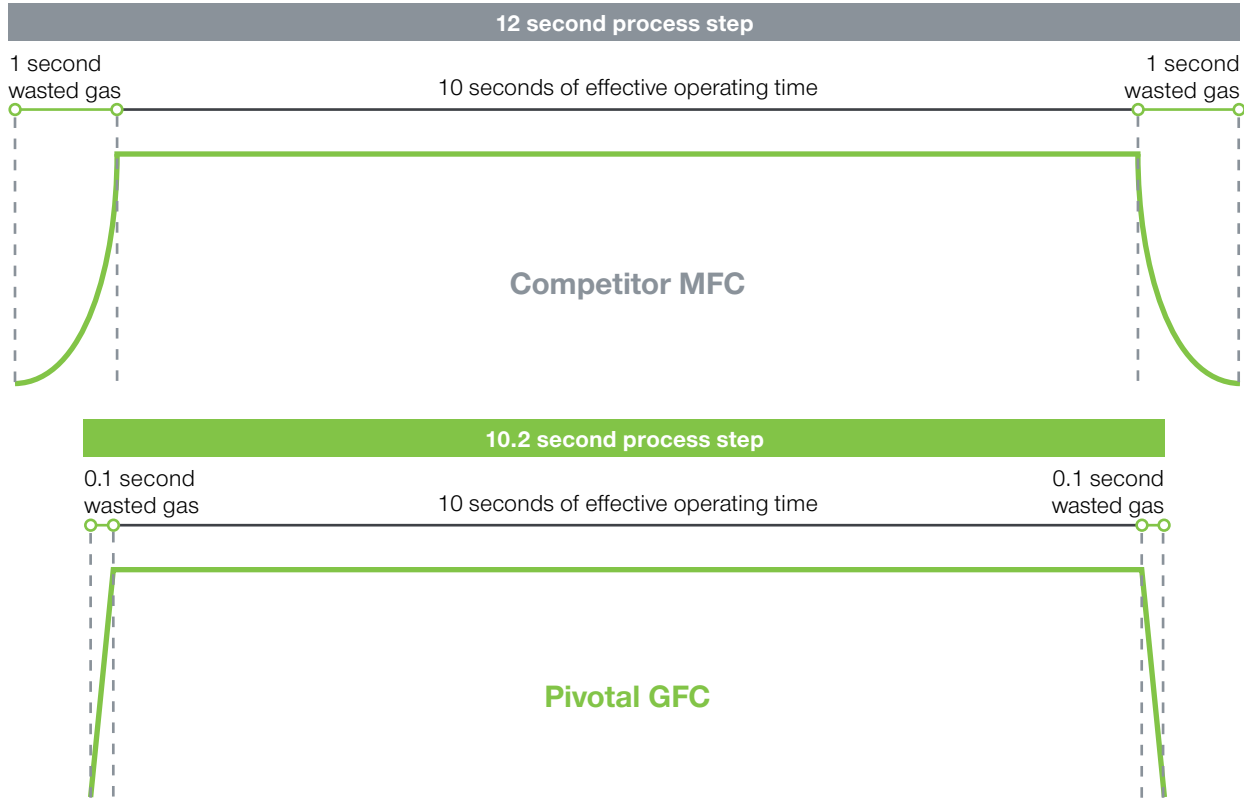
	Pivotal <sup>1</sup>	Competitors <sup>2</sup>			Pivotal's Advantage in Practice
		1	2	3	
<b>Flow sensor type</b>	Pressure and position based	Pressure	Pressure	Thermal	Advanced valve design enables more accurate delivery of gas flows and eliminates drift in sensor positioning over time.
<b>Speed</b>					
Turn on	0.1 sec	≤ 0.5 sec	< 1 sec	1 sec	On average, in a 10 second manufacturing process on a production line, Pivotal's GFC will be able to complete this process at the desired gas flow in ~10.2 seconds, versus competitor products which require up to ~12.0 seconds to perform the same process. This improves operating efficiencies by reduction of total elapsed time for the process step, while also reducing gas wastage while the flow is being stabilised or switched off (see Figure 3.4 below).
Turn off	<0.1 sec	≤ 0.5 sec	< 1 sec	1 sec	
<b>Accuracy</b>	0.5%	1.0%	1.0%	1.0%	For a process which requires 100 standard cubic centimetres per minute (sccm) of gas flow, Pivotal is accurate to +/- 0.5 sccm, while Pivotal's closest competitors are only accurate to +/- 1.0 sccm.
<b>Real-time self-diagnostic monitoring</b>	✓	✗	✗	✗	Allows the IDM to identify variability in gas flows and flag performance or process issues each and every process run.
<b>Machine learning</b>	✓	✗	✗	✗	Provides the ability to calibrate and adjust flow settings in real time, as well as maintain the accuracy and repeatability of gas flows during the highly dynamic production process.

Notes:

1. Metrics represent the performance of Pivotal's standard GFCs processing 0.025 sccm to 2L.
2. Includes core competitor models addressing both deposition and etch processes. All competitor data has been sourced directly from customer specification sheets, websites and presentations.

## 03. COMPANY OVERVIEW cont.

FIGURE 3.4: INDICATIVE COMPARISON OF FLOW CONTROL SETTLING TIMES



### 3.4.1 Pivotal benefits to IDMs

Pivotal GFCs have been designed in order to address the key gas flow issues faced by IDMs in the manufacturing of semiconductors. The Company considers that there are several key benefits of its devices as outlined below.

- **Increased output.** Enhanced diagnostics and speed increases overall production capacity for the entire manufacturing line.
- **Increased yield.** Potentially increases semiconductor manufacturing device and line yield by reducing variability in production output.
- **Efficient use of process gases.** National Institute of Science and Technology (NIST) traceable accuracy, real-time monitoring and continuous machine learning potentially reduces production errors and the scrapping of expensive semiconductor product.
- **Reduced production downtime.** Unlike traditional flow controllers, there is no requirement to periodically take process tools using Pivotal's GFC out of production to recalibrate for any 'drift' in sensors.
- **Product longevity and replacement cycle.** Pivotal products have a life span of up to 20 years and have also proven to be very robust in cases with corrosive gases. The speed and accuracy of the devices may be improved via software updates which is expected to be offered to IDM customers over the medium term.
- **Lower inventory required.** The ability to flow a wide range of gas flows through Pivotal's GFCs together with the interoperability across OEM process tool platforms means that fewer devices are required to cover a fabrication plant's requirements.
- **Easy to install.** Pivotal's products are tool-agnostic and interoperable across different OEM tools and software platforms. This means they are capable of being specified into any OEMs production tools or can be easily retrofitted onto existing production tools.

### 3.4.2 Pivotal benefits to OEMs

While the benefits of Pivotal's products are primarily focused on the IDMs, Pivotal believes its GFCs also have the following benefits for OEMs.

- **Reduced process tool hardware costs.** While Pivotal's pricing reflects a premium, technology enabled product, its superior product performance can reduce manufacturing costs for OEMs in relation to the ancillary equipment designed to improve the performance of competitor MFCs such as pressure regulators, high speed switching valves and off-line calibration equipment.
- **Reduced warranty costs.** OEMs are generally required to provide a one to two year warranty on production tools, which can include maintenance, engineering support and replacement MFCs in order to keep the tool operational. Traditionally gas flow control errors represent a large fraction of OEMs total warranty costs. Pivotal's technology dramatically reduces costs.
- **Improved product development.** Pivotal believes that its superior product characteristics, particularly in relation to speed and accuracy can assist OEMs in developing their next generation productions tools to assist IDMs in developing smaller, faster and more energy efficient semiconductors.

### 3.4.3 Product portfolio

The table below outlines Pivotal's existing product portfolio and includes some of the products in Pivotal's short term pipeline. Pivotal has also devised an extensive product roadmap which involves the adaptation of the Company's existing flow control technology for use in adjacent industrial manufacturing processes and verticals.

Pivotal prides itself on "continuous innovation" and as a result has introduced at least two new products a year since 2011.

**TABLE 4: PIVOTAL PRODUCT PORTFOLIO**

	Product	Manufacturing vertical	Flow range (scm)	Stage/process	Classification
Existing products	GFC 5 sccm	IC	0.025 – 5	Etch	Ultra Low
	GFC 20 sccm	IC	0.1 – 20	Etch	Low flow
	GFC 200 sccm	IC	1 – 200	Etch	High flow
	GFC 1000 sccm	IC	5 – 1,000	Etch	High flow
	GFC 2000 sccm	IC	10 – 2,000	Etch	High flow
	GFC 5L	IC	100 – 5,000	Deposition	High flow
	GFC 20L	IC	400 – 20,000	Deposition	High flow
	GFC 50L	IC	1,000 – 50,000	Deposition	High flow
	Ultra High Speed Flow Controller <sup>1</sup>	IC		Etch & Deposition	High speed
Pipeline	GFC 100L	OSD	20,000 – 100,000	Deposition	High flow
	GFC 300L	OSD	6,000 – 300,000	Deposition	High flow

Note 1:

The Ultra High Speed product is a variant of each product above, across various flow ranges however at a much quicker speed.

As illustrated above, 5 sccm to 200 sccm products are used primarily in the etch stage of the semiconductor manufacturing process and the 5L up to 50L models are used in the deposition stage of the semiconductor manufacturing process.<sup>20</sup> The recently released Ultra High Speed Flow Controller has software and hardware which enables the GFC to be controlled at the microsecond (rather than millisecond), greatly enhances operating speed and therefore further improves output and reduces wastage. The unique value proposition of Pivotal's portfolio is that the design and specifications of the products are identical, apart from the size of the gas flow chamber and valves, and variations in software settings.

The Company has a strong research and development focus and is currently working on a number of new products for release to the market over the short to medium term. These include a 100L and 300L gas flow product as detailed in Table 4 above amongst others.

20. The etch stage requires smaller and more precise flows of gas compared to the CVD stage, hence the different models offered by Pivotal.

## 03. COMPANY OVERVIEW cont.

### 3.5 SALES MODEL

Pivotal primarily generates sales from OEM customers after being designed into their semiconductor processing tools. Historically, OEMs have purchased non-differentiated flow controllers based on achieving the lowest possible cost per unit for the required specifications under a traditional procurement model.

Rather than simply competing on price, Pivotal developed a product which is highly differentiated through advanced technology. This allows Pivotal to directly target IDMs in order to gain acceptance for its technology and prove the benefits of its GFCs in a production environment.

Pivotal offers initial sales and support directly to IDMs while they are in the process of testing and validating the technology, or when they provide GFCs to retrofit onto existing process tools. Once validated by the IDM, Pivotal's sales focus shifts to the process tool supplier (i.e. the OEM) for that IDM.

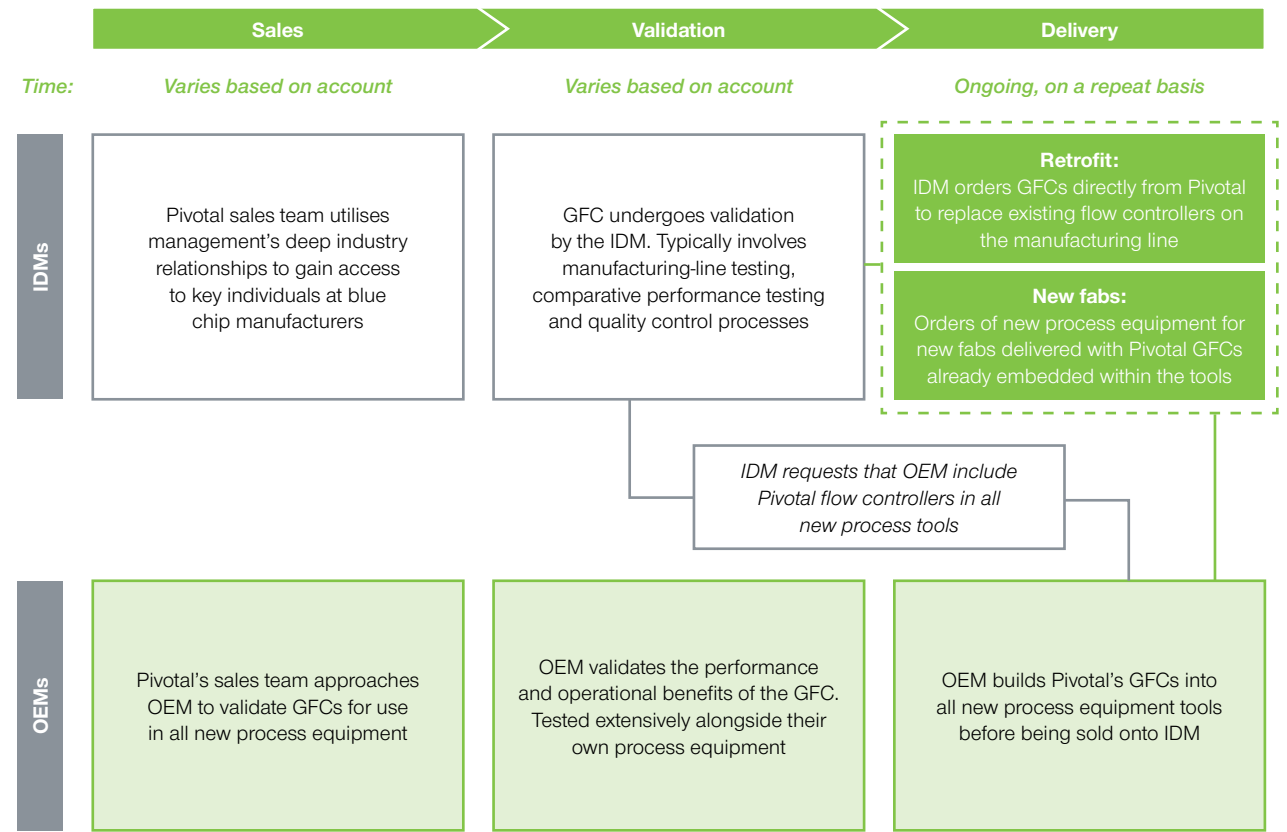
As a result of gaining market acceptance for its GFC from early users, Pivotal has expanded its sales efforts with a broader range of OEMs and IDMs. Pivotal is now focused on working with OEMs on developing the next generation of production tools where the Pivotal advanced technology is 'designed in' by the OEM as a standard element of the tool.

TABLE 5: REVENUE MODEL

CUSTOMER USE	PRIMARY REVENUE MODEL	DISTRIBUTION CHANNEL	REVENUE CONTRIBUTION (CY17) (%)
New fabrication plant	Repeat unit orders for the fit out of new fabrication plants	OEMs	82%
Retrofits	Sales of flow controllers to replace old or non-performing GFCs already installed	IDMs	18%
Software	Sale of software platform through licensing software upgrades (expected to be launched in the medium-term)	IDMs	n.a.



FIGURE 3.5: PIVOTAL SALES MODEL



3.5.1 Sales model case study

In 2011, Pivotal directly approached a high level technical executive of one of the leading IDMs to present the capabilities of Pivotal's flow control technology and discuss the potential to incorporate Pivotal GFCs in all new etch tools installed by the IDM in their fabrication plants. This IDM agreed to perform its internal testing to validate the operational benefits of Pivotal's technology. This process included extensive manufacturing-line testing such as etch rate, selectivity and electrical result. Throughout this 12 month process, Pivotal continued to sell units directly to the IDM for ongoing use in validation on other process steps.

Once the IDM completed their internal testing and validated the performance uplift provided by Pivotal's GFCs, the IDM requested one of their largest process tool suppliers (OEM) to, incorporate the Pivotal technology onto all relevant etch process tools.

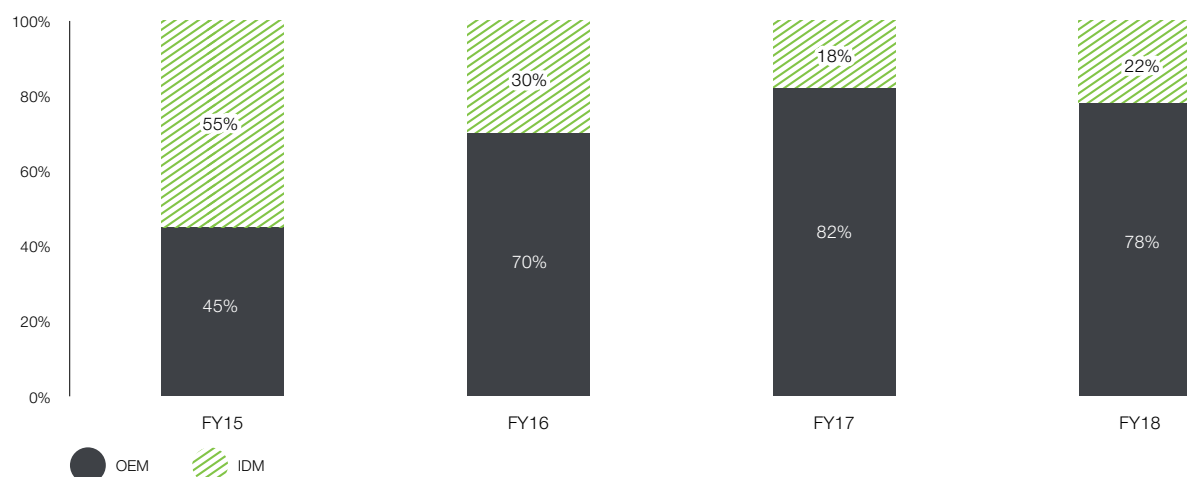
Pivotal has since become the standard specified flow control technology in all new etch tools supplied by that OEM for the IDM, who is now one of Pivotal's largest customers as they continue to roll out Pivotal technology to other accounts. Pivotal has also significantly expanded its market share for the IDM's retrofit orders to replace old and non-performing MFCs in existing fabrication centres.

## 03. COMPANY OVERVIEW cont.

### 3.6 CUSTOMERS

Pivotal's GFCs are primarily sold to OEMs and used in semiconductor process tools as part of the capital equipment sold to IDMs. Pivotal's GFCs can also be sold directly to IDMs to retrofit process tools installed in existing semiconductor fabrications.

FIGURE 3.6: REVENUE CONTRIBUTION BY CUSTOMER TYPE (%)



Due to the critical nature of the semiconductor industry and the quantum of capital expenditure typically involved, both OEMs and IDMs must undertake a detailed, and sometimes lengthy, product testing and validation process before adopting new technologies to be used on semiconductor manufacturing lines. At times this process will initially involve the IDM approaching Pivotal with a problem related to gas flow accuracy, precision or repeatability, issues which often manifest themselves as reduced yield or production output. The preceding qualification generally includes two main types of validation:

- **Technical validation:** comprised of a process matching phase, that allows the IDM to test whether Pivotal is capable of simply matching competitor performance in a comparative test, followed by an optimisation phase, designed to test the ability to improve the IDM's production performance beyond competitor products through increased yield, production throughput or both.
- **Corporate validation:** involving a complete corporate level assessment of Pivotal's financial and operational strength to meet future purchase order requirements while managing quality assurance, including an audit of the entire quality management system.

As at 31 March 2018, Pivotal's flow control technology was in use in over 1,500 process tools across both deposition and etch, the vast majority of which are being used in direct production, with the remaining tools undergoing qualification of Pivotal's technology. Over 85% of Pivotal sales have been used in etch process tools with the remaining being used in deposition process tools.

As the majority of steps involved in deposition process steps require higher flows, this led to Pivotal releasing its high flow product in late 2017 meaning the relative proportion of deposition tools is expected to increase over time.

While Pivotal currently has only 29 customers (including those currently undertaking validation), this is reflective of the structure of the semiconductor industry where a relatively small number of large global companies command a significant share of the market. Of these 29 customers, 16 have already validated Pivotal technology (of which 14 have made multiple repeat orders) and 13 are in various stages of validation. Note that a customer who has validated the use of a Pivotal GFC on an etch process may not have necessarily validated its use on a deposition process (and vice versa).

### 3.6.1 OEMs

Some of the largest OEMs in the world have begun including Pivotal GFCs in certain semiconductor process tools, a number of which have begun designing their next generation manufacturing equipment with Pivotal's product as the standard specification flow control technology.

### 3.6.2 IDMs

The end users of Pivotal's GFCs include some of the leading semiconductor manufacturers globally.

Typically, once an IDM has validated and tested Pivotal's GFCs for use in certain applications, the IDM has then requested that Pivotal's GFCs become a standard specification in new process tools ordered from the OEM (initiating a separate validation process with the OEM). Pivotal's etch products have already been validated by key blue chip IDMs and is in advanced validation stages with a number of other market leaders.

Given the efficiency and yield benefits relative to other available products, Pivotal believes that once the GFCs are incorporated into the manufacturing process, it is difficult for them to be displaced by a competitor product.

**TABLE 6: SAMPLE OF PIVOTAL'S IDM AND OEM CUSTOMER BASE**

OEMs	IDMs
<ul style="list-style-type: none"><li>• Applied Materials (NASDAQ: AMAT)</li><li>• Lam Research (NASDAQ: LRCX)</li><li>• Tokyo Electron (TSE/TYO: 8035)</li></ul>	<ul style="list-style-type: none"><li>• Samsung (KRX: 005930)</li><li>• SK Hynix (KRX: 00060)</li><li>• Texas Instruments (NASDAQ: TXN)</li><li>• TSMC (NYSE: TSM)</li></ul>

### 3.6.3 Research and joint development partners

Pivotal is partnering with leading IDMs and universities for the research and development of the next generation of semiconductor manufacturing equipment. In each instance, Pivotal protects its primary intellectual property and works diligently to identify new potential intellectual property before agreeing to a project scope of work. This detail is clearly defined in the relevant agreements before projects are initiated.

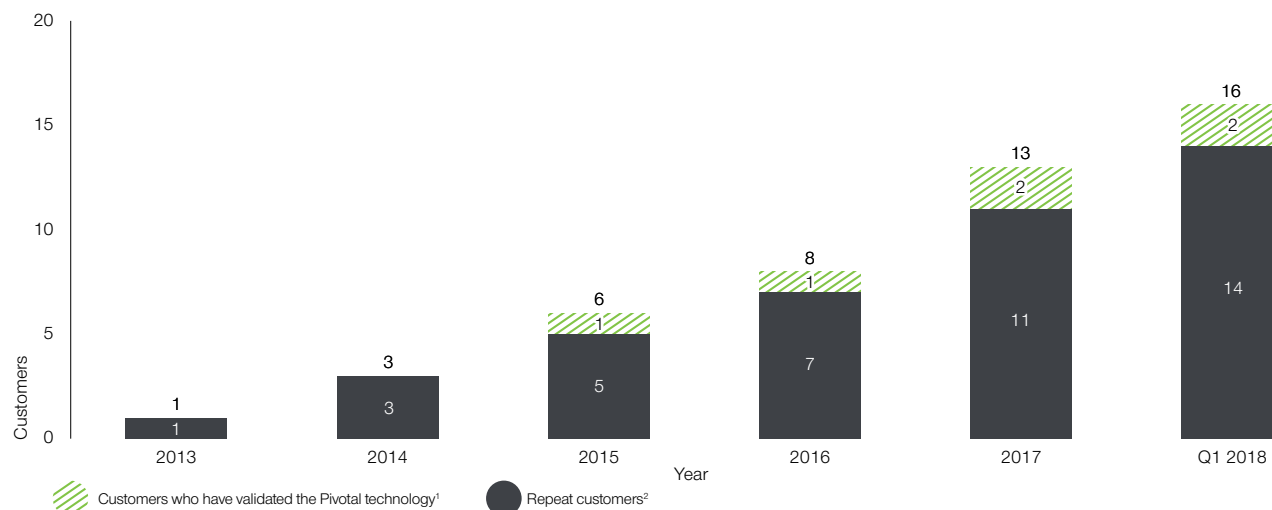
By closely partnering with key industry leaders, Pivotal has been able to use their collective resources to focus on delivering products which may address the most critical gas flow related issues currently being faced by manufacturers. While the IDM partnerships are centred on factory productivity in a given technology, OEM work is designed to increase process tool efficiency and output at the lowest possible cost.

### 3.6.4 Customer growth

Pivotal continues to experience sales growth with new and existing customers, as increasing uptake amongst key industry leaders continues to drive near term adoption. With those customers who have already validated the technology, there is an increasing trend towards adopting Pivotal's flow control products for use across both new fabrications and for using GFCs to retrofit existing MFCs in existing fabrication plants.

## 03. COMPANY OVERVIEW cont.

**FIGURE 3.7: VALIDATED CUSTOMER GROWTH<sup>1</sup>**



Notes:

1. Customers include first-time orders, repeat customers, as well as those customers who are in the validation phase with Pivotal's technology.
2. Repeat customers defined as a customer who has ordered a Pivotal product on more than one occasion.

Pivotal is currently selling to, in validation stage or development partnerships with many blue chip IDMs and OEMs for both deposition and etch markets.

### 3.7 MANUFACTURING FACILITIES

Pivotal has a global footprint with Company operated and third-party contracted manufacturing and assembly centres in Asia and the USA, with additional sales and technical support offices in the US, Europe and Asia. All software development and R&D is conducted out of the Company's headquarters in Fremont, California, which serves as the base for software activation and final testing as well as pilot line manufacturing for high flow, high speed and other new products.

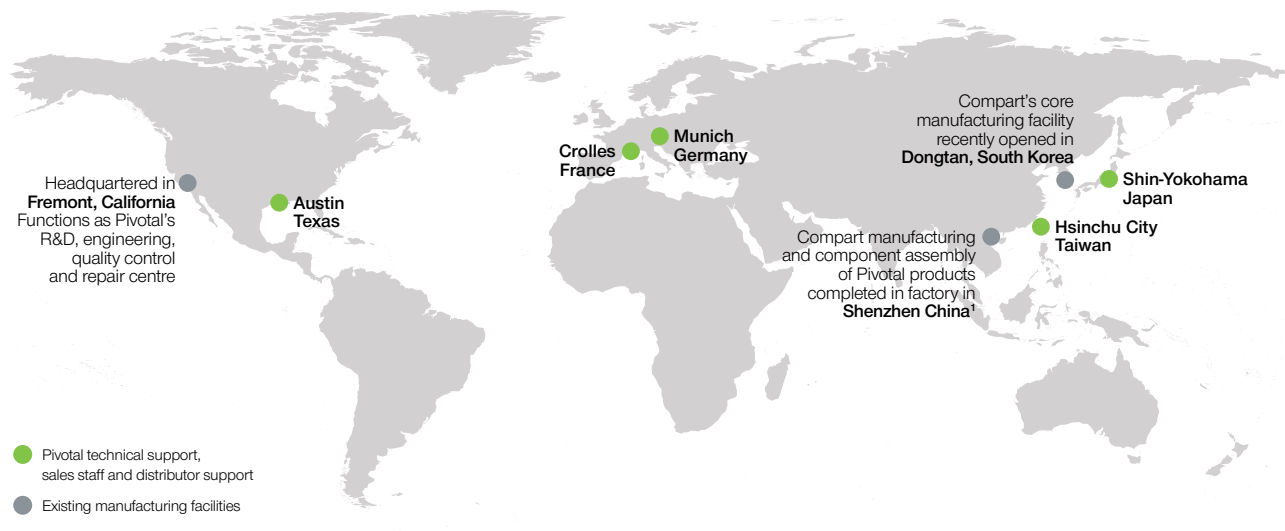
Pivotal has a strategic partnership with Compарт Asia Pacific Limited (**Compарт**, or **Contract Manufacturer**), a Singapore incorporated company with manufacturing facilities across Asia. Compарт is a specialist manufacturer of small to medium sized precision parts. Under the strategic partnership, Compарт operates manufacturing and assembly facilities on behalf of Pivotal in China and Korea (see Section 9 for further detail), using proprietary factory management software and assembly processes developed and controlled by Pivotal. This helps ensure strict quality control measures through close oversight and monitoring of the end-to-end manufacturing process.

The partnership with Compарт enables Pivotal to effectively fulfil sales orders and reduce the order to ship period down to as low as four weeks by holding minimum safety stock levels, helping to support fluctuations in order volumes. Pivotal maintains control of all software related development and implementation processes at the Compарт facilities.

In December 2017, under the direction of Pivotal, Compарт opened a new manufacturing facility in Dongtan, South Korea to directly provide manufacturing services to the Company. While the facility is owned by Compарт, it is operated to Pivotal's specifications and runs on Pivotal's proprietary factory management software. The new facility will expand total production output up to 10,000 units per month and is expected to be operational by the end of the September quarter 2018.

Pivotal utilises a number of third party suppliers to source key input components in their flow controllers, including piezo electric devices, printed circuit boards and pressure transducers.

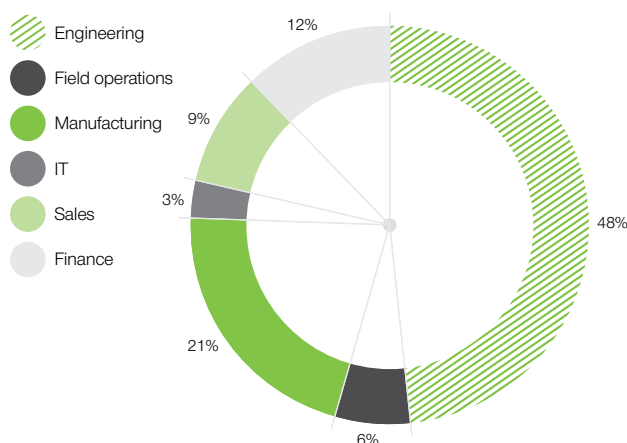
**FIGURE 3.8: PIVOTAL GLOBAL OFFICES AND FACILITIES**



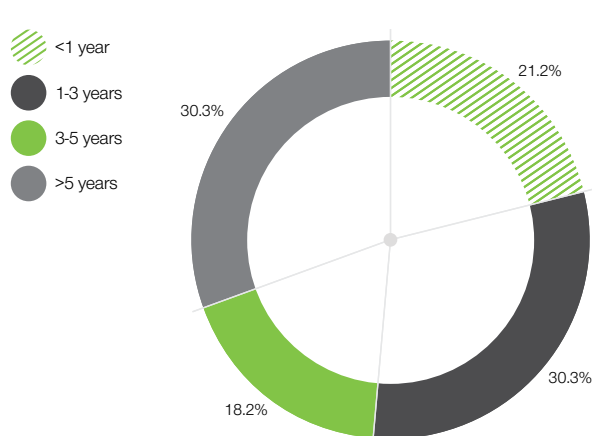
### 3.8 EMPLOYEES

Pivotal has a highly qualified and experienced team who are committed to the delivery of Pivotal's company vision. This includes 34 full-time employees across its engineering, sales, finance, manufacturing and IT divisions. Since inception, Pivotal has had limited staff turnover with notably high retention rates amongst its senior employees (see Figure 3.10 below). All full time Pivotal employees are either current shareholders or participants in the employee equity plan.

**FIGURE 3.9: EMPLOYEES BY FUNCTION**



**FIGURE 3.10: EMPLOYEES BY TENURE**



Pivotal also engages four sales distribution and service organisations who support the Company's marketing and sales efforts in a number of key international markets. These organisations are paid on a commission basis only upon successful sale of a Pivotal product. These organisations have been successful in generating incremental sales to date.

These sales organisations are HS Inc. (Korea), Innotech (Japan/Taiwan), Possible (Japan), and TELTEC (Europe).

The Company intends to use a portion of the proceeds from the Offer to further expand global sales, marketing and logistics capabilities in the short term. This includes approximately 20-30 new full-time employees across Korea, Japan, United States and Taiwan over the coming years to help accelerate technology adoption amongst key customers.

## 03. COMPANY OVERVIEW cont.

### 3.9 INTELLECTUAL PROPERTY

In addition to trade secrets, Pivotal has strong intellectual property protection over its products and technology, underpinned by a combination of patents, copyright and trademarks. As at the date of this Prospectus, the Company has significant patent coverage, comprising 22 issued US patents and 13 foreign patents, together with 3 allowed patents about to issue and 6 applications filed and pending. All of the patents issued are owned solely by the Company. The Company has not only received patents on its core software and hardware, but has also been granted patents on its “methods” given the revolutionary design of the technology. Pivotal also has a number of trademark applications which are currently pending approval (see Appendix 1 for further detail).

Furthermore, Pivotal's core software protection approach is similar to the security methods employed by large software and hardware resellers in that each Pivotal device has only one usable set of integrated software. Pivotal has also built in a security chip into each device in order to provide a further layer of security. All patents and patent applications have been contractually assigned by employees to Pivotal and assignments have been recorded at the patent office. In addition, all employees are required to sign intellectual property assignment and confidentiality agreements in order to ensure that its proprietary information is protected.

Further details of the Company's patents and trademarks are outlined in Appendix 1.

### 3.10 GROWTH STRATEGY AND INITIATIVES

Pivotal's growth strategy includes leveraging its technology leadership to drive sales within its existing customer base. The Company also intends to begin offering software upgrades to its existing customers in the medium term, along with expanding its product portfolio to address new markets.

As at December 2017, management estimates that Pivotal had approximately 3% share<sup>21</sup> of the global mass flow controller market in the semiconductor industry. Management is targeting a medium to long term market share of approximately 30-40% of the collective deposition and etch markets for mass flow controllers. The Company is also working on a number of potential products which can be released into adjacent markets which are expected to add incremental sales over the short to medium term.

#### 3.10.1 Increase penetration within existing customer base

Pivotal's growth strategy involves capitalising on well-established relationships with core blue-chip customers who have already tested and validated the Pivotal technology, or that are currently in the process of validating the technology. Pivotal has three core focus areas in building out its share of spend within these existing customer accounts:

- i. **New fabrication plants.** Pivotal's customers have announced significant capex plans for new fabrication plants in 2018, 2019 and 2020, creating strong near-term demand for GFCs, as detailed in Section 2.3. As previously outlined in Section 2.3, a typical fabrication plant requires over 75,000 MFCs upon completion. While Pivotal does not expect to achieve 100% penetration within each new facility (due to the mix of OEM products within a fabrication plant and the stage of validation or adoption with OEMs), Pivotal is well placed to capture an increasing market share in 2018 and beyond.
- ii. **Retrofits.** Existing semiconductor factories are constantly driven by Moore's Law and economics to provide more, and less expensive, ICs in the global market. There are three examples which drive MFC retrofits in this regard:
  - a. factory upgrades to replace MFCs in select process tools in order to meet advanced production demands;
  - b. older MFC technology is upgraded to GFCs for enhanced productivity (i.e. to provide greater throughput or achieve yield benefits); and
  - c. replacement of competitor MFCs which have failed in the production process.
- iii. **Become the standard specification in newly introduced process tools.** Pivotal is working closely with OEMs in the development of their next generation of process tools given the GFC can be utilised to increase tool efficiency at a reduced OEM manufacturing cost.

21. Calculated by dividing Pivotal's FY17 revenue of US\$15.45 million by the combined 2017 industry revenue for both low and high flow MFCs of US\$542.3 million as detailed in Section 2.4.

- iv. **Bolster industry presence through strong sales and marketing capabilities.** With a portion of the proceeds of the Offer, Pivotal intends to bolster its sales and marketing capabilities within key target markets. This will enable Pivotal to help accelerate technology adoption amongst key customers, particularly in Japan, Korea and Taiwan.

In addition to direct OEM and IDM sales strategies, Pivotal is also an active participant in the semiconductor industry, engaging and participating regularly in industry events and trade shows.

Pivotal is also represented on the EtherCAT Technology Group, a leading industry organisation for Ethernet for Control Automation Technology which defines a number of implementation guidelines for semiconductor processing equipment and manufacturing devices. This will help to further strengthen the position of Pivotal within the semiconductor market and help build broader recognition of its leading technology capabilities.

### **3.10.2 Software sales**

Pivotal has not significantly changed the hardware of its GFCs in recent years. All material performance improvements have been generated by enhancements in the software platform.

Pivotal intends to begin offering software upgrades to its customers in the medium term to provide productivity gains for IDMs. Management anticipates that Pivotal will be able to leverage its installed base of GFCs for repeat software revenue streams.

### **3.10.3 Expand product lines and increase addressable market**

Pivotal has a history of continuous innovation and strong R&D capabilities, which have enabled the Company to substantially expand its total addressable market size since inception.

Underpinning Pivotal's growth potential is the innovative product design which allows its products to be easily applied to adjacent manufacturing processes and verticals with minimal changes to hardware. In 2018 Pivotal plans to release a derivative of the high flow GFC which can be used in the metal-organic deposition, solar, LED and flat panel markets. Pivotal expects to demonstrate a new product at a key industry conference, SemiCon West, which will be held in San Francisco, California in July 2018.

Management anticipates that the release of new product ranges will enable the Company to significantly increase its total addressable market from US\$542 million<sup>22</sup> to in excess of US\$1.0 billion<sup>23</sup> in the next two to three years. These product revenues are not included in the 2018 financial plan as the Company is anticipating a three year qualification window along with a ramp up in customer adoption.

Pivotal has invested approximately US\$3 million per year on R&D on its current product portfolio. This spend has been stable and it is not anticipated that the Company will need to significantly increase its R&D spend to deliver its pipeline product portfolio.

<sup>22</sup>. Market size estimate for flow controllers to the deposition and etch markets, *Markets and Markets*, November 2017.

<sup>23</sup>. Market size estimate for flow controllers to the deposition, etch, Metal-Organic deposition, solar, LED and flat panel markets, *Market and Markets*, November 2017.



# 04.

RISK  
FACTORS



## 04. RISK FACTORS

This Section describes some of the potential material risks associated with Pivotal's business, the industry in which Pivotal operates and the risks associated with an investment in CDIs. Pivotal is subject to a number of risks, both specific to the Company's business activities and of a general nature, which may either individually or in combination adversely impact Pivotal's future operating and financial performance, investment returns and the value of Pivotal's CDIs. The occurrence or consequences of some of the risks described here are partially or completely outside of Pivotal's control, or the control of Pivotal's Directors and Management.

There are risks that are common to all investments in equity securities and which are not specific to an investment in Pivotal – for example, the general volatility of share prices in Australia and overseas and risks associated with other external events which are not related to the usual course of the Company.

This Section does not purport to list every risk that may be associated with Pivotal's business or the industry in which Pivotal operates, or an investment in CDIs, now or in the future. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the risks will not change or that other risks or matters that may adversely affect Pivotal will not emerge.

Any of these risks, or any other risks or other matters, may emerge and may have a material adverse effect on the business and its financial position and performance. There can be no guarantee that Pivotal will achieve its stated objectives, deliver on its business strategy, or that the Forecast Financial Information or any forward-looking statement contained in this Prospectus will be achieved or realised. You should note that past performance may not be a reliable indicator of future performance.

Before applying for CDIs you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in the Company and whether it is a suitable investment for you, having regard to your investment objectives, financial circumstances and taxation position. You should read this Prospectus in its entirety and seek advice from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to apply for CDIs.

### 4.1 RISKS SPECIFIC TO AN INVESTMENT IN PIVOTAL

#### 4.1.1 Reliance on key customers and lack of formal customer contracts

A significant proportion of Pivotal's revenue is currently derived from Pivotal's largest customer, which represented 78.9% of revenue in 2017. The Company expects that the overall revenue contribution of Pivotal's largest customer will decrease to approximately 68.2% in 2018 due to anticipated growth in GFC order volumes from other customers. The revenue from Pivotal's top three customers represented 97.7% of revenue in 2017, which is expected to decrease to 82.6% in 2018. While Pivotal is reliant on a small number of large customers, this is reflective of the semiconductor capital equipment industry, where a small number of large global companies dominate the industry, as set out in Section 2.3.

Pivotal does not have formal written contracts in place with its customers who order and purchase products from Pivotal on an ad hoc basis by submitting standard purchase orders with Pivotal which supplies the products and issues an invoice for those products. The purchase orders are on standard market terms. Refer to Section 9.1 for further details of these arrangements. Pivotal's customers may decide not to continue placing purchase orders with Pivotal in the future at the same level as in prior periods. As a result, Pivotal's operating performance may vary from period to period and may fluctuate significantly in the future.

Since Pivotal has no long term written contracts with its customers, if Pivotal's relationship with its largest customer or any of its major customers deteriorates, or should any of these major customers not order products from Pivotal, then Pivotal's business and financial condition could be adversely impacted.

#### 4.1.2 Timing of purchase orders and receipt of revenues due to the delay to new fabrication plant production

Timing differences for orders of Pivotal's products from customers could affect inter-year results. The timing of orders, typically in the form of purchase orders, from customers is predominantly driven by its customers' schedule of construction or ramp up of new semiconductor manufacturing fabrication plants. As a result, the timing of receipt and recognition of revenues also generally depends on when those purchase orders are received. Whilst Pivotal does have some visibility around the general timing around the construction of new fabrications, external factors including geopolitical and various customer specific issues may shift the timing of the receipt of purchase orders and therefore are generally outside of Pivotal's control and may be difficult to predict within a narrow period of time. Refer also to Sections 4.1.1 and 4.1.10 for further information relating to the risks associated with Pivotal not entering into formal written contracts with its customers.

## 04. RISK FACTORS cont.

Timing differences as to whether purchase orders are received late in one financial period or early in the following financial period could materially affect the financial performance in each year and relatively between periods. In particular, the Forecast Financial information set out in Section 6 assumes that certain of Pivotal's major customers' new fabrication plants are completed and commence operation in accordance with their announced timelines. Any significant delay in the construction of the plants could cause delays in the timing for Pivotal to recognize the revenue and could therefore materially impact Pivotal's ability to achieve its forecast results.

Fluctuations in Pivotal's financial results could lead to adverse movements in Pivotal's CDI price or increased volatility in the CDI price generally.

### 4.1.3 Supply chain disruption risk

Pivotal's products are manufactured using components supplied by third parties which also manufacture devices for other companies. In particular, Pivotal relies on certain manufacturers to manufacture and supply critical components. Pivotal also uses an outsourced manufacturing partner, Compart, to assist in the assembly of its products, subject to a proprietary process that has been developed and controlled by Pivotal. Pivotal also provides the manufacturing software that functions as the backbone of the factory's assembly and quality reporting. Pivotal is able, through this software, to effectively monitor production of units via remote access through a virtual private network (VPN).

The components are used in other devices manufactured for other businesses operated by competitors who may have more purchasing power than Pivotal. The global supply of these components is limited and demand for these components may sometimes outstrip supply. Additionally, from time to time the suppliers of some components may decide to discontinue manufacturing these products ("end-of-life"), requiring Pivotal to find an alternative component or even to redesign its products to use an alternative component.

A disruption to supply of these components or the manufacturing of its products could have a material adverse effect on the Company's ability to generate revenue, or result in increased costs, while the disruption or delays remain in place. If the disruptions were prolonged and another third-party supplier or manufacturer could not be sourced, this could have a material adverse effect on Pivotal's ability to meet existing customer demand and to continue to grow the business.

There is a risk that the Contract Manufacturer utilised in the assembly of Pivotal's products does not use due care or does not adhere to stringent quality control procedures. While the Contract Manufacturer bears the working capital requirements in the manufacture or assembly of the devices until they are delivered to Pivotal, delay in providing product to Pivotal may mean that the Company is unable to meet its obligations to customers which may adversely impact the financial performance and reputation of the Company.

### 4.1.4 Competition risk

Pivotal competes against other flow control companies. Pivotal faces the risk that:

- Existing competitors could increase their market share through aggressive sales and marketing campaigns, product research and development, strategic alliances with IDMs or OEMs, or price discounting;
- Existing and potential competitors, who may have significantly more resources, develop new products or improve existing products to compete with Pivotal;
- Pivotal may fail to increase adoption and usage of its products or introduce new products;
- Pivotal may fail to anticipate and respond to changing opportunities, technology, or customer requirements as quickly as its competitors;
- Pivotal's competitors may enhance their product offering to improve their competitive positioning relative to Pivotal;
- New market entrants into the semiconductor capital equipment industry could develop gas flow products which compete with Pivotal's products; and
- Customers who purchase Pivotal products today may, as they continue to grow, decide to invest in or develop their own gas flow solutions, rather than purchasing them from specialist providers such as Pivotal.

If any of these risks arise, Pivotal may compete less effectively and Pivotal's market share and ability to secure existing or new business could be reduced, which would have an adverse impact on Pivotal's operating and financial performance.

#### 4.1.5 Protection of intellectual property

The value of Pivotal's products is dependent on Pivotal's ability to effectively identify, protect, defend, and in certain circumstances keep secret, its intellectual property, including business processes and know-how, copyrights, patents, trade secrets and trademarks. There is a risk that Pivotal may be unable to detect the unauthorised use of its intellectual property rights in all instances. Further, actions Pivotal takes to protect its intellectual property may not be adequate or enforceable and thus may not prevent the misappropriation of its intellectual property and proprietary information. Breach of Pivotal's intellectual property may result in the need for Pivotal to commence legal action, such as infringement or administrative proceedings, which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions and may ultimately prove unfavourable to Pivotal. Pivotal's failure to protect its intellectual property rights could have an adverse impact on Pivotal's operations and financial performance.

In particular, Pivotal notes the following:

- In the future Pivotal may be subject to intellectual property or other claims, which are costly to defend, could result in significant damage awards, and could limit its ability to use certain technologies in the future. Regardless of the merits of the claims, intellectual property claims are often time consuming, expensive to litigate or settle, and cause significant diversion of management attention. To the extent such intellectual property infringement claims are successful, they may have an adverse effect on Pivotal's business, consolidated financial position, results of operations, or cash flows;
- Pivotal's patents, trademarks, trade secrets, copyrights, and other intellectual property rights are important and valuable assets. Various events outside of Pivotal's control pose a threat to its intellectual property rights, as well as to its products and technologies. For example, effective intellectual property protection may not be available or feasible in every country in which Pivotal's products and services could be distributed. Also, the efforts Pivotal have taken to protect its proprietary rights may not be sufficient or effective;
- Although Pivotal seeks to obtain patent protection for its innovations, it is possible Pivotal may not be able to protect some of these innovations. Moreover, Pivotal may not have adequate patent or copyright protection for certain innovations that later turn out to be important. Furthermore, there is always the possibility, despite Pivotal's efforts, that the scope of the protection gained will be insufficient or that an issued patent may be deemed invalid or unenforceable; and
- Pivotal may also seek to maintain certain intellectual property as trade secrets. The secrecy could be compromised by outside parties, or by employees, which could cause Pivotal to lose the competitive advantage resulting from these trade secrets.

#### 4.1.6 Ability to retain or attract key personnel

The nature of the Group's business requires its employees in the technical and development teams to be highly skilled and experienced in their respective fields. Further, Pivotal's management team consists of individuals, in particular its CEO (Mr. John Hoffman), its CTO (Dr. Joseph Monkowski) and certain other senior employees of the Company, who have long lengths of individual service with Pivotal, significant knowledge of Pivotal's technology and its application in semiconductor manufacturing tools and other related industries and well established relationships with Pivotal's key customers and suppliers. The loss of key members of the management team, or any delay in their replacement, may adversely affect Pivotal's ability to implement its strategies and may also adversely affect the Company's future financial performance.

Further to this, if Pivotal is unable to retain or motivate key personnel, hire qualified personnel, or maintain its corporate culture, Pivotal may not be able to successfully execute its business plans. Pivotal's performance and future success depends on its continuing ability to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation. Competition for qualified employees in Pivotal's industry is intense. In addition, Pivotal's compensation arrangements, such as equity award programs, may not always be successful in attracting new employees and retaining and motivating existing employees. Pivotal's continued ability to execute on its strategies effectively depends on its ability to attract new employees and to retain and motivate existing employees.

Company employees are employed at will, which means the employment relationship can be terminated by either party for any reason, at any time, with or without prior notice and with or without cause, except as otherwise agreed. As a result, the majority of the Company's employees could leave at any time and it may take time for the role to be filled.

Agreements between the Company and its Key Executives provide that in the event of a voluntary termination of employment by the Key Executive, such Key Executive must provide the Company with at least six months advance written notice, provided, however, that the Company may elect to waive such notice period.

## 04. RISK FACTORS cont.

Further, the Key Executives may not, during their employment or within the 12 month period following the end of their employment, use any of the Company's trade secrets or confidential information, either directly or indirectly, solicit any of the Company's employees to leave their employment, or any consultants, customers, clients, or other entities to terminate their relationship with the Company, or attempt to solicit, induce, or recruit employees, consultants, customers, or clients of the Corporation, either for such Key Executive's personal benefit or for that of any other person or entity.

However, under California law, while misappropriation of trade secrets is unlawful, covenants not to compete are generally void as against public policy except when granted, on reasonable terms, in the context of a sale of goodwill associated with acquisition of a company. If the extended notice provision referenced above or the trade secrets provision referenced above were deemed to constitute a de facto non-compete, it could be deemed unenforceable under California law.

### 4.1.7 Launch of new products

The development schedule for new products (e.g. high flow products to target the LED, flat panel and solar markets), or the adoption of the new products (e.g. products to target the deposition market) may take longer than expected, delaying the development of new revenue streams. New third party technologies could prove more advanced and be developed in less time than Pivotal's new products.

Pivotal expects that over time, revenue from new products will contribute to Pivotal's total revenue. There is a risk that Pivotal's new products may not be well received by its customers or Pivotal may not be able to generate sufficient adoption of its new products.

Related factors that may impact sales growth and Pivotal performance include commercial viability and delays of new products and technology, delays in the establishment of an effective sales organisation (including Company resources and utilisation of third parties) and the global economy. Some of the risks related to this include:

- As Pivotal develops products for more advanced technologies, the commercial viability of new products increases. This risk will be mitigated through in-depth market research, as well as continued investment in research and development and a nimble approach to product development to keep pace with market requirements;
- The timing of new product development is a key factor in sales growth. New technology development carries inherent risks of delay and quality. Collaboration with key customers and partners regarding technology requirements for each release and disciplined project management and quality assurance processes mitigate these risks; and
- Sales of hardware and software solutions requires lengthy lead times and sophisticated engagement with customers. Failure to recruit, hire and train the proper direct and representative sales force in a timely and effective manner could reduce revenue growth. This risk is mitigated through the due diligence process prior to appointing a new sales representative or reseller and comprehensive training, upon appointment and continuously thereafter.

### 4.1.8 Failure to effectively manage growth

It is expected that the Company will need to continue to expand its manufacturing capacity, including additional contract manufacturing capacity, and invest in systems and processes to support the development of the business if the Company gains significant market share over and above its current short-term expectations. If this is not done in a timely, robust and efficient way to handle projected growth it may negatively impact on the Company's financial performance.

### 4.1.9 Failure to realise benefits from research and development costs

Developing technology is expensive and the investment in the development of these product offerings often involves an extended period of time to achieve a return on investment. An important element of Pivotal's business strategy is to continue to make investments in innovation and related product opportunities. Pivotal believes that it must continue to dedicate resources to Pivotal's innovation efforts to develop product offerings in order to maintain Pivotal's competitive position. Pivotal may not, however, receive significant revenues from these investments for several years, or may not realise such benefits at all.

#### **4.1.10 Failure to retain existing customers and attract new customers**

The success of Pivotal's business relies on its ability to retain existing customers, attract new business from existing customers and attract new customers.

Pivotal primarily generates revenue by selling its GFCs to OEMs and IDMs. Pivotal cannot guarantee that all or any of its customers will continue their level of demand or increase their level of demand for Pivotal's products in the future. Pivotal does not have contracts or other arrangements with customers that require minimum levels of product. Accordingly, there is a risk that customers reduce or cease their demand for Pivotal's products which would result in a reduction in Pivotal's revenue.

The ability to retain existing customers and the capacity to attract new customers and keep these customers purchasing Pivotal's products will be dependent on many factors including the capability, cost-effectiveness, customer support and value compared to competing products. If customers do not continue to use Pivotal's products and increase their usage over time, and if new customers do not choose to use Pivotal's products, the growth in Pivotal's revenue may slow, or Pivotal's revenue may decline, which will have an adverse impact on Pivotal's operating and financial performance.

#### **4.1.11 Reliance on OEMs**

Pivotal primarily generates revenue by selling its GFCs to semiconductor capital equipment OEMs who include Pivotal's product as a component of their products, and IDMs who retrofit Pivotal's products to existing manufacturing equipment. Consequently, Pivotal's revenue is largely contingent upon a consistent level of demand for the OEMs products as well as a reliance on OEMs to include Pivotal's GFCs into their future products. A reduction in the demand for OEMs products, for example due to changes in demand for semiconductor manufacturing capacity or a failure of OEMs to build and design products that effectively incorporate Pivotal's hardware, could result in reduced demand for Pivotal's products and have an adverse effect on Pivotal's operations and financial performance.

#### **4.1.12 Margin erosion**

Pivotal's pricing of its existing products may include discounts to individual customers based on purchasing volumes. Volume discounts adversely affect the gross margin ratio.

In addition, Pivotal's ability to achieve its existing product pricing and gross margin reflects the value provided by its GFC product to OEMs and IDMs. If the competitive environment for Pivotal's product changes, its ability to maintain current pricing may diminish, which may negatively impact on gross margins and overall financial performance.

#### **4.1.13 Quality of service offering**

The ongoing success of Pivotal's business is dependent on the perceived reputation of Pivotal's product and service offerings. Reputational damage could arise due to a number of circumstances, including product defects, quality issues due to failure in manufacturing quality control or failure to comply with legislation or regulations applicable to the business.

#### **4.1.14 Product concentration**

A significant proportion of Pivotal's historical revenue was generated by sales of products focused predominantly on the etch process. If sales of these products grow at a slower rate than other products in Pivotal's portfolio, or even decline, it may negatively impact on financial performance.

#### **4.1.15 Pivotal's relationships with its independent sales representatives and distributors**

The success of Pivotal's business is highly dependent upon the efforts and abilities of Pivotal's network of independent sales representatives and distributors. Many of Pivotal's relationships with customers are cultivated and maintained by independent sales representatives. The contracts with Pivotal's independent sales representatives and distributors are generally terminable upon designated notice periods. Pivotal's sales representatives and distributors may fail to renew their contracts with Pivotal due to factors outside of Pivotal's control. If Pivotal were to experience a significant change in the terms of its relationship with, or loss of, Pivotal's sales representatives or distributors or material disruption or disputes arising out of the engagement or termination of Pivotal's representatives, such an occurrence could have a material adverse effect upon Pivotal's business, results of operations, cash flows and financial condition.

## 04. RISK FACTORS cont.

In addition, certain Pivotal's independent sales representatives and distributors have the exclusive right to sell Pivotal's products in their respective territories. Any termination of Pivotal's existing relationships with its independent sales representatives or distributors could have an adverse effect on its business unless and until commercially acceptable alternative distribution arrangements are put in place. Conversely, Pivotal's non-exclusive distributors and sales representatives may carry competitive products, which could adversely impact or limit sales of Pivotal's products. Additionally, they could reduce or discontinue sales of Pivotal's products or may not devote the resources necessary to adequately sell Pivotal's products. The loss of business from any of Pivotal's significant representatives or distributors or the delay of significant orders from any of them could materially and adversely harm Pivotal's business, financial conditions and results of operations.

### 4.1.16 Country/region specific risks in new and/or unfamiliar markets

Pivotal has operations in a number of overseas jurisdictions and is exposed to a range of different legal and regulatory regimes, including in new jurisdictions in which Pivotal is expanding its operations. As Pivotal expands its presence in new international jurisdictions, it is subject to the risks associated with doing business in regions that may have political, legal and economic instability or less sophisticated legal and regulatory systems and frameworks, including:

- Unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- Less sophisticated technology standards;
- Difficulties engaging local resources; and
- Potential for political upheaval or civil unrest.

As Pivotal increases its operations in existing regions or enters newer regions there is a risk that Pivotal fails to understand the laws, regulations and business customs of these regions. This gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which Pivotal may operate. This could interrupt or adversely affect parts of Pivotal's business and may have an adverse effect on Pivotal's operations and financial performance.

### 4.1.17 Historical losses and availability of funding

While management is anticipating positive cash flows in 2018, the Company has historically been loss making and reliant on raising funds from investors to fund its operations and product development. Although the Directors consider that the Company will, on Completion, have enough working capital to carry out its stated objectives, there can be no assurance that such objectives can continue to be met in the future without securing further funding. The Company may need to raise additional funds from time to time to finance ongoing development and growth and meet its other longer term objectives. The Company may never achieve profitability or sustained profitability. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If further funds are required but cannot be raised, this may force curtailment of product development initiatives, operations, or both, or adversely impact the Company's ability to remain solvent and at some point the Company may be forced to either dispose of operating assets or close down entirely.

### 4.1.18 Cyber Security Risk

Although Pivotal invests significant resources in information technology measures, if breached, Pivotal may incur significant legal and financial exposure. Security breaches expose Pivotal to a risk of loss of this information, litigation, and potential liability. Pivotal's security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise.



## **4.2 GENERAL RISKS OF AN INVESTMENT IN THE COMPANY**

### **4.2.1 Price of CDIs**

Once the Company becomes a publicly listed company on the ASX, the Company will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Company's CDI price that are not explained by Pivotal's fundamental operations and activities.

The price at which CDIs are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the CDIs to trade at prices below the Offer Price. There is no assurance that the price of the CDIs will increase following the quotation on the ASX, even if the Company's sales and earnings increase.

Some of the factors which may adversely impact the price of the CDIs include, but are not limited to, the number of potential buyers or sellers of CDIs on the ASX at any given time, fluctuations in the domestic and international markets for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, recommendations by brokers or analysts, global hostilities, tensions and acts of terrorism, the nature of the markets in which Pivotal operates and general operational and business risks.

Deterioration of general economic conditions may also affect Pivotal's business operations, and the consequent returns from an investment in CDIs.

### **4.2.2 Liquidity risk**

There has been no public market in the CDIs prior to the Offer. Once the CDIs are quoted on the ASX, there can be no guarantee that an active trading market for the CDIs will arise or that the price of the CDIs will increase. There may be relatively few prospective buyers or sellers of the CDIs on the ASX at any given time.

In accordance with the escrow requirements in Chapter 9 of the ASX Listing Rules, at completion of the Offer certain Existing Shareholders will be required to enter into escrow deeds and the Company will enter into voluntary escrow arrangements with certain Existing Shareholders. Accordingly, at completion of the Offer, approximately 74.1% (undiluted) and 77.0% (fully diluted) of the Shares/CDIs on issue will not be able to be traded for a period after listing (see Section 10.10). Given the number of Shares/CDIs restricted from trading, there will only be liquidity with respect to approximately 25.9% (undiluted) and 23.0% (fully diluted) of the Shares/CDIs on issue at Completion of the Offer until such time as applicable escrow periods end. The absence of any sale of Shares/CDIs by the escrowed shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the CDIs. This could impact the prevailing market price at which Shareholders are able to sell their CDIs. It is important to recognise that, on a disposal, Shareholders may receive a market price for their CDIs that is less than the price that they paid under the Offer.

Following release from escrow, Shares/CDIs held by the Existing Shareholders will be able to be freely traded on the ASX in the form of CDIs. A significant sale of Shares/CDIs by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of CDIs. The interests of the Existing Shareholders may be different from the interests of investors who acquire CDIs in the Offer.

### **4.2.3 Concentration of Shareholding**

Following Completion of the Offer, the top two Existing Shareholders will hold 58.1% (undiluted) and 51.4% (fully diluted) of the Shares/CDIs, with Firsthand will holding 48.4% (undiluted) and 42.9% (fully diluted). Accordingly, these parties will continue to be in a position to exert significant influence over the outcome of matters relating to Pivotal, including the election of Directors. Although the interests of Pivotal, Existing Shareholders and other Shareholders are likely to be aligned in most cases, there may be instances where their respective interests diverge. The sale of Shares/CDIs in the future by Existing Shareholders, Directors and/or certain employees, or the perception that such sales might occur, could adversely affect the market price of the CDIs. Also, the concentration of ownership may affect liquidity of the market for CDIs on ASX, which may limit the likelihood of Pivotal's entry into relevant indices in due course.



## 04. RISK FACTORS cont.

### 4.2.4 Foreign exchange risks

The proceeds of the Offer will be received in Australian Dollars, while the Company's functional currency is US Dollars. Pivotal is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the US Dollar – Australian Dollar exchange rate between the pricing of the Offer and the closing of the Offer and to such time as proceeds are exchanged for US Dollars.

The CDIs will be listed on the ASX and priced in Australian Dollars. However, the Company's reporting currency is US dollars. As a result, movements in foreign exchange rates may cause the price of the Company's CDIs to fluctuate for reasons unrelated to the Company's financial condition or performance and may result in a discrepancy between the Company's actual results of operations and investors' expectations of returns on securities expressed in Australian Dollars.

### 4.2.5 Provisions of the Company's Certificate of Incorporation, its Bylaws and Delaware law

Certain provisions of the Company's Certificate of Incorporation and Bylaws could discourage, delay or prevent a merger, acquisition or other change of control that Shareholders may consider favourable, including transactions in which Shareholders might otherwise receive a premium for their CDIs. These provisions could also limit the price that investors might be willing to pay in the future for the CDIs, thereby depressing the market price of the CDIs. Shareholders who wish to participate in these transactions may not have the opportunity to do so. A summary of these provisions is set out in Section 10.7.

As a Delaware corporation, Pivotal is subject to section 203 of the Delaware General Corporation Law (the "DGCL"), which generally prohibits a Delaware corporation from engaging in any business combinations with any shareholder who owns, or at any time in the last three years owned, 15% or more of the company's outstanding voting stock, referred to as an interested stockholder, for a period of three years following the date on which the stockholder became an interested stockholder, subject to certain exceptions. In addition, under the DGCL, the Board will have the ability to implement a broader range of takeover defence mechanisms. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the CDIs held by stockholders.

Pivotal's Certificate of Incorporation and Bylaws provide that its Board of Directors will be classified into three classes of directors. The existence of a classified board of directors could discourage a third-party from making a tender offer or otherwise attempting to obtain control of Pivotal as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors.

### 4.2.6 There are costs and management time involved in complying with the Delaware General Corporation Law and Australian laws

As a Delaware corporation, Pivotal will need to ensure its continuous compliance with the DGCL and, since Pivotal will be listed on the ASX and registered as a foreign company in Australia, Pivotal will also need to ensure continuous compliance with relevant Australian laws and regulations, including the Listing Rules and certain provisions of the Corporations Act. To the extent of any inconsistency between the DGCL and Australian law and regulations, the Company may need to make changes to its business operations, structure or policies to resolve such inconsistency. If the Company is required to make such changes, this is likely to result in additional demands on management and extra costs.

### 4.2.7 General economic conditions

The general economic climate in which Pivotal operates may experience changes, which adversely affect Pivotal's financial performance. Factors that may influence the general economic climate include but are not limited to:

- changes in Government policies, taxation and other laws;
- future demand for GFCs and associated software or products;
- the strength of the equity and share markets in Australia and throughout the world;
- changes in investor sentiment toward particular market sectors;
- movement in, or outlook on, exchange rates, interest rates and inflation rates;
- industrial disputes in regions in which Pivotal operates;
- financial failure or default by an entity with which the Company may become involved in a contractual relationship; and
- natural disasters, social upheaval or war.

#### **4.2.8 Inability to pay dividends or make other distributions**

The ability for future dividends or other distributions to be paid by the Company will be contingent on its ability to generate positive cash flows.

Furthermore, to the extent that the Company pays any dividends, these dividends would not be fully franked as being a US corporation with no business operations in Australia it would not be liable for Australian corporate income tax and therefore would not generate franking credits. Any dividends paid to non-US taxpayers may be subject to US dividend withholding tax. Taxable profits may be volatile, making the payment of a dividend unpredictable.

The value and availability of foreign income tax offset credits for the US dividend withholding tax imposed to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use foreign income tax offsets as a tax credit after the end of the income year, will depend on the individual tax position of each Shareholder.

#### **4.2.9 Risk of Shareholder dilution**

Pivotal in the future, may elect to issue Shares/CDIs or engage in capital raisings to fund ongoing working capital requirements of the Company or acquisitions that the Company may decide to make (although none are contemplated in the short term). While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares/CDIs and capital raisings.

#### **4.2.10 Taxation changes**

An investment in CDIs involves tax considerations which differ for each Shareholder dependent on their individual financial affairs. Each prospective Shareholder is encouraged to seek independent financial advice about the consequences of acquiring CDIs, pursuant to the Offer, from a taxation viewpoint and generally.

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws, are interpreted may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, there is a risk that both the level and basis of taxation may change both in the US and Australia, as well as other markets in which the Company currently operates and new markets it may enter in the future.

To the maximum degree permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for CDIs under this Prospectus.

#### **4.2.11 Australian Accounting Standards**

Australian Accounting Standards are set by the Australian Accounting Standards Board (AASB) and are outside the Company's control and the control of its Directors. The AASB has introduced new or refined Australian Accounting Standards which are expected to become effective during the period from 2018 – 2019, which may affect future measurement and recognition of profit or loss and other comprehensive income, and statement of financial position items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit or loss and other comprehensive income, and statement of financial position items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in our consolidated financial statements.

#### **4.2.12 Government and regulatory factors**

Laws and regulations may be adopted with respect to the Company's products in relation to issues such as user privacy, intellectual property, securities regulation, information security, the content and quality of products and services, which could increase costs or limit Pivotal's proposed scope of activity.

## 04. RISK FACTORS cont.

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### 4.2.13 Litigation risk

In the ordinary course of business, Pivotal may be involved in litigation disputes from time to time. Litigation disputes brought by third parties including, but not limited to customers, suppliers, business partners, employees and government bodies may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of Pivotal's insurance. Such litigation could negatively impact the industry standing of Pivotal, cause Pivotal to incur unforeseen expenses, occupy a significant amount of Management's time and attention and could negatively affect the Company's business operations and financial position.

As at the date of the Prospectus, the Directors are not aware of any material legal proceedings pending, threatened against or affecting the Company.

### 4.2.14 Force majeure events

Events may occur within or outside Australia that could impact upon the Australian economy, the Company and the price of CDIs. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Pivotal's products and its ability to conduct business. Pivotal only has a limited ability to insure against some of these risks.

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# 05.

## BOARD, MANAGEMENT AND GOVERNANCE



## 05. BOARD, MANAGEMENT AND GOVERNANCE

### 5.1 BOARD OF DIRECTORS

The Board comprises five members; two Executive Directors and three Non-Executive Directors. The Board has a broad range of experience in the technology industry as well as financial and listed company experience. The Board also currently has a vacancy which it is undertaking to fill via a search for an Australian-resident independent non-executive director to supplement the experience on the Board.

### 5.2 EXPERIENCE AND BACKGROUND

A biography of each of the Directors is set out below.

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#### **John Hoffman**

*Executive Chairman and Chief Executive Officer*

John joined Pivotal in 2010 and has 30 years of global technology management experience in both the semiconductor and information technology markets. Previously a Senior VP with Spencer Trask Ventures, a New York based venture capital firm where he was primarily involved in the solar and integrated circuit efforts of the firm. Prior to this role, John was the CEO of RagingWire Enterprise Solutions. Additionally, John was a corporate officer and worked in various general manager (GM) roles at Applied Materials for 18 years, including President of the Etch Business Group, VP and GM of Process Control and Diagnostic Business Group and GM of the Customer Service Division.

John holds a BSc from the United States Military Academy at West Point and an Executive MBA from Stanford University.

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#### **Dr. Joseph Monkowski**

*Chief Technology Officer and Executive Director*

Joseph joined Pivotal in 2003 and has extensive experience in the semiconductor industry focused on providing process equipment and metrology solutions for next generation device manufacturing. Previously Joseph was Senior Vice President of Business Development for Advanced Energy Industries and held senior executive positions at Pacific Scientific, Photon Dynamics and Lam Research.

Joseph has authored numerous patents and publications in the semiconductor and flow controller space.

Joseph holds a BSc, MSc. and Ph.D. in Electrical Engineering and an MSc in Materials Science, all from Pennsylvania State University. He also served as a Professor of Electrical Engineering for six years at Penn State University.

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#### **Ryan Benton**

*Independent Non-Executive Director*

Ryan joined the Board in 2015 and has been the CFO of Brainchip Inc. (ASX: BRN) since August 2017. Prior to this role, Ryan served as CEO and Board Member at Exar Corporation (NYSE: EXAR), which was acquired by MaxLinear Corporation (NASDAQ: MXL) in May 2017. Ryan joined Exar as CFO in 2012. Previously Ryan was the CFO of SynapSense Corporation (a private venture-backed company), CFO of SoloPower, Inc. (a manufacturer of thin-film solar cells and flexible solar modules), and financial consultant for the United States subsidiary of ASM International NV (a semiconductor capital equipment company).

Ryan holds a BA from the University of Texas at Austin and is a licensed Certified Public Accountant.

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**Kevin Landis***Non-Executive Director*

Kevin joined the Board in 2012 and is the CEO and CIO of Firsthand Capital Management, an investment management firm he founded in 1994. Firsthand Capital Management is the investment adviser to Firsthand Technology Value Fund, Inc. (NASDAQ: SVVC), a publicly traded venture capital fund. Kevin has over two decades of experience in engineering, market research, product management and investing in the technology sector. Kevin is a nominee director of Firsthand to the Pivotal Board.

Kevin also sits on the board of a number of technology companies including Hera Systems, Inc., IntraOp Medical Corp., QMAT, Inc., Revasum, Inc., Silicon Genesis Corp. and Wrightspeed, Inc.

Kevin holds a BSc in electrical engineering and computer science from the University of California at Berkeley and an MBA from Santa Clara University.

**David Michael***Non-Executive Director*

David joined the Board in 2016 and is Managing Partner at Anzu Partners, an investment partnership which invests in innovative industrial technology companies. In addition to his role at Pivotal Systems, he is also Board member of Nuburu (industrial lasers), Axsun (MEMS-based sensors for medical and industrial uses), and Terapore (nanofiltration membranes for ultrapure water and other applications). Prior to this, David was Senior Partner and Managing Director of The Boston Consulting Group (BCG), where his career spanned numerous leadership roles across the firm. He led BCG's Greater China business and their Asia Technology Practice. He served a range of clients in semiconductors, components, hardware, software and services. He was based for 7 years in Silicon Valley and for 16 years in Greater China. He remains a Senior Advisor to the BCG firm.

David holds a BA in Economics from Harvard University and an MBA from Stanford.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director, as the case may be, without constraints from other commitments.

The Board considers that Ryan Benton is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of a Director's judgement and is able to fulfill the role of an Independent Director. The Board has adopted a definition of independence that is based on the definition set out in the ASX Corporate Governance Principles.

The following Directors are not currently considered by the Board to be independent for the reasons set out below:

- John Hoffman, due to his executive role as Chief Executive Officer with the Company;
- Dr. Joseph Monkowski, due to his executive role as Chief Technology Officer with the Company;
- Kevin Landis, is the CEO and CIO of Firsthand Capital Management, the investment adviser to Firsthand Technology Value Fund, Inc. which is a substantial Shareholder of the Company. Kevin Landis is also the nominee director of Firsthand appointed to the Pivotal Board; and
- David Michael, the Managing Partner of Anzu Partners, an investment partnership which is a substantial Shareholder of the Company, and in the three years prior to Listing, David Michael has also been a nominee director of Anzu Partners appointed to the Pivotal Board.

The Company intends to appoint an independent, Australian based Director following Completion.

The Company has entered into an agreement with Firsthand whereby Firsthand is granted the right to nominate a director to the Board for so long as Firsthand holds 30% or more of the issued share capital of the Company, with such right expiring four years after the date of Listing. As at the date of this Prospectus, Firsthand has nominated Kevin Landis as its nominee director to the Board.

Firsthand's shareholding following the completion of the Offer will be 42.9% on a fully diluted basis.



## 05. BOARD, MANAGEMENT AND GOVERNANCE cont.

### 5.3 SENIOR MANAGEMENT

The Company has a highly experienced senior management team as set out below:

**John Hoffman**

*Executive Chairman and Chief Executive Officer*

See section 5.2.

**Dr. Joseph Monkowski**

*Chief Technology Officer and Executive Director*

See section 5.2.

**Omesh Sharma**

*Chief Financial Officer*

Omesh joined Pivotal in 2010 and has over 20 years of financial management experience in the public and private sectors. He has held several key senior financial and management positions at RagingWire Enterprise Solutions, Media Arts Group Inc. and Nortel Networks. Throughout Omesh's previous roles, he demonstrated the ability to streamline operational procedures and has helped a number of companies achieve significant cost-efficiencies.

Omesh holds Master's degrees in finance, business administration and economics from Salem State University and economics from Panjab University.

**Nori Kobayakawa**

*Vice President of Global Sales & Marketing*

Nori Kobayakawa joined Pivotal in 2010 and has over 30 years of experience in the semiconductor industry focused on sales and marketing in the Asia markets. Prior to joining Pivotal Systems, he worked at KLA-Tencor as Director of Sales for the Film Metrology Division and ran FMD operations in Asia, Watkins-Johnson's Asia operations and Trikon. His broad understanding of process tools, metrology and yield management contributes to understanding the customer's needs and requirements. During his career he has managed the introduction of products from their prototype stage through to market leader positions.

Nori has a BSc degree in computer science from SUNY Stony Brook.

### 5.4 DIRECTORS' DISCLOSURES

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor's decision as to whether to subscribe for CDIs.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

## 5.5 DIRECTORS' INTERESTS AND REMUNERATION

Other than as set out below or elsewhere in the Prospectus, no Director:

- has or had any time during the two years preceding the date of this Prospectus an interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or in the Offer; and
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

### 5.5.1 Chief Executive Officer

John Hoffman is employed in the position of Chief Executive Officer of the Company. Pivotal has entered into an employment contract with Mr. Hoffman to govern his employment. See Section 5.5.9 below.

### 5.5.2 Chief Technology Officer

Dr. Joseph Monkowski is employed in the position of Chief Technology Officer of the Company. Pivotal has entered into an employment contract with Dr. Monkowski to govern his employment. See Section 5.5.9 below.

### 5.5.3 Non-Executive Director remuneration

Under the Bylaws, the Directors decide the total amount paid to each Non-Executive Director as remuneration for their services. However, under the ASX Listing Rules, the total cash fees paid to all Non-Executive Directors must not exceed in any financial year the amount fixed in a general meeting of the Company. Under the Bylaws, the maximum aggregate annual cash fee pool from which non-executive directors may be paid for their services as members of the Board, exclusive of expense reimbursement and equity grants, cannot exceed US\$300,000. Any increase to the aggregate amount needs to be approved by Shareholders. Directors will seek approval of the Shareholders from time to time, as appropriate. This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company, which may be made in addition to or in substitution for the Director's fees.

The Company will enter into an appointment letter with each of its Non-Executive Directors and will set the annual Directors' fees to be paid by the Company under such appointment letters. Annual fees payable to Directors for chairing Board committees will also be determined.

Director	Annual director's fees
Ryan Benton	US\$80,000
Kevin Landis	Nil
David Michael	Nil

In addition, the following annual fees are payable to Directors for chairing Board committees:

Committee	Chair	Member
Audit and Risk Management Committee	US\$20,000	Nil
Remuneration and Nomination Committee	US\$20,000	Nil



## 05. BOARD, MANAGEMENT AND GOVERNANCE cont.

### 5.5.4 Interest in Securities

The Directors are not required to hold any Shares under the Certificate of Incorporation or Bylaws. Details of the relevant interests of the Directors in Securities are set out in the table below.

Director (including associates)	Shares as at the Prospectus Date <sup>1</sup>	Options held as at the Prospectus Date <sup>1</sup>	Percentage holding of Shares at the Prospectus Date (undiluted) <sup>1</sup>	Percentage holding of Shares at the Prospectus Date (fully diluted) <sup>1</sup>	Shares after Completion of the Offer	Options held as of Completion of the Offer	Percentage holding of Shares immediately following Completion (undiluted)	Percentage holding of Shares immediately following Completion (fully diluted)
John Hoffman	1,441,870	3,348,659	1.6%	4.5%	1,441,870	3,348,659	1.3%	3.8%
Dr. Joe Monkowski	1,445,683	3,339,089	1.6%	4.5%	1,445,683	3,339,089	1.3%	3.8%
Ryan Benton	195,000	201,000	0.2%	0.4%	195,000	201,000	0.2%	0.3%
Kevin Landis <sup>2</sup>	–	–	–	–	–	–	–	–
David Michael <sup>3</sup>	–	–	–	–	–	–	–	–

Notes:

1. Assumes that the Share Capital Restructuring described in Section 10.4 occurred immediately prior to the Prospectus Date.
2. Kevin Landis is the nominee of Firsthand to the Pivotal Board. Firsthand shareholding following the completion of the Offer will be 42.9% on a fully diluted basis.
3. David Michael is the nominee of Anzu Partners to the Pivotal Board. Anzu's shareholding following the completion of the Offer will be 8.6% on a fully diluted basis.

### 5.5.5 Related party transactions

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements with or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest:

- the Company has entered into an agreement with Firsthand whereby Firsthand is granted the right to nominate a director to the Board for so long as Firsthand holds 30% or more of the issued share capital of the Company, with such right expiring four years after the date of Listing. As at the date of this Prospectus, Firsthand has nominated Kevin Landis as its nominee director to the Board;
- the compensation arrangements with Directors and executive officers, which are described in this Section 5.5.8; and
- the indemnification arrangements with the Directors which are described in Section 5.5.6.

### 5.5.6 Indemnification and directors' & officers' insurance

The Company's practice is to enter into indemnification agreements with each Director. Under those agreements, the Company agrees to indemnify the Director against losses incurred or claims made related to their service as Directors of the Company, and to advance expenses related thereto, subject to certain limitations and requirements. The Company's Certificate of Incorporation further limits the liability of Directors. In addition, the Company is currently finalising arrangements to put in place additional directors' and officers' insurance customary for a listed Company.

### 5.5.7 Other interests and payments

Directors may also be reimbursed for travel and other expenses reasonably incurred in connection with the performance of their duties as Directors. Directors may be paid such special remuneration as the Directors decide is appropriate where a Director performs extra work or services for or at the request of the Company.

### 401(k) Plan

The Company maintains a defined contribution employee retirement plan for its US employees. The plan is intended to qualify as a tax-qualified 401(k) plan so that contributions to the 401(k) plan, and income earned on such contributions, are not taxable to participants until withdrawn or distributed from the 401(k) plan. Participants may make pre-tax contributions to the 401(k) plan from their eligible earnings up to the statutorily prescribed annual limit on pre-tax contributions under the Internal Revenue Code of 1986. Participants who are at least 50 years old may also contribute additional amounts based on the statutory limits for “catch-up” contributions. The Company provides 100% matching contribution of the first 4% of the participant’s salary deferral.

### 5.5.8 Executive remuneration

The Company has established a number of incentive arrangements to enable the attraction, motivation and retention of management and employees of Pivotal.

For the executive team, the remuneration packages consist of:

- Fixed remuneration;
- Cash-based Short Term Incentives (as summarised in section 5.7.1); and
- Equity Incentive Plan grants (as summarised in sections 5.7.2 and 5.7.3).

### 5.5.9 Executive remuneration and employment agreements

The employment contracts for senior management are summarised below.

#### John Hoffman – Executive Chairman and Chief Executive Officer

John Hoffman is employed by Pivotal Systems in the position of Executive Chairman and Chief Executive Officer. Mr. Hoffman receives a fixed remuneration package US\$325,000. Mr. Hoffman is also eligible to participate in various customary employee benefit programs maintained by Pivotal.

Pursuant to Mr. Hoffman’s Retention Agreement (as summarised in Section 5.6), dated 11 May, 2018, if Mr. Hoffman is terminated by the Company without cause or if he resigns for good reason and Mr. Hoffman signs a general release of claims in favour of the Company and complies with certain other requirements, the Company must pay Mr. Hoffman severance in an amount equal to twelve months of his base salary, twelve months of health insurance cover and 100% of his annual target bonus for the period in which termination occurs. All of Mr. Hoffman’s unvested Options are subject to acceleration of vesting upon a change of control of the Company, and certain of his Options vest only subject to achievement of specified performance metrics and a time-based vesting schedule. See section 10.4 for further details of Option terms.

#### Dr. Joseph Monkowski – Executive Director and Chief Technology Officer

Dr. Joseph Monkowski is employed by the Company in the position of Executive Director and Chief Technology Officer. Dr. Monkowski receives a fixed remuneration package US\$275,000. Dr. Monkowski is also eligible to participate in various customary employee benefit programs maintained by Pivotal.

Pursuant to Dr. Monkowski’s Retention Agreement (as summarised in Section 5.6), dated 11 May, 2018, if Dr. Monkowski is terminated by the Company without cause or if he resigns for good reason and Dr. Monkowski signs a general release of claims in favour of the Company and complies with certain other requirements, the Company must pay Dr. Monkowski severance in an amount equal to twelve months of his base salary, twelve months of health insurance cover and 100% of his annual target bonus for the period in which termination occurs. All of Dr. Monkowski’s unvested Options are subject to acceleration of vesting upon a change of control of the Company, and certain of his Options vest only subject to achievement of specified performance metrics and a time-based vesting schedule. See section 10.4 for further details of Option terms.

## 05. BOARD, MANAGEMENT AND GOVERNANCE cont.

### Omesh Sharma – Chief Financial Officer

Omesh Sharma is employed by the Company in the position of Chief Financial Officer. Mr. Sharma receives a fixed remuneration package US\$255,000. Mr. Sharma is also eligible to participate in various customary employee benefit programs maintained by Pivotal.

Pursuant to Mr. Sharma's Retention Agreement (as summarised in Section 5.6), dated 11 May, 2018, if Mr. Sharma is terminated by the Company without cause or if he resigns for good reason and Mr. Sharma signs a general release of claims in favour of the Company and complies with certain other requirements, the Company must pay Mr. Sharma severance in an amount equal to twelve months of his base salary, twelve months of health insurance cover and 100% of his annual target bonus for the period in which termination occurs. All of Mr. Sharma's unvested Options are subject to acceleration of vesting upon a change of control of the Company, and certain of his Options vest only subject to achievement of specified performance metrics and a time-based vesting schedule. See section 10.4 for further details of Option terms.

### Other Senior Management

All other senior management are employed under written terms of employment with Pivotal.

The key terms and conditions of their employment include:

- remuneration packages;
- eligibility to participate in the Company's STI Plan and LTI Plan (as summarised in Section 5.7.1, and Sections 5.7.2 and 5.7.3); and
- express provisions protecting the Company's confidential information and intellectual property.

Senior management and other Company employees are employed at-will, which means the employment relationship can be terminated by either party for any reason, at any time, with or without prior notice and with or without cause, except as otherwise agreed.

## 5.6 RETENTION AGREEMENTS

Mr. Hoffman, Dr. Monkowski and Mr. Sharma (**Key Executives**) are each party to a Retention Agreement with the Company which supplements their employment agreement and provides for the following:

- In the event of a voluntary termination of employment by the Key Executive, such Key Executive must provide the Company with at least six months advance written notice, provided, however, that the Company may elect to waive such notice period; and
- The Key Executives may not, during their employment or within the 12 month period following the end of their employment, use any of the Company's trade secrets to solicit any of the Company's employees to leave their employment, or any consultants, customers, clients, or other entities to terminate their relationship with the Company, or to attempt to solicit, induce, recruit, or take away employees, consultants, customers, or clients of the Company, either for such Key Executive's personal benefit or for that of any other person or entity.

Note, however, that under California law, while misappropriation of trade secrets is unlawful, covenants not to compete are generally void as against public policy except when granted, on reasonable terms, in the context of a sale of goodwill associated with acquisition of a company. If the extended notice provision referenced above or the trade secrets provision above were deemed to constitute a de facto non-compete, it could be deemed unenforceable under California law.

## 5.7 EMPLOYEE INCENTIVE ARRANGEMENTS

### 5.7.1 Short Term Incentive Plan

The Board has adopted a 2018 Incentive Plan that provides for incentive bonuses. The Company has budgeted an amount US\$500,000 for payments under the 2018 Incentive Plan (see Section 6), based upon planned achievement at 100% of plan. The bonus varies based on percentage achievement of Company targets for the two metrics: Revenue and EBIT. The 2018 Incentive Plan establishes minimum levels of performance to achieve a partial payout, below which, no payment is made. The 2018 Incentive Plan also establishes a maximum payout for performance that exceeds the plan targets.

### 5.7.2 2003 Equity Incentive Plan

A number of options that were granted under the Company's 2003 Equity Incentive Plan (**Prior Plan**) remain outstanding.

Under the Prior Plan, in the event of certain corporate events or changes in the Company's capitalisation, appropriate adjustments will be made to the exercise prices of and number of Shares subject to outstanding options, and the purchase prices of and/or number of Shares subject to other outstanding awards.

In the event of an acquisition or other combination, then any or all outstanding awards may be assumed, converted or replaced by the successor or acquiring entity or may be substituted for equivalent awards granted by the successor or acquiring entity. In the event such successor or acquiring entity does not assume, convert, replace or substitute the awards, or if such successor or acquiring entity assumes, converts, replaces or substitutes the awards, and the participant's employment is terminated other than for Cause (as defined in the Prior Plan) or terminated by the participant for Good Reason (as defined in the Prior Plan), then the options will become vested and exercisable in full.

### 5.7.3 2012 Equity Incentive Plan

The Company's current 2012 Equity Incentive Plan (**2012 Plan**) provides for the grant of incentive stock options to employees of the Company and for the grant of options, restricted stock unit, stock appreciation right or restricted stock awards to employees, officers, directors and consultants of the Company.

The total number of Shares reserved pursuant to this 2012 Plan is 20,220,222 Shares, of which 1,378,647 remain available to be granted.

The 2012 Plan is administered by a committee created by the Board, or by the Board if no committee is created. Subject to the provisions of the 2012 Plan and the ASX Listing Rules, the administrator generally has the authority to, among other things, construe and interpret the 2012 Plan and modify or terminate rules and regulations relating to the 2012 Plan, approve persons to receive awards, approve the form and terms of awards and the terms of vesting, exercisability and payment of awards, determine the number of Shares subject to awards, grant waivers of any conditions, correct any defect or inconsistency or extend any vesting period under the 2012 Plan.

In the event of certain corporate events or changes in the Company's capitalisation, the administrator will make adjustments to the number of Shares reserved for issuance under the 2012 Plan, the exercise prices of and number of Shares subject to outstanding options and stock appreciation rights, and the purchase prices of and/or number of shares subject to other outstanding awards, subject to compliance with applicable rules and regulations including the ASX Listing Rules.

In the event of an acquisition or other combination, any or all outstanding awards may be assumed, converted or replaced by the successor or acquiring entity or may be substituted for equivalent awards granted by the successor or acquiring entity. Any awards not assumed or replaced in the acquisition or combination will terminate, without accelerating vesting, immediately prior to the consummation of such acquisition or combination at the time and upon the conditions as the committee determines.

Subject to compliance with applicable law including the ASX Listing Rules, the Board has the authority to amend or terminate the 2012 Plan or terminate awards upon a dissolution or liquidation of the Company, followed by the payment of creditors and the distribution of any remaining funds to the Company's stockholders. Certain amendments require the approval of the shareholders.

Unless earlier terminated, the 2012 Plan will terminate on the earlier of ten years from the date of Board approval or stockholder approval of the 2012 Plan.

## 05. BOARD, MANAGEMENT AND GOVERNANCE cont.

### 5.8 CORPORATE GOVERNANCE

The Board is committed to best practice corporate governance and compliance arrangements for the Company to the extent appropriate given the Company's size and circumstances. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations for entities admitted to the official list of the ASX (**ASX Corporate Governance Principles**) to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Corporate Governance Principles are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website disclosing the extent to which it has followed the ASX Corporate Governance Principles in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and provide reasons for not following it. Section 5.8.4 sets out a brief summary of the approach currently adopted by the Company in relation to the ASX Corporate Governance Principles.

More broadly, this section 5.8 summarises the key aspects of the Company's corporate governance framework.

#### 5.8.1 Board appointment and composition

##### Composition of the Board

As at the Prospectus Date, the Company has five Directors serving on the Board, and will continue to have the same five Directors serving on the Board following the Listing. Detailed biographies of these Directors are provided in section 5.2. As noted above, the Board also currently has a vacancy for which it is conducting a search for an Australian-resident independent non-executive director to supplement the experience on the Board.

##### Independence of the Board

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisors as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has a material personal interest.

The Company considers that a Director is an independent Director where that Director is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors having regard to the requirements for independence which are set out in Principle 2 of the ASX Corporate Governance Principles.

##### Board Charter

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles. A copy of the Company's Board Charter is available on the Company's website at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors). The Company will also send you a copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

##### Board's role in risk oversight

The Board's role in risk oversight includes receiving reports from management and the Audit and Risk Management Committee on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. Those reports detail the effectiveness of the risk management program and identify and address material business risks such as risks relating to conduct of business, regulatory and compliance risks, reputational risks, reporting and IT systems as they relate to business continuity. The Board and its committees consider these reports, discuss matters with management and identify and evaluate any potential strategic or operational risks including appropriate activity to address those risks.

### 5.8.2 Board committees

As set out in the following table, the Board has established two standing committees to facilitate and assist the Board in fulfilling its responsibilities. The Board may also establish other committees from time-to-time to assist in the discharge of its responsibilities.

Each committee has the responsibilities described in the relevant committee charter adopted by the Company (which have been prepared having regard to the ASX Corporate Governance Principles). A copy of the charters for the below committees are available on the Company's website at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors). The Company will also send you a copy of the committee charters, at no cost to you, should you request a copy during the Offer Period.

BOARD COMMITTEE	OVERVIEW	INITIAL COMPOSITION
<b>Audit &amp; Risk Management Committee</b>	<p>Responsible for monitoring and advising the Board on the Company's audit and regulatory compliance policies and procedures.</p> <p>Oversees the Company's corporate accounting and financial reporting, including auditing of the Company's financial statements and the qualifications, independence, performance and terms of engagement of the Company's external auditor.</p> <p>Monitors and develops the Company's risk strategy, including assessing the effectiveness of the Company's internal controls and risk management framework and making recommendations for improvement.</p>	<p>Ryan Benton (Chair)</p> <p>Kevin Landis (Member)</p> <p>David Michael (Member)</p>
<b>Remuneration and Nomination Committee</b>	<p>Responsible for advising the Board on the composition of the Board and its committees, evaluating potential Board candidates and advising on their suitability, and ensuring appropriate succession plans are in place.</p> <p>Establishes, amends, reviews and approves the compensation and equity incentive plans with respect to senior management and employees of the Company including determining individual elements of total compensation of the Chief Executive Officer, and other members of senior management.</p>	<p>Ryan Benton (Chair)</p> <p>Kevin Landis (Member)</p> <p>David Michael (Member)</p>

## 05. BOARD, MANAGEMENT AND GOVERNANCE cont.

### 5.8.3 Corporate governance policies

The Company has adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and are available on the Company's website at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors).

- **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its Directors, officers and employees.
- **Continuous Disclosure Policy** – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure the Company discloses to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations.
- **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business.
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws.
- **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders.
- **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity amongst its Board, management and employees.

The Company will send you a copy of any of the above policies, at no cost to you, should you request a copy during the Offer Period.

### 5.8.4 ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles. A brief summary of the approach currently adopted by the Company is set out below.

#### Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities are defined in the Board Charter.

The Company has also established a clear delineation between the Board's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and certain other officers of the Company. The Remuneration and Nomination Committee evaluates the performance of senior executives.

#### Principle 2 – Structure the Board to add value

Whilst the Board comprises three Non-Executive Directors and two Executive Directors, the majority of the Company's Board is not comprised of independent Directors, the Chairman is not an independent director and the role of Chairman and CEO is not exercised by two separate individuals, as recommended by the ASX Corporate Governance Principles. The Board, having regard to the Company's stage of development and collective experience and expertise of the Directors, believes the size, composition and skills of the Board are appropriate for the Company's business and circumstances, and are in the best interest of Shareholders as a whole. As noted above, the Board is also conducting a search for an Australian-resident independent non-executive director to supplement the experience on the Board.

The Company's Remuneration and Nomination Committee is responsible for regularly reviewing the size, composition and skills of the Board to ensure that the Board is able to discharge its duties and responsibilities effectively, and to identify any gaps in the skills or experience of the Board.

The Board Charter provides for an annual self-assessment of the Board's performance to be provided to the Remuneration and Nomination Committee.

#### Principle 3 – Promote ethical and responsible decision making

The Company has adopted a Code of Conduct, as well as a Securities Trading Policy, a Diversity Policy and a policy and procedure for related party transactions.

**Principle 4 – Safeguard integrity in financial reporting**

The Company has established an Audit & Risk Management Committee to oversee the management of financial and internal risks and the Company's risk strategy and to assess the effectiveness of the Company's risk management framework. The Audit & Risk Management Committee is comprised of three Directors. Whilst a majority of the members are not independent Directors for ASX purposes, the Board believes that the composition and skills of the members of the Audit & Risk Management Committee are appropriate for the Company. The Audit & Risk Management Committee is governed by a charter which is available on the Pivotal website at [www.pivotalsys.com/investors](http://www.pivotalsys.com/investors).

**Principle 5 – Make timely and balanced disclosure**

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

**Principle 6 – Respect the rights of Shareholders**

The Company has adopted a Shareholder Communications Policy for Shareholders wishing to communicate with the Board. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either personally or by representative. The Board regards the annual general meeting as an excellent forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

**Principle 7 – Recognise and manage risk**

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy, which is designed to assist the Company to identify, evaluate and mitigate risks affecting the Company. In addition, the Board has established two standing committees to provide focused support in key areas. Under this policy, the Board is responsible for overseeing and managing the risk management program. The Board has conferred to the Audit and Risk Management Committee the responsibility to develop and maintain the risk management program in light of the day-to-day needs of the Company. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint handling processes, employee policies and standard operating procedures which are all designed to address various forms of risks.

**Principle 8 – Remunerate fairly and responsibly**

The Company has established Remuneration and Nomination Committee that is responsible for overseeing the level and composition of remuneration of the Company's Directors and executives.



# 06.

FINANCIAL  
INFORMATION



## 06. FINANCIAL INFORMATION

### 6.1 INTRODUCTION

The financial information contained in this Section 6 has been prepared by the Company in connection with the Offer. Pivotal has a 31 December financial year end. As such, any references in this Section 6 to “Fiscal” or “FY” refer to a 31 December financial year end.

SaleCo was incorporated in May 2018, and therefore is not included in the statutory historical financial information. However, the impact of SaleCo has been incorporated in the pro forma historical financial information and the forecast financial information.

On 16 March 2018, Pivotal incorporated a wholly owned subsidiary, Pivotal Systems Korea Limited, in South Korea, which will form part of the consolidated entity (**Group**) effective from this date. The current financial impact of the newly incorporated subsidiary has been reflected in the forecast financial information.

The financial information for the Company contained in this Section 6 includes the following:

#### Historical Financial Information

- **Statutory Historical Financial Information** of the Company, being the:
  - statutory historical statement of profit and loss for FY15, FY16 and FY17 (**Statutory Historical Results**);
  - statutory historical statement of cash flows for FY15, FY16 and FY17 (**Statutory Historical Cash Flows**); and
  - statutory historical statement of financial position as at 31 December 2017 (**Statutory Historical Statement of Financial Position**);
- **Pro Forma Historical Financial Information** of the Company and SaleCo, being the:
  - Pro Forma historical statement of profit and loss for FY15, FY16 and FY17 (**Pro Forma Historical Results**);
  - Pro Forma historical statement of cash flows for FY15, FY16 and FY17 (**Pro Forma Historical Cash Flows**);
  - Pro Forma historical statement of financial position as at 31 December 2017 (**Pro Forma Historical Statement of Financial Position**);

(together the Statutory Historical Financial Information and the Pro Forma Historical Financial Information are referred to as the **Historical Financial Information**).

#### Forecast Financial Information

- **Statutory Forecast Financial Information** of the Group and SaleCo, being the:
  - statutory forecast consolidated statement of profit and loss for FY18 (**Statutory Forecast Results**); and
  - statutory forecast consolidated statement of cash flow for FY18 (**Statutory Forecast Cash Flows**);
- **Pro Forma Forecast Financial Information** of the Group and SaleCo, being the:
  - Pro Forma forecast consolidated statement of profit and loss for FY18 (**Pro Forma Forecast Results**); and
  - Pro Forma forecast consolidated statement of cash flow for FY18 (**Pro Forma Forecast Cash Flows**);

(together the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information are referred to as the **Forecast Financial Information**).

The Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

The Statutory Historical Financial Information and Statutory Forecast Financial Information together form the **Statutory Financial Information**.

The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information together form the **Pro Forma Financial Information**.

## 06. FINANCIAL INFORMATION cont.

Also summarised in this Section 6 are:

- the basis of preparation and presentation of the Financial Information (refer Section 6.2);
- information regarding certain non AAS or IFRS financial measures (refer Section 6.2.4);
- summary of key Pro Forma operating metrics (refer Section 6.3.2);
- the Pro Forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information respectively (refer Sections 6.3.3, 6.4.2 and 6.5.1);
- details of Pivotal's indebtedness and capitalisation (refer Section 6.5.2);
- information regarding Pivotal's liquidity and capital resources (refer Section 6.5.3);
- management's discussion and analysis of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information (refer Section 6.6);
- the specific and general assumptions underlying the Forecast Financial Information (refer Sections 6.7.1 and 6.7.2);
- an analysis of the key sensitivities of the Pro Forma Forecast Financial Information (refer Section 6.8); and
- details of the proposed dividend policy (refer Section 6.9).

Information provided in this Section 6 should be read in conjunction with the sensitivity analysis outlined in Section 6.8, the risk factors outlined in Section 4, and the other information provided in this Prospectus.

### 6.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

#### 6.2.1 Overview

The Statutory Historical Financial Information of Pivotal for FY15, FY16, and FY17 have been audited by BDO East Coast Partnership in accordance with Australian Auditing Standards.

The Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles prescribed in Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations issued by the Australian Accounting Standards Board), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

The auditors issued a qualified opinion on the financial reports for the twelve months ended 31 December 2015, 31 December 2016 and 31 December 2017. The basis for the qualification to the opinion was limited to the auditors, who were appointed post the financial year ends, not having observed the counting of physical inventories at beginning of those years. The auditors were unable to satisfy themselves by alternative means concerning inventory quantities held at these dates.

Starting in fiscal year 2017, considering the Company's operations and the seasonality and cyclical nature in the semiconductor industry, the Company changed its year end to 31 December 2017. Prior to this period the Company's fiscal year ended 30 September.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of Pivotal, and Pro Forma Financial Information to reflect Pivotal's operating and capital structure following Completion of the Offer, among other things. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The impact of changes in the accounting standards on the Financial Information is noted below:

IFRS 15 is effective for reporting years from 1 January 2018 and establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The Company will apply the new revenue standard retrospectively with the cumulative effect recognised as of January 1, 2018, the date of adoption. The new revenue standard is not expected to have a material impact on the amount and timing of revenue recognised in the Company's financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. The Company will adopt IFRS 16 from 1 January 2019 utilising the modified retrospective transition method. Currently the Company anticipates no material impact to its Consolidated Statements of Profit and Loss and Other Comprehensive Income. However, the ultimate impact of adopting IFRS 16 will depend on the Company's lease portfolio as of the adoption date.

IFRS 9 is a new standard that replaces IFRS 39. The new standard includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and introduces a reformed approach to hedge accounting. The standard is effective from 1 January 2018 and is not expected to have a significant impact on the Company's financial statements.

All amounts disclosed in this Section 6 are presented in United States Dollars (US\$) and, unless otherwise noted, are rounded to the nearest US\$1,000. Any amounts in AUD have been converted at an exchange rate of AUD1:USD0.75. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the AAS, IFRS and other mandatory professional reporting requirements, applicable to general purpose financial reports. The Company's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Appendix 2 of this Prospectus.

The Historical Financial Information has been reviewed and reported on by BDO Corporate Finance (East Coast) Pty Ltd (**BDO**) as set out in the Independent Limited Assurance Report on Historical Financial Information set out in Section 7. The Historical Financial Information and Forecast Financial Information presented in this Prospectus have been reviewed by BDO, in accordance with the *Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Independent Limited Assurance Report on the Forecast Financial Information. Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 7).

Post-listing, Pivotal will continue to prepare its financial statements in accordance with IFRS issued by the International Accounting Standards Board and its financial statements post-Listing will be audited and reviewed by Pivotal's auditor in accordance with AAS.

### **6.2.2 Preparation of the Historical Financial Information**

The Statutory Historical Financial Information has been extracted from the audited general purpose financial statements of Pivotal for FY15, FY16, FY17.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with Pro Forma adjustments being made to eliminate certain non-recurring items, and adjustments to reflect Pivotal's operating and capital structure following Completion, including standalone public company expenses.

The Pro Forma Historical Statement of Financial Position as at 31 December 2017 is based on the audited Statutory Historical Statement of Financial Position of Pivotal at that date adjusted to reflect the impact of the Offer and other material transactions post 31 December 2017 (refer to Section 6.5.1).

Refer to Section 6.3.3 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 6.4.2 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows and to Section 6.5.1 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

Investors should note that past results are not a guarantee of future performance.

## 06. FINANCIAL INFORMATION cont.

### 6.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on both a statutory and Pro Forma basis for FY18. The FY18 forecast is based on Pivotal's specific and general forecast assumptions for the 12 months to 31 December 2018, as set out in Sections 6.7.1 and 6.7.2.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information. In preparing the Pro Forma Forecast Financial Information, Pro Forma adjustments have been made to the Statutory Forecast Financial Information to:

- reflect Pivotal's operating and capital structure following Completion;
- reflect the removal of finance costs associated with debt facilities as if they were repaid as at 1 January 2015;
- to eliminate certain non-recurring items such as costs associated with the Offer; and
- to reflect standalone public company expenses as if they were incurred from 1 January 2015.

The Forecast Financial Information has been prepared by Pivotal based on an assessment of current economic and operating conditions, and on the specific and general assumptions regarding future events and actions as set out in Sections 6.7.1 and 6.7.2. The Forecast Financial Information is subject to business and economic risks including those set out in Section 4. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Forecast Financial Information presented in the Prospectus has been reviewed by BDO but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Forecast Financial Information (refer to Section 7). Investors should note the scope and limitations of the Independent Limited Assurance Report on the Forecast Financial Information (refer to Section 7). The Independent Limited Assurance Report on the Forecast Financial Information has been prepared solely in connection with the offer of CDIs in Australia.

Pivotal believes the specific and general assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Pivotal's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Pivotal, the Directors and management. Accordingly, none of Pivotal and its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Refer to Section 6.3.3 for a reconciliation between Statutory Forecast Results and Pro Forma Forecast Results and to Section 6.4.2 for a reconciliation between the Statutory Forecast Cash Flows and the Pro Forma forecast cash flows.

The Forecast Financial Information should be read in conjunction with the general assumptions set out in Section 6.7.1, the specific assumptions set out in Section 6.7.2, the sensitivity analysis set out in Section 6.8, the risk factors as set out in Section 4, the key accounting policies set out in Appendix 2 and other information in this Prospectus.

Pivotal has no intention of updating or revising the Forecast Financial Information and Pro Forma Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law or regulation.

#### 6.2.4 Explanation of certain non AAS or IFRS financial measures

Pivotal uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 6.2.4, and under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC, as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **Compound Annual Growth Rate (CAGR)** is the annual growth rate over a period of time longer than one year.
- **Cost of Goods Sold** represents expenses directly associated with the generation of revenue, including unit manufacturing expense, freight and software installation manpower and related expense.
- **Gross Profit** is Revenue less Cost of Goods Sold.
- **Gross Margin** is Gross Profit divided by Revenue.
- **Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA)** is earnings before interest, tax, depreciation and amortisation expense (inclusive of capitalised development costs).

Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation and before interest and tax charges, which are affected by the capital structure and historical tax position of Pivotal.

Because it does not include the non-cash charges for depreciation and amortisation, EBITDA can be useful to help understand the cash generation potential of the business. However, management believes that it should not be considered as an alternative to Free Cash Flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Pivotal's operations.

- **EBIT** is earnings before interest and tax expense.
- **Capital Expenditure** relates to expenditure on fixed assets purchases such as computer and office equipment, and expenses that are directly attributable to technology development.
- **Operating Cash Flow** is operating income/loss adjusted to add back non-cash charges such as depreciation and amortisation and for changes in Working Capital.
- **Free Cash Flow** is Operating Cash Flow less Capital Expenditures.
- **Working Capital** is trade and other receivables and other current assets less trade and other payables and income tax payable and employee entitlements.

Certain financial data included in Section 6 is also non-IFRS financial information.

Although Pivotal believes that these measures provide useful information about the financial performance of Pivotal, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way Pivotal calculated these measures may differ from similarly-titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.

## 06. FINANCIAL INFORMATION cont.

### 6.3 PRO FORMA HISTORICAL RESULTS, STATUTORY FORECAST RESULTS AND PRO FORMA FORECAST RESULTS

#### 6.3.1 Overview

Table 1 sets out the Pro Forma Historical Results for FY15, FY16, and FY17, as well as the Statutory Forecast Results and Pro Forma Forecast Results for FY18.

**TABLE 1**

US\$'000	Notes	Pro Forma historical			Pro Forma Forecast	Statutory Forecast
		FY15	FY16	FY17	FY18	FY18
Revenue		4,805	8,175	15,446	30,091	30,091
Cost of goods sold	1	(4,357)	(6,535)	(11,589)	(19,153)	(19,153)
<b>Gross profit</b>		<b>448</b>	<b>1,640</b>	<b>3,857</b>	<b>10,938</b>	<b>10,938</b>
Research & Development		(1,555)	(1,976)	(2,451)	(2,763)	(2,763)
Sales & Marketing		(1,835)	(1,744)	(2,650)	(3,763)	(3,763)
General & Administrative	2,3	(2,173)	(2,641)	(2,389)	(3,178)	(3,484)
<b>Total operating expenses</b>		<b>(5,563)</b>	<b>(6,361)</b>	<b>(7,490)</b>	<b>(9,704)</b>	<b>(10,010)</b>
<b>EBIT</b>		<b>(5,115)</b>	<b>(4,721)</b>	<b>(3,633)</b>	<b>1,233</b>	<b>928</b>
Fair value remeasurement of Warrants and Preferred Stock	4	–	–	–	–	(66,296)
Interest	5	–	–	–	–	(61)
<b>(Loss)/profit before tax</b>		<b>(5,115)</b>	<b>(4,721)</b>	<b>(3,633)</b>	<b>1,233</b>	<b>(65,429)</b>
Income tax expense		–	–	–	–	–
<b>Net (loss)/profit after tax</b>	<b>6</b>	<b>(5,115)</b>	<b>(4,721)</b>	<b>(3,633)</b>	<b>1,233</b>	<b>(65,429)</b>
<b>Reconciliation of EBIT to EBITDA</b>						
EBIT		(5,115)	(4,721)	(3,633)	1,233	928
Depreciation and Amortisation		1,590	2,009	2,486	2,794	2,794
<b>EBITDA</b>		<b>(3,525)</b>	<b>(2,712)</b>	<b>(1,147)</b>	<b>4,027</b>	<b>3,722</b>

Notes:

**The Pro Forma Historical Results and Pro Forma Forecast Results include expenses that have been adjusted to reflect the following:**

1. Cost of goods sold: Inventory write-off of US\$0.88 million, which resulted from faulty Printed Circuit Boards (PCB) that were sourced from a new supplier and a NAND Flash component supplier have been reversed as a non-recurring item. These PCBs did not meet Pivotal's quality specifications and were scrapped. The Company is seeking reimbursement from the NAND Flash component supplier for approximately US\$0.15 million.
2. Public company expenses: Pivotal estimates it will incur US\$0.67 million in incremental annual expenses as a publicly listed company. These expenses include Non-Executive Director remuneration, additional legal fees, audit fees, annual listing fees, annual general meeting and annual report costs, additional directors and officers insurance premiums, company secretarial, registry fees, and investor relations services fees. The Pro Forma Historical Results and Pro Forma Forecast Results include these public company expenses as if Pivotal was a publicly listed company in each of the reporting periods. The Statutory Forecast includes US\$0.34 million of public company expenses, assumed to be incurred following Completion.
3. Offer expenses: Total expenses of the Offer are estimated at US\$3.04 million of which US\$2.33 million is directly attributable to the issue of all shares under the Offer by Pivotal and will be offset against equity raised in the Offer. The remaining amount of US\$0.71 million relates to the Listing of which US\$0.07 million has been incurred in FY17 and US\$0.64 million is forecast for FY18.
4. Fair Value of Financial Liabilities: Includes remeasurement adjustments to financial liabilities that are measured at fair value at reporting date in the Statutory Historical Results. These financial liabilities are the Company's Convertible Preferred Stock, Common Stock Warrants, Series C Preferred Stock Warrants, and Series D Preferred Stock Warrants. Prior to Completion of the Offer, all warrants will be converted to Company's shares either for cash or in a cashless exercise (according to warrant terms) or will be cancelled for a cash payment, and all Preferred Stock outstanding are expected to be converted to Common Stock. As a result, there is no fair value impact related to these liabilities on FY18 and forward. It should be noted that the adjustment is an estimation for presentation purposes and the full quantum of the fair value adjustment in relation to financial liabilities would be determined under a formal valuation and audit exercise.
5. Debt Funding: The Pro Forma Historical and Forecast Results have been adjusted to remove interest costs associated with (a) convertible notes which have been converted to Shares, and (b) borrowings which are repaid in prior years and forecasted to be repaid at the time of Completion.
6. A reconciliation of Net Profit (Loss) After Tax from Statutory Financial Results to Pro Forma Financial Results is set out below in Table 3.

### 6.3.2 Key operating metrics

Table 2 sets out a summary of Pivotal's key historical operating metrics for FY15, FY16, and FY17 derived from the Pro Forma Historical Results, and the key Pro Forma forecast operating metrics for FY18 derived from the Pro Forma Forecast Results.

**TABLE 2**

		Pro Forma historical			Pro Forma Forecast
	Notes	FY15	FY16	FY17	FY18
<b>Key operating metrics</b>					
Revenue Growth %	1		70.1%	88.9%	94.8%
Revenue (US\$'000)		4,805	8,175	15,446	30,091
Gross Margin (%)		9.3%	20.1%	25.0%	36.3%
Research & Development Expenses as % of Revenue		32.4%	24.2%	15.9%	9.2%
Sales & Marketing Expense as % of Revenue		38.2%	21.3%	17.2%	12.5%
General & Administrative Expenses as % of Revenue		44.8%	32.0%	15.3%	10.6%
Total Operating Expenses as % of Revenue		115.8%	77.8%	48.5%	32.2%
Capitalised R&D Cost as % of Revenue	2	47.1%	32.4%	19.8%	12.9%
EBITDA (US\$'000)		(3,525)	(2,689)	(1,124)	4,027
Operating Cash Flows (US\$'000)		(3,845)	(2,993)	(1,391)	1,058
Capital Expenditure (US\$'000)		(2,346)	(2,688)	(3,452)	(4,063)
Free Cash Flow (US\$'000)		(6,191)	(5,681)	(4,842)	(3,005)
Number of employees at year end		25	29	32	37
Validated customers at year end	3	6	8	13	16

Notes:

1. The percentage of growth in Pro Forma revenue on a year-on-year basis.
2. Total capitalised development costs per the Pro Forma historical Cash Flows expressed as a percentage of Pro Forma revenue.
3. The number of IDMs and OEMs customers that have validated Pivotal's technology and have purchased products as at the end of the reporting period.



## 06. FINANCIAL INFORMATION cont.

### 6.3.3 Pro Forma adjustments to the Statutory Historical Results and Statutory Forecast Results

Table 3 sets out the Pro Forma adjustments that have been made to Pivotal's Statutory Historical Results and Statutory Forecast Results to reflect the full year impact of the operating and capital structure that will be in place following Completion as if it were in place as at 1 January 2015. These adjustments are summarised below.

**TABLE 3**

US\$'000	Notes	Historical Results			Forecast
		FY15	FY16	FY17	FY18
<b>Statutory Net (Loss)/Profit After Tax</b>		<b>(4,552)</b>	<b>(12,706)</b>	<b>(9,817)</b>	<b>(65,429)</b>
Public company costs	1	(672)	(672)	(672)	(336)
Offer costs	2	–	–	72	641
Interest costs	3	109	187	81	61
Fair value remeasurement of Warrants and Preferred Stock	4	–	8,470	5,820	66,296
Cost of goods sold adjustment	5	–	–	883	–
<b>Pro Forma Net (Loss)/Profit After Tax</b>		<b>(5,115)</b>	<b>(4,721)</b>	<b>(3,633)</b>	<b>1,233</b>

Notes:

1. Management has estimated the incremental costs Pivotal will incur as a publicly listed company. These costs include Non-Executive Director remuneration, additional legal fees, audit fees, annual listing fees, annual general meeting and annual report costs, additional directors' and officers' insurance premiums, company secretarial fees, registry fees, public relations costs, investor relations services fees and registry costs. The statutory forecast for FY18 includes the estimated annual costs of being a publicly listed company following Completion. The Pro Forma historical and forecast statements of profit and loss are adjusted to include the incremental costs of being listed from 1 January 2015 through to Completion.
2. Costs associated with the Offer (including Lead Manager and Underwriting fees, legal fees, project management fees, accounting fees, ASX listing fees and other expenses) are estimated at US\$3.04 million, of which US\$2.33 million is attributable to the issue of all shares under the Offer and therefore charged against contributed equity. The remaining US\$0.71 million relates to Listing which have been expensed in the statutory historical and forecast statement of profit and loss and are reversed in the Pro Forma historical and forecast statement of profit and loss. These costs have been reversed as non-recurring items.
3. Removal of interest costs associated convertible notes which were converted to Preferred Shares in historical periods, and Bank debt repaid in historical periods or forecasted to be repaid after Completion.
4. Removal of Fair value of financial liabilities, which relates to certain financial liabilities measured at fair value through profit and loss. These financial liabilities are Convertible Preferred Stock, Common Stock Warrants, Series C Preferred Stock Warrants, and Series D Preferred Stock Warrants. Immediately prior to Completion of the Offer, all warrants will be converted to Company's shares either for cash or in a cashless exercise (according to warrant terms) or will be cancelled for a cash payment, and all Preferred Shares will be converted to Common Stock.
5. Inventory write-off of US\$0.88 million has been reversed as a non-recurring item. The write-off resulted from faulty Printed Circuit Boards (PCB) that were sourced from a new supplier and a NAND Flash component supplier. These PCBs did not meet Pivotal's quality specifications and were scrapped. The Company is seeking reimbursement from the NAND Flash component supplier for approximately US\$0.15 million.

## 6.4 PRO FORMA HISTORICAL CASH FLOWS, STATUTORY FORECAST CASH FLOWS AND PRO FORMA FORECAST CASH FLOWS

### 6.4.1 Overview

Table 4 sets out the Pro Forma Historical Cash Flows for FY15, FY16, FY17 and FY18, as well as the Statutory Forecast Cash Flows for FY18.

**TABLE 4**

US\$'000	Notes	Pro Forma historical			Pro Forma Forecast	Statutory Forecast
		FY15	FY16	FY17	FY18	FY18
Receipts from customers		5,133	5,768	15,884	26,496	26,496
Payments to suppliers and employees	1	(8,977)	(8,761)	(17,275)	(25,437)	(25,743)
Interest paid	1	–	–	–	–	(61)
Taxes paid		–	–	–	–	–
<b>Net cash flows (used in)/from operating activities</b>		<b>(3,845)</b>	<b>(2,993)</b>	<b>(1,391)</b>	<b>1,058</b>	<b>692</b>
<b>Cash flows from investing activities</b>						
Purchase of assets		(85)	(41)	(386)	(172)	(172)
Investment in/Purchase of intangibles		(2,261)	(2,647)	(3,065)	(3,891)	(3,891)
<b>Cash Flows used in Investing Activities</b>		<b>(2,346)</b>	<b>(2,688)</b>	<b>(3,452)</b>	<b>(4,063)</b>	<b>(4,063)</b>
<b>Cash flows from financing activities</b>						
Capital raised for shares issued	2,4	226	5,855	31	–	40,155
Payment to existing Shareholders, net of costs	2	–	–	–	–	(12,563)
Share issue costs	3	–	–	–	–	(2,325)
Exercise of options/warrants		–	5	255	1,747	1,747
Proceeds from issue promissory notes		200	2,100	–	–	–
Proceeds from bank loans		2,500	–	3,425	1,917	1,917
Repayment of bank loans		(1,056)	(18)	(2,898)	–	(4,925)
<b>Net cash from financing activities</b>		<b>1,871</b>	<b>7,941</b>	<b>813</b>	<b>3,664</b>	<b>24,006</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>		<b>(4,320)</b>	<b>2,260</b>	<b>(4,029)</b>	<b>659</b>	<b>20,635</b>
Cash and cash equivalents at beginning of financial year		5,631	1,913	4,658	1,148	1,148
<b>Cash and cash equivalents at end of financial year</b>		<b>1,311</b>	<b>4,173</b>	<b>628</b>	<b>1,807</b>	<b>21,783</b>

Notes:

1. Pro Forma adjustments to the statutory statements of profit and loss are detailed in the notes to Tables 1 and 3.
2. Forecast Net Offer Proceeds of US\$27.60 million to the Company consists of: (a) Gross Proceeds inflow from shares issued of US\$40.16 million, less (b) payments to Selling Shareholders of US\$12.56 million on behalf of the Selling Shareholders (net of costs). Collection of Offer Proceeds on behalf of the Selling Shareholders will be performed by SaleCo, the terms of which are noted in Section 8.4.
3. Capitalised Offer costs of US\$2.33 million, which is attributable to the issue of shares under the Offer.
4. Uses of capital raised are discussed in detail in Section 8.3.

## 06. FINANCIAL INFORMATION cont.

### 6.4.2 Pro Forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

Table 5 sets out the Pro Forma adjustments that have been made to Pivotal's Statutory Historical Cash Flows and Statutory Forecast Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following Completion as if it was in place as at 1 January 2015. These adjustments are summarised below.

**TABLE 5**

US\$'000	Notes	Historical			Forecast
		FY15	FY16	FY17	FY18
<b>Statutory net cash flow</b>		(3,718)	2,745	(3,510)	20,635
Interest paid on debt	1	70	187	81	61
Offer costs	2	–	–	72	2,966
Public company costs	3	(672)	(672)	(672)	(336)
Offer proceeds	4	–	–	–	(40,155)
Payment to the Selling Shareholders	5	–	–	–	12,563
Repayment of bank loan	6	–	–	–	4,925
<b>Pro Forma net cash flow</b>		<b>(4,320)</b>	<b>2,260</b>	<b>(4,029)</b>	<b>(659)</b>

Notes:

1. Interest expense incurred on various historical debt has been removed to reflect the expected capital structure on Completion.
2. Removal of the costs associated with the Offer (including Lead Manager and Underwriting fees, legal fees, project management fees, accounting fees, ASX listing fees and other expenses).
3. Estimated incremental costs Pivotal will incur as a publicly listed company.
4. Represent the reversal of the Offer Proceeds before Offer Costs.
5. Represent the reversal of the collection of sale proceeds by Sale Co and subsequent payment to the Selling Shareholders, net of costs.
6. Represent the reversal of the repayment of existing bank loans immediately after Completion.

## 6.5 STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

### 6.5.1 Overview

Table 6 sets out the Pro Forma adjustments that have been made to the audited Statutory Historical Statement of Financial Position for Pivotal at 31 December 2017 in order to prepare the Pro Forma Statement of Financial Position for Pivotal. The Pro Forma adjustments take into account the effect of, amongst other things, the Offer proceeds, transaction expenses, and repayment of Bank debt after Completion. These adjustments, as detailed in Table 7 (below), reflect the impact of the changes in capital structure that will take place as part of the Offer, as if they had occurred or were in place as at 31 December 2017.

**TABLE 6**

US\$'000	Notes	Audited 31-Dec-17	Pro Forma adjustments	Pro Forma 31-Dec-17
Cash and cash equivalents		1,148	23,365	24,513
Trade and other receivables		2,563	–	2,563
Inventory		4,687	883	5,570
Other current assets		119	–	119
<b>Total current assets</b>		<b>8,517</b>	<b>24,248</b>	<b>32,765</b>
Fixed assets		341	–	341
Intangible assets		8,349	–	8,349
Other assets		9	–	9
<b>Total non-current assets</b>		<b>8,699</b>	<b>–</b>	<b>8,699</b>
<b>Total assets</b>		<b>17,216</b>	<b>24,248</b>	<b>41,464</b>
Trade and other payables		(4,392)	–	(4,392)
Other current liabilities		(341)	–	(341)
Provisions		(459)	–	(459)
Borrowings		(3,008)	3,008	–
Financial liabilities		(39,009)	39,009	–
<b>Total current liabilities</b>		<b>(47,209)</b>	<b>42,017</b>	<b>(5,192)</b>
<b>Total liabilities</b>		<b>(47,209)</b>	<b>42,017</b>	<b>(5,192)</b>
<b>Net assets</b>		<b>(29,993)</b>	<b>66,265</b>	<b>36,272</b>
<b>Equity</b>				
Common shares		43,263	132,320	175,583
Reserves		1,179	–	1,179
Retained earnings		(74,435)	(66,055)	(140,490)
<b>Total equity</b>		<b>(29,993)</b>	<b>66,265</b>	<b>36,272</b>

Notes: refer to detailed breakdown of Pro Forma adjustments in Table 7 below.

## 06. FINANCIAL INFORMATION cont.

TABLE 7

	Draw down of Debt	Exercise of Option/ Warrant	Fair Value of Warrants/ PS	Convert Warrants and Preferred Shares	IPO Offer Cash	Payment to existing Share- holders	Offer Expenses	Debt Repay- ment	COGS	Pro Forma Adjust- ments
Notes:	1	2	3	4	5	5	6	7	8	
US\$'000										\$'000
Cash and cash equivalents	1,917	1,747	–	–	40,155	(12,563)	(2,966)	(4,925)	–	23,365
Trade and other receivables	–	–	–	–	–	–	–	–	–	–
Inventory	–	–	–	–	–	–	–	–	883	883
Other current assets	–	–	–	–	–	–	–	–	–	–
<b>Total current assets</b>	<b>1,917</b>	<b>1,747</b>	<b>–</b>	<b>–</b>	<b>40,155</b>	<b>(12,563)</b>	<b>(2,966)</b>	<b>(4,925)</b>	<b>883</b>	<b>24,248</b>
Fixed assets	–	–	–	–	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total assets</b>	<b>1,917</b>	<b>1,747</b>	<b>–</b>	<b>–</b>	<b>40,155</b>	<b>(12,563)</b>	<b>(2,966)</b>	<b>(4,925)</b>	<b>883</b>	<b>24,248</b>
Trade and other payables	–	–	–	–	–	–	–	–	–	–
Other current liabilities	–	–	–	–	–	–	–	–	–	–
Provisions	–	–	–	–	–	–	–	–	–	–
Borrowings	(1,917)	–	–	–	–	–	–	4,925	–	3,008
Financial liabilities	–	846	(66,296)	104,459	–	–	–	–	–	39,009
<b>Total current liabilities</b>	<b>(1,917)</b>	<b>846</b>	<b>(66,296)</b>	<b>104,459</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,925</b>	<b>–</b>	<b>42,017</b>
<b>Total liabilities</b>	<b>(1,917)</b>	<b>846</b>	<b>(66,296)</b>	<b>104,459</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,925</b>	<b>–</b>	<b>42,017</b>
<b>Net assets</b>	<b>–</b>	<b>2,593</b>	<b>(66,296)</b>	<b>104,459</b>	<b>40,155</b>	<b>(12,563)</b>	<b>(2,966)</b>	<b>–</b>	<b>883</b>	<b>66,265</b>
<b>Equity</b>										
Common shares	–	2,593	–	104,459	40,155	(12,563)	(2,325)	–	–	132,320
Accumulated losses	–	–	(66,296)	–	–	–	(641)	–	883	(66,055)
Reserves	–	–	–	–	–	–	–	–	–	–
<b>Total equity</b>	<b>–</b>	<b>2,593</b>	<b>(66,296)</b>	<b>104,459</b>	<b>40,155</b>	<b>(12,563)</b>	<b>(2,966)</b>	<b>–</b>	<b>883</b>	<b>66,265</b>

Notes:

1. In January 2018, the Company drew down US\$1.92 million on its existing debt facility.
2. The Company received \$2.06 million from the exercise of stock options. Immediately prior to Completion of the Offer, Warrants valued at \$0.53 million will be converted to Common Stock. Immediately prior to Completion of the Offer, the Company will also pay out \$0.32 million in relation to a put option which was exercised for warrants which were subsequently cancelled.
3. Remeasurement of the fair value of financial liabilities is recognised in the profit and loss based on the IPO price. These financial liabilities are Convertible Preferred Stock, Common Stock Warrants, Series C Preferred Stock Warrants, and Series D Preferred Stock Warrants. Immediately prior to Completion of the Offer, all warrants will be converted to Company's shares either for cash or in a cashless exercise (according to warrant terms), and all Preferred Shares will be converted to Common Stock or will be cancelled for a cash payment as noted above. It should be noted that the adjustment is an estimation for presentation purposes and the full quantum of the fair value adjustment in relation to financial liabilities would be determined under a formal valuation and audit exercise.
4. Warrants on issue will be converted to common stock either for cash or via a cashless exercise immediately prior to Completion or will be cancelled for a cash payment as noted above. Investments in Preferred Shares on issue are presented as financial liabilities in accordance with IFRS, as a result of their provisions including redemption rights. These will also be converted to common stock immediately prior to Completion. For further understanding of the Company's capitalisation and the conversion of Warrants and Preferred Stock rights at conversion, please refer to Sections 10.3 and 10.4.
5. Forecast Net Offer Proceeds of US\$27.60 million to the Company consists of: (a) Gross Proceeds inflow from shares issued of US\$40.16 million, less (b) payments to existing shareholders of US\$12.56 million on behalf of the Selling Shareholders, net of costs. Collection of Offer Proceeds on behalf of the Selling Shareholders will be performed by SaleCo, the terms of which are noted in Section 10.6.
6. As a consequence of the Offer, cash and cash equivalents is expected to increase by US\$27.60 million offset by expenses relating to the Offer of US\$3.04 million. Of the US\$3.04 million in total Offer expenses, US\$2.33 million are directly attributable to the issue of new Shares under the Offer and will be offset against equity raised in the Offer, and the remaining amount of US\$0.71 million relates to the listing. Of the listings expenses, US\$0.07 were expensed in FY17, while US\$0.64 million have been or are anticipated to be expensed in FY18.
7. It is forecast that US\$4.93 million of the Offer Proceeds will be used to repay the total amount owed on its debt facility.
8. Inventory write off of US\$0.88 million, which resulted from faulty Printed Circuit Boards (PCB) that were sourced from a new supplier and a NAND Flash component supplier. These PCBs did not meet Pivotal's quality specifications and were scrapped. The relationship with the new supplier was discontinued the Company is seeking reimbursement from NAND Flash component supplier for approximately US\$0.15 million.

## 6.5.2 Net Cash/(Indebtedness) and capitalisation

Table 8 sets out the indebtedness of Pivotal as at 31 December 2017 on a statutory and Pro Forma basis, adjusted for the Pro Forma effect of the Offer as if the transactions had occurred on 31 December 2017.

TABLE 8

US\$'000	Notes	Audited 31-Dec-17	Pro Forma adjustments	Pro Forma 31-Dec-17
Cash and cash equivalents	1,2,4	1,148	23,365	24,513
Current portion of borrowings	2	(3,008)	3,008	–
Financial liabilities	5	(39,009)	39,009	–
<b>Total Net Cash/(Indebtedness)</b>		<b>(40,869)</b>	<b>65,382</b>	<b>24,513</b>
Common shares	3,4,5	43,263	132,320	175,583
Reserves		1,179	–	1,179
Accumulated losses	5	(74,435)	(66,055)	(140,490)
<b>Total equity</b>		<b>(29,993)</b>	<b>66,265</b>	<b>36,272</b>
<b>Total Net Cash/(Indebtedness) and capitalisation</b>		<b>(70,862)</b>	<b>131,647</b>	<b>60,785</b>

Notes:

1. The net Cash movement comprises notes 2, 3 and 4 below:
2. The Company drew down a further US\$1.92 million via bank loans in January 2018. It is forecasted that US\$4.93 million of the Offer Proceeds will be used to repay the total amount owed on this facility.
3. Forecasted Net Offer Proceeds of US\$27.60 million to the Company consists of: (a) Gross Proceeds inflow from shares issued of US\$40.16 million, less (b) payments to existing shareholders of US\$12.56 million on behalf of the Selling Shareholders, net of costs. Collection of Offer Proceeds on behalf of the Selling Shareholders will be performed by SaleCo, the terms of which are noted in Section 10.6.
4. As a consequence of the Offer, cash and cash equivalents is expected to increase by US\$27.60 million offset by expenses relating to the Offer of US\$3.04 million. Of the US\$3.04 million in total Offer expenses, US\$2.33 million are directly attributable to the issue of new Shares under the Offer and will be offset against equity raised in the Offer, and the remaining amount of US\$0.71 million relates to the Listing. Of the Listings expenses, US\$0.07 million were expensed in FY17, while US\$0.64 million have been or are anticipated to be expensed in FY18.
5. Remeasurement of the Fair value of financial liabilities is recognised in the profit and loss based on the IPO price. These financial liabilities are Convertible Preferred Stock, Common Stock Warrants, Series C Preferred Stock Warrants, and Series D Preferred Stock Warrants. Immediately prior to Completion of the Offer, all warrants on issue will be converted to common stock either for cash or via a cashless exercise, and Preferred Shares on issue will be converted to common stock. For further details of the Company's capitalisation and the conversion of Warrants and Preferred Stock rights at conversion, please refer to Sections 10.3 and 10.4. It should be noted that the adjustment is an estimation for presentation purposes and the full quantum of the fair value adjustment in relation to financial liabilities would be determined under a formal valuation and audit exercise.

## 06. FINANCIAL INFORMATION cont.

### 6.5.3 Liquidity and capital resources

Following Completion, Pivotal's principal sources of funds are expected to be cash flow generated from operations and cash on hand (including the proceeds of the Offer).

Pivotal expects that it will have sufficient cash flow from operations and cash on the balance sheet to meet its business needs and will have sufficient working capital to carry out its stated objectives as described in Section 8.3. Pivotal's ability to generate sufficient cash depends on its future performance which is subject to a number of factors beyond its control including general economic, financial and competitive conditions. However, if further financing is necessary, Pivotal may seek debt funding in the future to finance a potential expansion of its business.

The proceeds of the Offer will be received in Australian Dollars, while the Company's functional currency is US Dollars. Pivotal is not currently hedging against exchange rate fluctuations, and consequently will be at the risk of any adverse movement in the US Dollar – Australian Dollar exchange rate from the pricing of the Offer until Completion of the Offer and continuing until such time either (a) the Company hedges against exchange rate fluctuations or (b) converts the Offer Proceeds into US Dollars.

### 6.5.4 Quantitative and qualitative disclosures about interest rate risk

The Company's exposure to interest rate risk is limited to third party bank loans. Since its establishment, Pivotal has incurred accumulated losses that more than offset the balance in stockholders' equity. The Company has chosen to fund the losses with bank debt, convertible debt and redeemable preferred stock, all of which are classified as liabilities according to IFRS. Some of these financing instruments also included the issue of warrants over the issue of common or preferred stock. Upon Completion of the Offer, all bank debt will be repaid, and warrants on issue and redeemable preferred stock are expected to be converted to common stock either for cash or in a cashless exercise. Although Management believe that on Completion of the Offer, the Company will have sufficient working capital to fund its stated objectives, no assurance can be made that the Company will not need further financing in the future or elect to utilise debt financing instruments in order to operationally facilitate its anticipated expansion. As a result, if Pivotal elects to finance expansion by way of debt facilities, the Company will again be subject to interest rate risks.

### 6.5.5 Contractual obligations and commitments

Table 9 sets out a summary of Pivotal's statutory contractual obligations and commitments following Completion.

**TABLE 9**

US\$'000	Less than 1 year	1-5 years	More than 5 years	Total
Operating lease commitments	175	308	–	483

### 6.5.6 Off balance sheet items

Pivotal has no material off-balance sheet arrangements.

## 6.6 MANAGEMENT DISCUSSION AND ANALYSIS OF PIVOTAL'S PRO FORMA FINANCIAL INFORMATION

Below is a discussion of the main factors which affected Pivotal's operations and relative historical financial performance in FY15, FY16 and FY17 and a general discussion of the assumptions underpinning the FY18 Forecast. The discussion of these general factors is intended to provide a summary only and does not detail all factors that affected the Company's historical operating and financial performance.

### Revenue

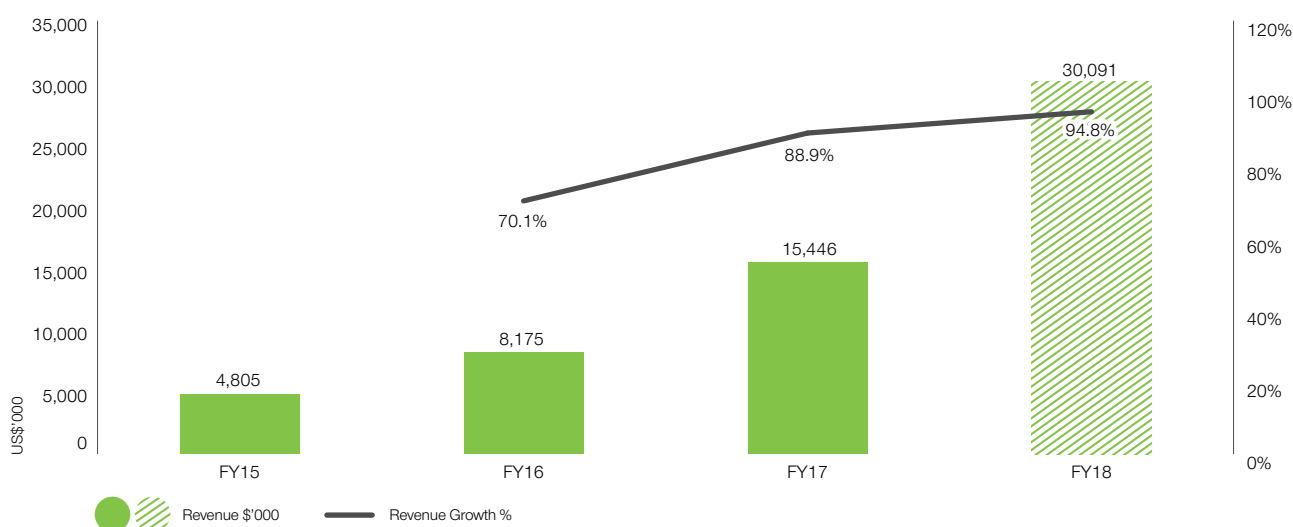
Pivotal's business has been positively impacted by the growing semiconductor and semiconductor capital equipment industries which are driven by advancements in integrated circuit technology as IDMs require leading edge process tools to make increasingly complex, yet smaller, higher-performing chip designs.

The growth in revenue over historical periods is primarily due to the successful market penetration into leading OEM and IDM customers for the acceptance and integration of Pivotal's innovative gas flow controllers (GFCs).

The key drivers of Pivotal's revenues are:

- The number of customers that have validated products and placed orders;
- The number of units sold (shipped);
- Customer and product mix; and
- Sales prices achieved per unit sold.

**FIGURE 1: ACTUAL REVENUE (AND YEAR-OVER-YEAR GROWTH %) FOR THE PERIOD BETWEEN FY15 AND FY17 AND FORECAST FY18.**



Between FY15 and FY17, Revenue grew at a CAGR of 79.3%. This increase in revenue was driven by:

- An increase in the number of customers that had validated Pivotal's products (see Section 3.6.4), increasing from 3 at 1 January 2015 to 13 at 31 December 2017
  - 3 customers completed validation and commenced orders in FY15;
  - 2 customers completed validation and commenced orders in FY16; and
  - 5 customers completed validation and commenced orders in FY17.
- An increase in units ordered by Pivotal's customers representing a CAGR of 95.5%.

Between FY15 and FY17, approximately 94.5% of revenue growth was driven by existing customers at 1 January 2015 (at a CAGR of 75.2%), with approximately 5.5% of revenue growth driven by new customers since 1 January 2015 (at a CAGR of 241.1%).



## 06. FINANCIAL INFORMATION cont.

During the period of FY15 to FY17, average selling prices declined at a CAGR of 8.3% which was a result of changes in product mix between OEM sales and IDM sales, with OEM sales increasing from 59.2% of revenue in FY15 to 86.6% in FY17. OEM sales are generally at lower selling prices, which reflects:

- Differences in product mix between IDMs and OEMS; and
- OEMs typically buying in larger volumes than IDMs, which are purchasing replacement or retrofit units.

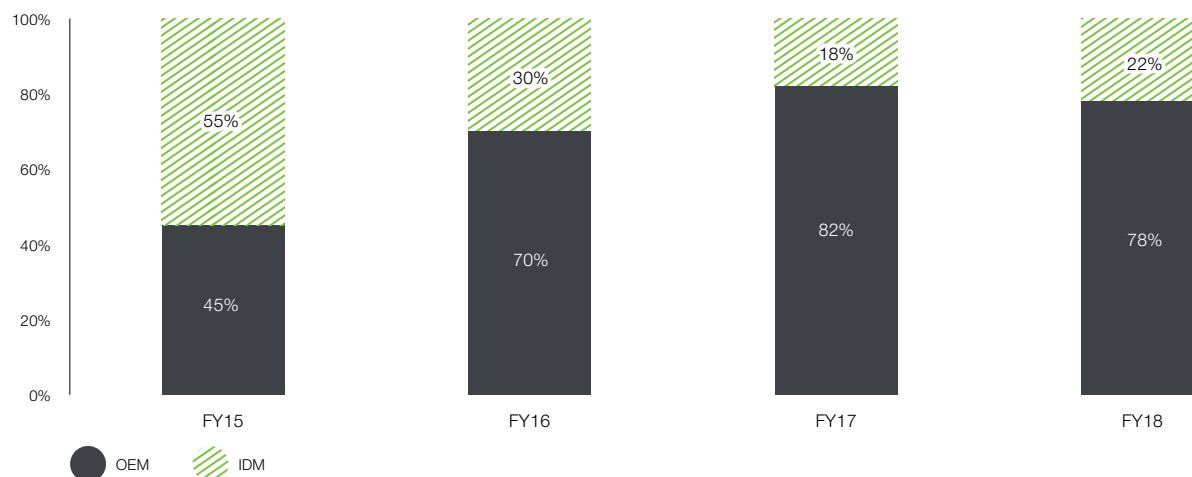
In FY18, Pivotal is forecasting revenue of US\$30.1 million, representing a growth rate of 94.8% over FY17. As at the date of the Prospectus, the number of customers that had validated Pivotal's products had increased from 13 at the end of FY17 to 16.

Contributors to the forecast FY18 revenue are:

- 10.8% of revenue is expected to come from existing IDM customers (19.5% growth over FY17);
- 76.9% revenue is expected to come from existing OEM customers, which is largely supported by letters of intent and existing purchase orders (86.2% growth over FY17); and
- 12.3% of revenue contribution assumed from new IDM and OEM customers that have recently completed product validation.

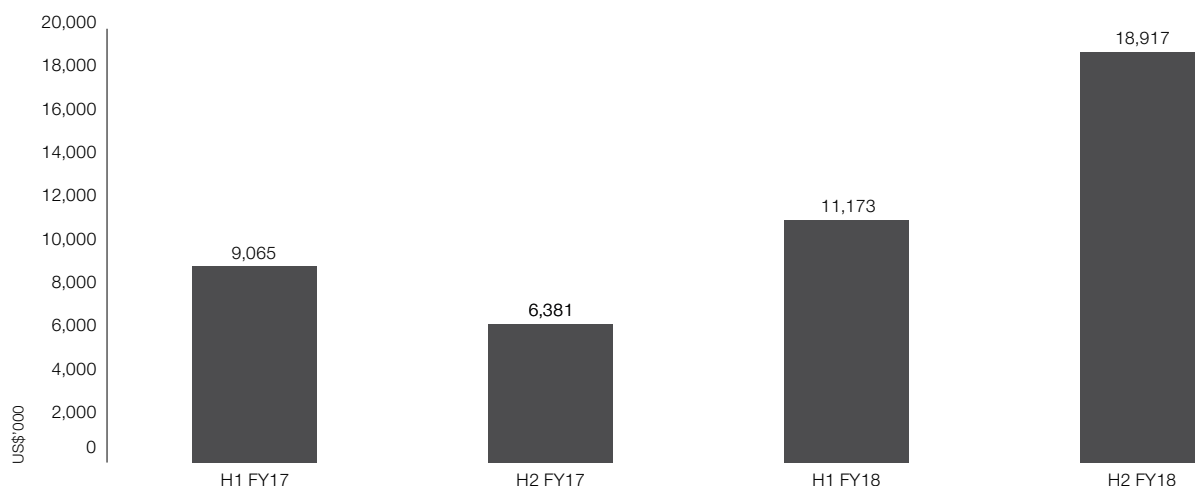
In FY18 sales to existing and new IDMs are forecast to be 22.0% of total sales, versus 18.0% in FY17. This reflects expected purchases from new IDM customers that completed validation and testing of Pivotal's products during FY17 or FY18 to date. In FY18 the average sale price is forecast to remain relatively flat (slight increase of 0.4%) and volumes shipped are forecast to increase 94.0% compared to FY17.

**FIGURE 2: ACTUAL MIX OF REVENUE FROM OEM VERSUS IDM IN THE PERIOD BETWEEN FY15 AND FY17 AND FORECAST MIX IN FY18.**



Given the Company's product offering and structure of the industry, Pivotal expects sales to IDMs to represent approximately 20% of total sales as the business matures.

**FIGURE 3: ACTUAL AND FORECAST REVENUE FOR FY17 AND FY18 HALF-YEAR PERIODS ENDING 30 JUNE (1H) AND 31 DECEMBER (2H).**



The timing of Pivotal's sales correlate, to a significant degree, to the timing of capital expenditures by IDMs on expanding or upgrading their semiconductor fabrication plants as they invest in leading edge process tools in order to manufacture increasingly complex semiconductors. As such, while sales are not seasonal, they can fluctuate period to period.

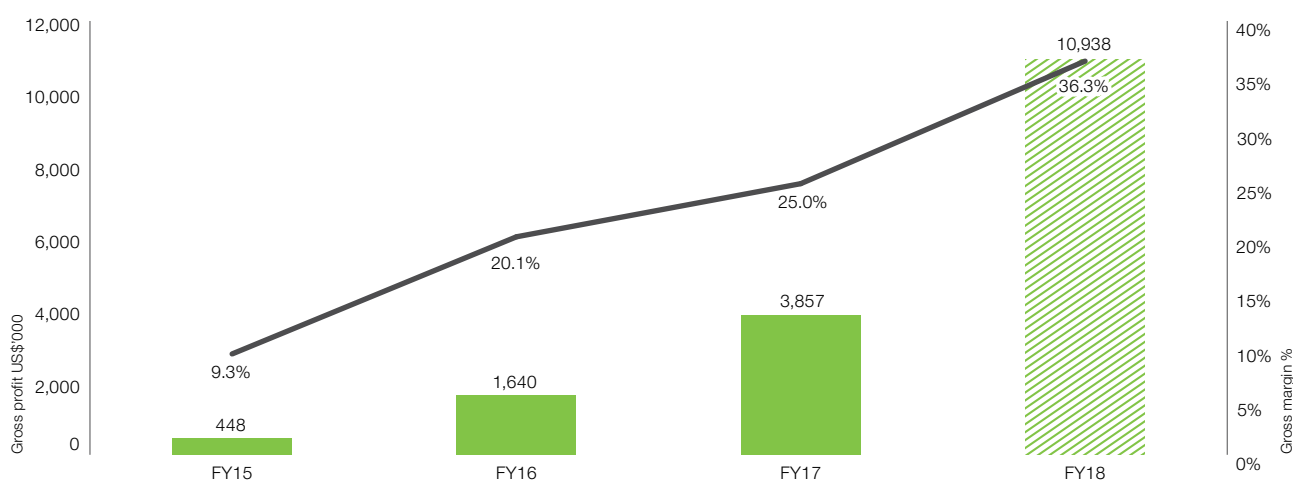
In FY17 the 1H/2H revenue was approximately 58.7%/41.3%. 2H FY17 was impacted by a deferral of capital expenditure by a major IDM, which was linked to geopolitical tensions around North Korea during that period

In FY18, Pivotal expects its 1H/2H revenue to be approximately 37.1%/62.9%, reflecting:

- New fabrication plants being commenced by leading IDM customers (as set out in Section 2.3), commencing in 1H FY18, but with greater volume in 2H FY18 (due to phasing of the construction and ordering of process tools in those fabrication plants);
- Expected orders from 3 new customers, primarily in 2H FY18. At the date of the Prospectus, these customers had completed validation and are in the process of auditing Pivotal's new production facilities in South Korea.

## Gross Profit

**FIGURE 4: GROSS PROFIT AND GROSS MARGIN RESULTS FOR THE PERIOD BETWEEN FY15 AND FY17 AND FORECAST RESULTS FOR FY18.**



## 06. FINANCIAL INFORMATION cont.

Pro-forma Gross Profit increased by US\$3.4 million from US\$0.5 million in FY15 to US\$3.9 million in FY17. Over this period, pro-forma Gross Margin expanded from 9.3% to 25.0%.

FY16 margin expansion of 1,074 basis points (bps) was driven by:

- 851 bps expansion from leverage of Pivotal's fixed manufacturing overhead in Fremont;
- 1,148 bps expansion from volume leverage on other variable costs of sales, such as freight and warranty costs; and
- Offset by a 926 bps contraction in Gross Margin due to product mix (higher unit sales to OEMs at lower average selling prices).

FY17 margin expansion of 491 bps was driven by:

- 346 bps expansion from leverage of Pivotal's fixed manufacturing overhead in Fremont;
- 298 bps expansion from unit cost reduction on input component costs;
- 447 bps expansion from volume leverage on other variable costs of sales, such as freight and warranty costs; and
- Offset by a 600bps contraction in Gross Margin due to product mix.

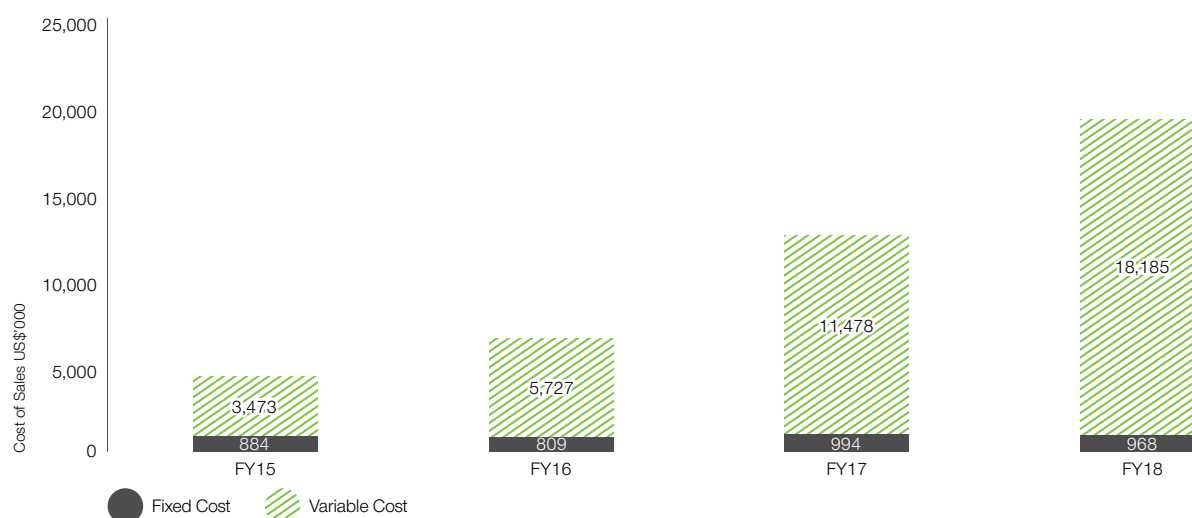
On a reported basis Pivotal's FY17 Statutory Gross Margin was 19.3%, compared to the Pro-Forma Gross Margin of 25.0%. The FY17 Statutory Gross Margin was impacted by 571 bps due to an inventory write off of US\$0.9 million, which resulted from faulty Printed Circuit Boards (PCB) sourced from a new supplier. These PCBs did not meet Pivotal's quality specifications and were scrapped. The relationship with the new supplier was discontinued and the Company is seeking partial reimbursement.

In FY18 Gross Profit is forecast to grow to US\$10.9 million, which reflects a Gross Margin of 36.3%. This 1,150 bps expansion of Gross Margin reflects:

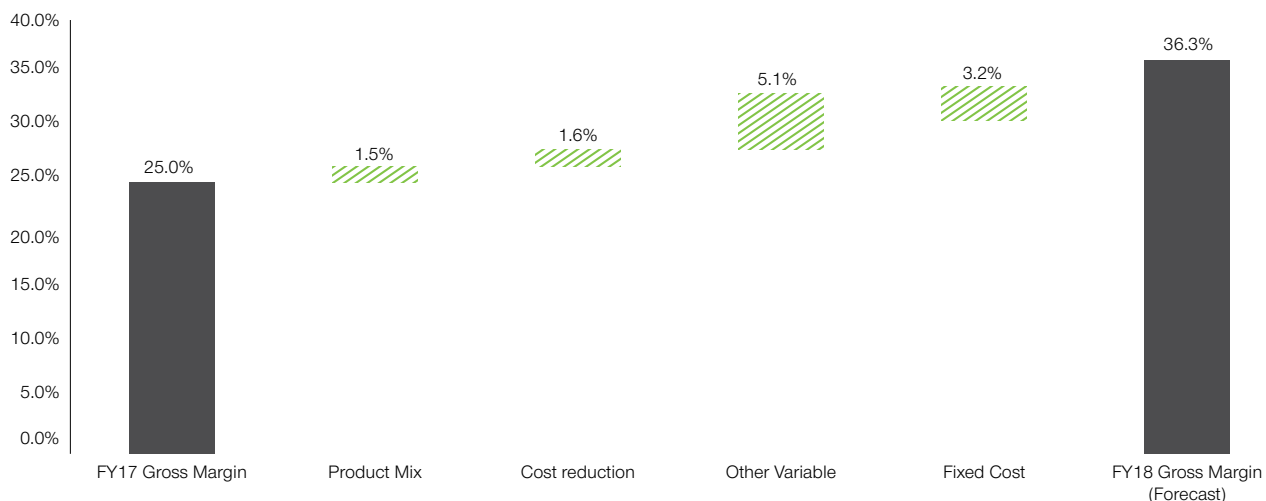
- 322 bps expansion from leverage of Pivotal's fixed manufacturing overhead in Fremont;
- 158 bps expansion from unit cost reduction on input component costs;
- 512 bps expansion from volume leverage on other variable costs of sales, such as freight; and
- 146 bps expansion in Gross Margin due to product mix.

The Company expects to move certain operations to its contracted manufacturing facility in South Korea during the September quarter of 2018. The Company expects to realise cost savings in manufacturing labour and freight costs that are only partially realised during FY18.

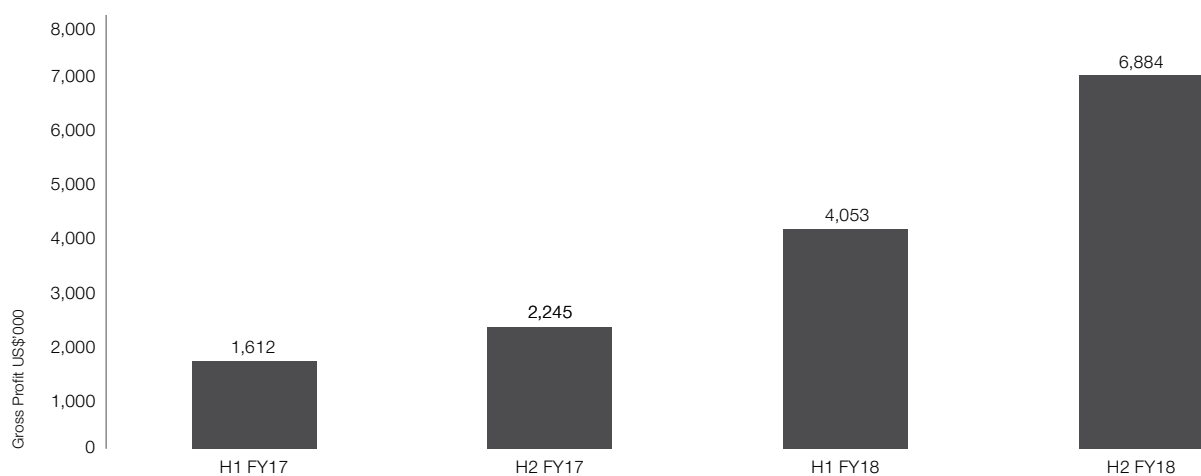
**FIGURE 5: FIXED VERSUS VARIABLE COGS ANALYSIS**



**FIGURE 6: FY17 TO FY18 GROSS MARGIN ANALYSIS**



**FIGURE 7: ACTUAL AND FORECAST GROSS MARGIN FOR FY17 AND FY18 HALF-YEAR PERIODS ENDING 30 JUNE (1H) AND 31 DECEMBER (2H)**



As a result of the production efficiencies and input costs currently in place, the Company has targeted Gross Margin to be in the range of 40-45% as the business continues to scale up its production volumes. Gross Margins in this range are consistent with other leading companies in the semiconductor capital equipment sector.

## 06. FINANCIAL INFORMATION cont.

**TABLE 10: PRO FORMA RESEARCH AND DEVELOPMENT EXPENSE**

US\$'000	Historical			Forecast
Product Development Costs Incurred and Capitalised*	FY15	FY16	FY17	FY18
Employee expenses	1,708	1,879	2,249	2,930
Facilities	148	181	232	259
Other expenses	531	708	619	702
<b>Total Product Development Costs Capitalised</b>	<b>2,387</b>	<b>2,768</b>	<b>3,100</b>	<b>3,891</b>

\* Product development costs comprise incurred expenditures related to employee expenses, travel, professional services and other expenses related specifically to the technological development of the products of the Company. Such costs are capitalised in FY15 to FY18 in accordance with the accounting policy of the Company. See table 11 below for a reconciliation of costs incurred, amortised expense, and capitalised balances.

Research and development expenses comprise employee expenses, travel, professional services and other expenses related specifically to the technological development of the products of the Company. Headcount of the Research and Development department increased from 12 in FY15 to 17 in FY17 which reflects the Company's drive to support new product initiatives, being:

- FY15 development projects included the GFC20 (0.1 sccm to 20 sccm flow capacity), GFC80mm (wider base block to fit a specific customer need), together with firmware upgrades;
- FY16 development projects included GFC5 (0.025 sccm to 5 sccm flow capacity), together with firmware upgrades; and
- FY17 development projects include Pivotal's high flow products, being GFC 5L, GFC 20L and GFC 50L (being up to 5 litre, 20 litre and 50 litre flow capacity), together with firmware upgrades.

The increase in Research and Development employee expenses is also the result of increases in salaries and bonuses earned.

In FY18, the Company forecasts Research and Development costs incurred and capitalised to increase by US\$0.8 million to US\$3.9m, an increase of 25.6% from FY17. As a percentage of Sales, in FY18 costs incurred and capitalised are expected to be 12.9%, a decline from 20.1% in FY17. Within Research and Development Costs Incurred are the following:

- Employee expenses are forecast to increase by US\$0.7 million to US\$2.9 million (up 30.3%) as a result of a planned increase in headcount from 16 to 17 to assist with database management, together with the full year costs of 2 employees who joined part way through FY17 and assumed increases in salaries and bonuses;
- Facilities costs are forecast to be relatively flat; and
- Other Research & Development costs, which includes materials purchased for product development, are forecast to be relatively flat.

Research and Development costs reported in the profit and loss statement, reflects the amount of the capitalised cost that is amortised during the reporting period. Pivotal's amortisation policy is outlined in Appendix 2.

**TABLE 11**

US\$'000	Historical			Forecast
Reconciliation of Capitalised Research & Development expenses	FY15	FY16	FY17	FY18
Beginning Balance	6,049	6,881	7,673	8,322
Add: R&D Costs Incurred and Capitalised	2,387	2,768	3,100	3,891
<b>Less: Amortisation of capitalised development costs reported in the statement of profit and loss</b>	<b>(1,555)</b>	<b>(1,976)</b>	<b>(2,451)</b>	<b>(2,763)</b>
Ending Balance	6,881	7,673	8,322	9,450

**TABLE 12: PRO FORMA SALES & MARKETING EXPENSE**

US\$'000	Historical			Forecast
Expense by Category	FY15	FY16	FY17	FY18
Employee expenses	490	514	766	859
Third Party Commissions	403	419	1,063	1,920
Travel	285	188	220	258
Other expenses	657	622	601	726
<b>Total Selling &amp; Marketing Expense</b>	<b>1,835</b>	<b>1,743</b>	<b>2,650</b>	<b>3,763</b>

The main components of Sales and Marketing expenses are employee expenses, commissions to third party sales agents, travel and other expenses. Between FY15 and FY17, Sales and Marketing expenses increased from US\$1.8 million to US\$2.7 million principally as a result of higher non-employee commissions associated with increased sales. The increase also reflects an increase in headcount from 3 to 5. In both FY15 and FY16 1 employee was added to support customers in South Korea, Japan and Taiwan. Travel and other expenses have remained relatively stable and have declined between FY15 and FY17 as the Company has established relationships, sales staff and partners in key Asia Pacific markets.

In FY18, the Company forecasts Sales & Marketing expenses to increase by US\$1.1 million to US\$3.8m, an increase of 42.0% from FY17. Within Sales & Marketing expenses:

- Employee expenses are forecast to increase by US\$0.1 million to US\$0.9 million (up 12.3%) as a result of a planned increase in headcount from 5 to 7, towards the end of FY18. The headcount will be added to assist with the Company's ongoing expansion in Japan and Taiwan. The increase also assumes increases in salaries and bonuses. The Company expects to add further sales staff and applications engineers over time, particularly in Japan and Korea, to support future growth;
- Third-Party commissions reflect variable costs and are forecast to increase US\$0.9 million to US\$1.9 million (up 80.6%) as a result of the strong forecast increase in year-over-year sales. The forecast increased represents a modest leverage in commission rate, as commissions are expected to decrease to 6.4% as a percentage of sales (from 6.9% in FY17);
- Travel expenses are forecast to increase US\$0.04 million to US\$0.3 million (up 17.3%) reflecting the larger Sales and Marketing headcount; and
- Other Sales & Marketing expenses are forecast to increase by US\$0.1 million to US\$0.73 million in FY18 (up 21.0%) principally as a result of increased marketing efforts and higher proportion of depreciation of facilities allocated to the sales team.

As a percentage of Revenue, Sales & Marketing expenses are expected to reduce from 17.2% in FY17 to 12.5% in FY18 as the Company reaches an inflection point of significant additional scale.

**TABLE 13: PRO FORMA GENERAL & ADMINISTRATIVE EXPENSE**

US\$'000	Historical			Forecast
Expense by Category	FY15	FY16	FY17	FY18
Employee expense	841	865	921	1,277
Other expenses	1,332	1,776	1,468	1,901
<b>Total General &amp; Administrative Expense</b>	<b>2,173</b>	<b>2,641</b>	<b>2,389</b>	<b>3,178</b>

## 06. FINANCIAL INFORMATION cont.

General & Administrative expenses predominantly consist of executive remuneration, support department costs, travel expenses, professional services, office-related expenses and share based payment expense. Between FY15 and FY17, employee headcount in General and Administrative was consistent at 4 employees, however increases in salaries and bonuses resulted in an increase of 9.5% over that period (or 4.6% CAGR). Other expenses increased from FY15 to FY16 due to the recognition of US\$0.44 million share-based payment expenses.

In FY18, the Company forecasts General & Administrative expenses to increase by US\$0.8 million to US\$3.2 million, an increase of 33.0% from FY17. Within General & Administrative expenses:

- Employee expenses are forecast to increase by US\$0.5 million to US\$1.9 million (up 29.5%) as a result of a planned increase in headcount from 4 to 6 in FY18 due to the increased compliance and operational reporting required of a publicly listed company, together with assumed increases in salaries and bonuses; and
- Other General & Administrative expenses are forecast to increase by US\$0.5 million to US\$1.9 million in FY18 (up 29.5%) principally as a result of increased recruitment costs to achieve the increased headcount and stock compensation expense forecasted to be granted in the second half of FY18.

As a percentage of revenue, General & Administrative expenses are expected to reduce from 15.5% in FY17 to 10.6% in FY18 as the Company achieves additional scale.

**TABLE 14: PRO FORMA DEPRECIATION AND AMORTISATION EXPENSE**

US\$'000	Historical			Forecast
Research & Development Cost Incurred and Capitalised by Category*	FY15	FY16	FY17	FY18
Depreciation expense	35	33	36	31
Amortisation of capitalised development costs reported in the statement of profit and loss	1,555	1,976	2,451	2,763
<b>Total Depreciation &amp; Amortisation expense</b>	<b>1,590</b>	<b>2,009</b>	<b>2,487</b>	<b>2,794</b>

Depreciation is a non-cash item that relates to the allocation of costs of tangible assets (e.g. computers and equipment) over a period of time. Amortisation is a non-cash item that relates to the allocation of costs on intangible assets (e.g. Capitalised Development Costs, patents and other intellectual property) over a period of time. The depreciation and amortisation forecast over FY18 primarily reflects continued investment in technology development, translating into an increased internally-generated intangible asset base and higher amortisation.

### 6.7 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various specific and general assumptions concerning future events including those set out below. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 6.8, the risk factors set out in Section 4, the key accounting policies in Appendix 2 and the Independent Limited Assurance Report on Forecast Financial Information set out in Section 7. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Results is set out in Section 6.3.3.

In preparing the Forecast Financial Information, Pivotal has undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for FY18.

Pivotal believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus, including each of the assumptions set forth below in Sections 6.7.1 and 6.7.2. However, actual results are likely to vary from that forecast and any variation may be materially positive or negative. The assumptions, upon which the Forecast Financial Information is based, are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Pivotal and its Directors, and are not reliably predictable. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Accordingly, none of Pivotal, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved.

The Forecast Financial Information has been prepared based on the key accounting policies adopted by Pivotal, which are in accordance with IFRS, and are disclosed in Appendix 2. It is assumed that there will be no changes in the AAS or other financial reporting requirements that may have a material effect on Pivotal's accounting.

#### **6.7.1 General assumptions**

In preparing the Pro Forma Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive environment in which Pivotal operates;
- no significant deviation from current market expectations of economic conditions relevant to the sector in for the Forecast Period, e.g. business confidence and consumer sentiment;
- no significant interruptions, industry disruptions or disturbances in relation to Pivotal's technology, platform and software used to deliver services;
- no material changes in key personnel, including key management personnel, and Pivotal maintains its ability to recruit and retain the personnel required to support future growth;
- no material change in applicable AAS, IFRS or other mandatory professional reporting requirements which have a material effect on Pivotal's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Pivotal during the Forecast Period;
- no material changes in laws, regulation and policy including in relation to money laundering, interest rates, foreign investment or taxation which may impact Pivotal's business, clients or levels of investment or business activity in areas in relation to which Pivotal products are commonly used;
- the Offer proceeds in accordance with the timetable set out in the Important Information section of this Prospectus;
- no material geopolitical or industry disturbances or disruptions to the continuity of operations of Pivotal or any of its customers;
- no material industrial actions, and no other material changes in its business;
- no material amendment or termination to any material contract, agreement or arrangement or material change in licences relating to Pivotal's business;
- no material changes in currency;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material change in Pivotal's corporate and funding structure;
- no material impairment of intangible assets;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- none of the key risks listed in Section 4 occurs, or if they do, none of them has a material adverse impact on the operations of Pivotal.



## 06. FINANCIAL INFORMATION cont.

### 6.7.2 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Pro Forma Forecast Financial Information is set out below.

#### 6.7.2.1 Revenue assumptions

In FY18 revenue is forecast to be US\$30.1 million, up 94.8% from US\$15.4 million in FY17.

The forecast increase in revenue is based on the following key revenue assumptions:

- Orders placed by OEMs are based on the pipeline of new IDM fabrication plants being completed and operations commencing according to their announced timelines (see section 2.3.2);
- GFC orders placed by OEMs remain in line with the expected tool deliveries for each fabrication plant;
- The number of customers that have validated products and commenced purchases is expected to increase from 16 at the Prospectus Date to 19 by 31 December 2018;
- 94.0% increase in the number of units shipped from in FY17 to FY18; and
- Average selling prices in line with FY17 for existing customers.

The above assumptions result in an assumed FY18 revenue composition as follows:

- Purchases from existing IDM customers representing 10.8% of forecast sales (19.5% growth over FY17);
- Growth in purchases from existing OEM customers (which are largely supported by letters of intent, or purchase orders), resulting in existing OEM customers representing 76.9% of forecast sales (86.2% growth over FY17); and
- Orders from new IDM or OEM customers that have recently completed validation of Pivotal's products, representing 12.3% of forecast sales.

#### 6.7.2.2 Costs of Goods Sold and Gross Margin assumptions

Gross Margin is forecast to increase from 25.0% in FY17, to 36.3% in FY18 as a result of:

- 512 bps expansion from leverage of Pivotal's fixed manufacturing overhead in Fremont;
- 158 bps expansion from unit cost reduction on input component costs;
- 322 bps expansion from volume leverage on other variable costs of sales, such as freight and warranty costs; and
- 146 bps expansion in Gross Margin due to product mix.

The positive margin impact from moving manufacturing operations to South Korea only impacts 2H FY18.

#### 6.7.2.3 Expense assumptions

##### Sales & Marketing Expenses

Sales and Marketing expenses are forecast based on headcount, salaries and wages, payroll taxes, employee benefits, commissions and other expenses of the Sales department.

In FY18 headcount is expected to increase with the addition of 2 employees expected towards the end of 2018. FY18 also reflects expected annual salary increases and bonus payments assuming achievement of sales targets. Non-employee commissions are expected to increase from US\$1.1 million in FY17 to US\$1.9 million in FY18 reflecting the forecast increase in revenue.

##### Administration Expenses

Administrative expenses predominantly consist of rent, professional services and office-related expenses. Rent expense is not expected to significantly change over the remainder of FY18 based on capacity of the existing premises and consistent with the prevailing lease agreement. Office-related expenses are forecast based on headcount and office cost per headcount. Administrative expenses are forecast to increase 33.4% in FY18 from US\$2.4 million to US\$3.2 million, which largely reflects increases in base salaries (with 2 additional headcount to support reporting obligations as a listed company), increased recruitment costs to achieve the increased headcount, and stock compensation expense forecasted to be granted in 2H FY18.

### Research and Development Expenses

The Company is continuing to develop new products with the existing Research and Development team. Research and Development costs incurred and capitalised are forecast based on expected salaries, wages and payroll expenses for engineering, and product and design headcount (including employees and contractors).

The Forecast assumes that the work completed by the Research and Development team continues to meet the accounting policy of the Company and is capitalised to intangible assets. The Forecast assumes that no activity is considered “research” in nature.

Research and Development costs incurred and capitalised are expected to increase from US\$3.1 million in FY17 to US\$3.9 million in FY18 reflecting the addition of 1 employee and the expected annual salary increases and bonus payments assuming achievement of agreed targets. Research and Development expenses in the profit and loss reflect the amortisation policy of the Company that relates to capitalised Research and Development costs.

### Depreciation and Amortisation Expenses

Depreciation and amortisation charges are forecast based on the anticipated depreciation and amortisation schedules for existing and future capital assets such as computer and office equipment, and capitalised technology development costs. Depreciation and amortisation expenses are forecast to increase 12.4% in FY18 from US\$2.5 million to US\$2.8 million. The amortisation of the capitalised Research and Development costs are reported in the statement of Profit and Loss as Research and Development Cost.

## 6.7.3 Statutory Forecast Financial Information

The Statutory Forecast Financial Information is based on the same specific and general assumptions as those underlying the Pro Forma Forecast Financial Information as set out in Section 6.7.1 and 6.7.2 above.

### 6.7.3.1 Public company expenses

Public company expenses are assumed to be incurred during the Historical Periods and reflect Pivotal's estimate of the incremental annual expenses that the Company will incur as a public entity. These expenses include non-executive Director remuneration, additional audit and legal expenses, listing fees, share registry expenses, directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report expenses.

### 6.7.3.2 One-off IPO and other transaction expenses

One-off IPO and other transaction expenses are assumed to be incurred in the Forecast FY18 period and reflect Pivotal's estimate of the incremental one-off expenses associated with the listing of the Company on the Australian Securities Exchange. These expenses include the Lead Managers' fees, legal expenses and fees associated with the Independent Limited Assurance Report, Prospectus liability insurance and prospectus design, printing and distribution.

## 06. FINANCIAL INFORMATION cont.

### 6.8 SENSITIVITY ANALYSIS OF FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on a number of specific and general assumptions, as described in Sections 6.7.1 and 6.7.2. These specific and general assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Pivotal, the Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out in Table 15 below is a summary of the sensitivity of the Pro Forma Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely key impact on the Pro Forma Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that Pivotal management would respond to an adverse change in one item to seek to minimise the net effect on Pivotal's earnings and cash flow.

For the purpose of the sensitivity analysis in Table 15, each sensitivity is presented in terms of the impact on FY18 Pro-Forma Forecast Revenue and Gross Profit.

**TABLE 15**

US\$'000	Increase/ Decrease	Revenue		Gross Profit	
		+	-	+	-
Units Sold	+/-5%	\$31,145	\$29,044	\$11,366	\$10,515
Change in Cost of Goods Sold	+/-5%	-	-	\$10,321	\$11,554

The sensitivities calculated above are based on changes in the specific variable of (a) +/-5% of the units sold and (b) +/-5% Cost of Goods sold, and assumes all other variables remain constant.

### 6.9 DIVIDEND POLICY

The payment of a dividend by Pivotal, if any, is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the operating results, cash flows and the financial condition of Pivotal, future funding requirements, capital management initiatives, taxation considerations, any contractual, legal or regulatory restrictions on the payment of dividends by Pivotal, and any other factors the Directors may consider relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company. The Company intends to retain future earnings to fund the development and growth of the business. The Company does not anticipate paying dividends to Shareholders for the foreseeable future.

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**07.**

**INDEPENDENT LIMITED  
ASSURANCE REPORT**



## 07. INDEPENDENT LIMITED ASSURANCE REPORT



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

The Directors  
Pivotal Systems Corporation  
Suite 100  
48389 Fremont Blvd  
Fremont CA 94538  
USA

The Directors  
Pivotal SaleCo, Inc.  
Suite 100  
48389 Fremont Blvd  
Fremont CA 94538  
USA

12 June 2018

Dear Directors

### Independent Limited Assurance Report

#### INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd ("BDO") has been engaged by Pivotal Systems Corporation ("Pivotal" or the "Company") to prepare this Independent Limited Assurance Report ("Report") for inclusion in a prospectus proposed to be issued in relation to the initial public offering of CHESS Depositary Interests over shares in Pivotal to be issued on or about 12 June 2018 ("Prospectus") and listing on the Australian Securities Exchange ("ASX") (the "Offer").

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

#### SCOPE

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards ("AAS") or Australian equivalents to International Financial Reporting Standard ("IFRS") and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



#### **SCOPE OF REVIEW OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION**

You have requested BDO to review the following historical financial information (together the "Statutory Historical Financial Information") included in the Prospectus:

- The historical statements of profit and loss for the years ended 31 December 2015 ("FY15"), 31 December 2016 ("FY16") and 31 December 2017 ("FY17");
- The historical statements of cash flow for FY15, FY16 and FY17; and
- The historical statement of financial position as at 31 December 2017.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS and the company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of Pivotal for the financial periods ended 31 December 2015, 31 December 2016 and 31 December 2017. The audits were performed in accordance with Australian Auditing Standards.

The auditors issued a qualified opinion on the financial reports for the twelve months ended 31 December 2015, 31 December 2016 and 31 December 2017. The basis for the qualified opinion being that the auditors, who were appointed post the financial year ends, did not observe the counting of physical inventories at beginning of those years. The auditors were unable to satisfy themselves by alternative means concerning inventory quantities held at these dates.

#### **SCOPE OF REVIEW OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION**

You have requested BDO to review the following pro forma financial information (together the "Pro Forma Historical Financial Information") included in the Prospectus:

- The pro forma historical statements of profit and loss for FY15, FY16 and FY17;
- The pro forma historical statements of cash flow for FY15, FY16 and FY17;
- The pro forma historical statement of financial position as at 31 December 2017; and
- Associated details of the pro forma adjustments

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Pivotal, after adjusting for the effects of pro forma adjustments described in Section 6 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AIFRS applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 6 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 31 December 2017. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position.

#### **Directors' Responsibility**

The Directors of Pivotal and Pivotal SaleCo, Inc. ("SaleCo") are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.



### **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with AAS or AIFRS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### **Review statement on the Statutory Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 6 of the Prospectus, and comprising:

- 12 months ended 31 December 2015;
- 12 months ended 31 December 2016; and
- 12 months ended 31 December 2017

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus.

### **Review statement on the Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 6 of the Prospectus, and comprising:

- 12 months ended 31 December 2015;
- 12 months ended 31 December 2016; and
- 12 months ended 31 December 2017

are not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the Prospectus.

### **SCOPE OF REVIEW OF THE FORECAST FINANCIAL INFORMATION**

You have requested BDO to review the following forecast financial information (together the "Forecast Financial Information") of Pivotal included in Section 6 of the Prospectus:

- The statutory forecast consolidated statement of profit and loss and consolidated statement of cash flows of the Group for the year ending 31 December 2018 ("FY18"), as described in Section 6 of the Prospectus. The Directors' best-estimate assumptions underlying the statutory forecast are described in Section 6 of the Prospectus; and
- The pro forma forecast consolidated statement of profit and loss and consolidated statement of cash flow of the Group for FY18, described in Section 6 of the Prospectus. The pro forma forecast has been derived



from Pivotal's statutory forecast, after adjusting for the effects of the pro forma adjustments described in Section 6 of the Prospectus.

The Forecast Financial Information, to the extent possible, has been prepared on a consistent basis and in accordance with the recognition and measurement principles contained in AAS and AIFRS and Pivotal's adopted accounting policies. Due to its nature, the Forecast Financial Information does not represent the Company's actual prospective comprehensive income and cash flows for the year ending 31 December 2018.

#### **DIRECTORS' RESPONSIBILITY**

The Directors of Pivotal and SaleCo are responsible for the preparation of the forecast for the year ending 31 December 2018 including the best-estimate assumptions underlying the forecast. They are also responsible for the preparation of the pro forma forecast for the year ending 31 December 2018, including the selection and determination of the pro forma adjustments made to the forecast and included in the pro forma forecast. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of a forecast and a pro forma forecast that are free from material misstatement, whether due to fraud or error.

#### **OUR RESPONSIBILITY**

Our responsibility is to express limited assurance conclusions on the statutory and pro forma forecast, the best-estimate assumptions underlying the statutory and pro forma forecast, and the reasonableness of the forecast and pro forma forecast themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

#### **Forecast Review Statement**

##### ***Statutory Forecast***

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Director's best-estimate assumptions used in the preparation of the forecast consolidated statement of financial performance and forecast consolidated statement of cash flow of the Group for the year ending 31 December 2018 do not provide reasonable grounds for the forecast; and
- in all material respects, the forecast:
  - is not prepared on the basis of the Director's best-estimate assumptions as described in Section 6 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, being AIFRS; and
  - the forecast itself is unreasonable.

##### ***Pro Forma Forecast***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:





- the Director's best-estimate assumptions used in the preparation of the pro forma forecast consolidated statement of financial performance and pro forma forecast consolidated statement of cash flow of the Group for the year ending 31 December 2018 do not provide reasonable grounds for the pro forma forecast; and
- in all material respects, the pro forma forecast:
  - is not prepared on the basis of the Directors' best-estimate assumptions, as described in Section 6 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, AIFRS; and
  - the pro forma forecast itself is unreasonable.

The statutory forecast and pro forma forecast have been prepared by Management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Pivotal for the year ending 31 December 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast and pro forma forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The Directors' best-estimate assumptions, on which the forecast and pro forma forecast are based, relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Pivotal. Evidence may be available to support the Directors' best-estimate assumptions on which the forecast and pro forma are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Pivotal, which are detailed in the Prospectus, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6 of the Prospectus. The sensitivity analysis described in Section 6 of the Prospectus demonstrates the impact on the forecast and pro forma forecast of changes in key best-estimate assumptions. We express no opinion as to whether the forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the forecast or pro forma forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Pivotal, that all material information concerning the prospects and proposed operations of Pivotal has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Pivotal not described in the Prospectus, has come to our attention that would require comment on, or require adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.



#### **INDEPENDENCE**

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides Pivotal with certain other professional services for which normal professional fees are received.

#### **GENERAL ADVICE WARNING**

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 6 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

#### **FINANCIAL SERVICES GUIDE**

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

**Yours faithfully**

**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**

A handwritten signature in black ink, appearing to read 'S. Stevens', is written over a horizontal line.

**Sebastian Stevens**

Director



Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## Financial Services Guide

This Financial Services Guide is issued in relation to an independent limited assurance report (ILAR) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (BDO) at the request of the Directors of Pivotal Systems Corporation (Pivotal) and Pivotal SaleCo, Inc. (SaleCo).

### Engagement

The ILAR is intended to accompany the prospectus proposed to be issued on or about 12 June 2018 (Prospectus). The Prospectus is being issued in relation to an initial public offering of securities.

### Financial Services Guide

BDO holds an Australian Financial Services Licence (License No: 247420) (Licence). As a result of our ILAR being provided to you BDO is required to issue to you, as a retail client, a Financial Services Guide (FSG). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

### Financial services BDO is licensed to provide

The Licence authorises BDO to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDO provides financial product advice by virtue of an engagement to issue the ILAR in connection with the issue of securities of another person.

Our ILAR includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our ILAR (as a retail client) because of your connection with the matters on which our ILAR has been issued.

Our ILAR is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the ILAR.

### General financial product advice

Our ILAR provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the transaction described in the documents may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

### Benefits that BDO may receive

BDO will receive a fee based on the time spent in the preparation of the ILAR in the amount of approximately c.\$240,000 (plus GST and disbursements). BDO will not receive any fee contingent upon the outcome of the proposed transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the transaction.

### Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our ILAR was provided.

### Referrals

BDO does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO is licensed to provide.

### Associations and relationships

BDO is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDO may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDO's contact details are as set out on our letterhead.

BDO is unaware of any matter or circumstance that would preclude it from preparing the ILAR on the grounds of independence under regulatory or professional requirements. In particular, BDO has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission (ASIC).

### Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO East Coast Partnership, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (FOS). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Email: info@fos.org.au

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# 08.

## DETAILS OF THE OFFER



## 08. DETAILS OF THE OFFER

### 8.1 WHAT IS THE OFFER?

This Prospectus relates to an initial public offering of New CDIs by the Company and the sale of Sale CDIs by SaleCo at an issue price of A\$1.86 per CDI.

The Offer is an invitation to apply for

- 19,354,839 New CDIs offered by the Company to raise proceeds of A\$36.0 million; and
- 9,430,169 Sale CDIs offered by SaleCo to raise proceeds of A\$17.5 million.

Upon completion of the Offer, a total of 110,998,864 CDIs will be on issue (assuming all Shares are held in the form of CDIs) and all Shares underlying the CDIs will rank equally in all respects with the Existing Shares on issue at the date of listing. A summary of the rights attaching to the CDIs is set out in Section 10.9.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus and is fully underwritten by the Joint Lead Managers.

### 8.2 OFFER STRUCTURE

The Offer comprises:

- the **Institutional Offer**, which consists of an invitation to certain Institutional Investors in Australia and a number of other authorised jurisdictions to apply for CDIs; and
- the **Broker Firm Offer**, which is open to Australian resident Retail Investors and Sophisticated Investors who have received a firm allocation from their broker.

Details of the Broker Firm Offer and the allocation policy under it are described in section 8.5.

Details of the Institutional Offer and the allocation policy under it are described in section 8.6.

The allocation of CDIs between the Broker Firm Offer and the Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers having regard to the allocation policies described in Sections 8.5.4 and 8.6.2.

The Offer is fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.6.

### 8.3 USE OF FUNDS

The sources of funds associated with the Offer are as follows:

Sources of funds	A\$m	US\$m	% of funds raised
Cash proceeds received from issue of CDIs by the Company	36.0	27.0	67%
Cash proceeds received from sale of CDIs by SaleCo	17.5	13.2	33%
<b>Total sources</b>	<b>53.5</b>	<b>40.2</b>	<b>100%</b>

The proposed uses of funds associated with the Offer are as follows:

Use of funds	A\$m	US\$m	% of funds raised
Payment of proceeds by SaleCo to Selling Shareholders	16.8	12.6	31%
Expansion capital to invest in sales and support offices	7.4	5.6	14%
Expansion capital to invest in research and development	10.4	7.8	19%
Working capital to support increased receivables and inventory	4.5	3.4	8%
Working capital to support corporate development	3.4	2.6	6%
Cancellation of warrants held by the Company's venture lender	0.4	0.3	1%
Repayment of existing bank facility	6.5	4.9	12%
Payment of costs of the Offer (see Section 10.14 for further details)	4.1	3.0	8%
<b>Total uses</b>	<b>53.5</b>	<b>40.2</b>	<b>100%</b>

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of sales performance, operational and development activities, regulatory developments, and market and general economic conditions. In light of this, the Board reserves its right to alter the way the funds are applied. In addition, as the proceeds of the Offer will be received in Australian dollars and the expenditure will be in US dollars, the actual amount of the proceeds used for each of the items above will depend on the AUD:USD exchange rate at the time that the funds are converted to US dollars.

The Board believes that the Company's current cash reserves, its cashflow from existing operations, plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives, including:

- expanding market share with a number of core customers;
- increasing working capital capacity to support growth in manufacturing and distribution via the new Compant facility;
- finishing the high flow GFC qualification process with key strategic accounts; and
- meeting key milestones in the development and delivery of the pipeline products described in Section 3.4.

## 8.4 SUMMARY TERMS OF THE OFFER

<b>What type of security is being offered?</b>	The Company and SaleCo will be offering CHESS Depository Interests in the Company under the Offer. Each CDI represents an interest in one Share in the Company.
<b>What rights and liabilities are attached to the security being offered?</b>	<p>The holders of CDIs receive all of the economic benefit of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of an Australian listed company. The Shares underlying the CDIs will rank equally with the Shares currently on issue in the Company.</p> <p>There are certain differences between the Shares and ordinary shares which are typically issued by Australian incorporated public companies. A description of the CDIs and the underlying Shares, including the rights and liabilities attaching to them, is set out in Sections 8.8 and 10.7.</p>
<b>What is the Offer Price?</b>	The Offer Price is A\$1.86 per CDI.
<b>What is the Offer Period?</b>	The key dates, including details of the Offer Period, are set out in Section 8 and on page 2 in the Important Dates section.

## 08. DETAILS OF THE OFFER cont.

<b>What are the cash proceeds to be raised?</b>	<p>Approximately A\$36.0 million will be raised by the Company from the issue of New CDIs by the Company under the Offer.</p> <p>Approximately A\$17.5 million will be raised by SaleCo from the sale of Sale CDIs under the Offer, which will be remitted to the Selling Shareholders (net of costs).</p>
<b>Is the Offer underwritten?</b>	Yes. The Joint Lead Managers have fully underwritten the Offer in accordance with the Underwriting Agreement. Details are provided in Section 9.6.
<b>What is the minimum and maximum Application size under the Broker Firm Offer?</b>	<p>The minimum Application under the Broker Firm Offer is 1,076 CDIs.</p> <p>There is no maximum number or value of CDIs that may be applied for under the Broker Firm Offer.</p> <p>The Joint Lead Managers, in consultation with the Company, reserve the right to reject any Application or to allocate a lesser number of CDIs than applied for.</p>
<b>What is the allocation policy?</b>	<p>The allocation of CDIs between the Broker Firm Offer and Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers, having regard to the allocation policies outlined in Sections 8.5.4 and 8.6.2. With respect to the Broker Firm Offer, it is a matter for the Broker how they allocate firm CDIs among their eligible retail clients.</p> <p>For further information on the Broker Firm Offer see Section 8.5. For further information on the Institutional Offer see Section 8.6.</p>
<b>Will the CDIs be listed?</b>	<p>The Company will apply to the ASX for admission to the Official List and quotation of its CDIs on the ASX under the code PVS.</p> <p>Completion of the Offer is conditional on, among other things, the ASX approving the application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
<b>When are the CDIs expected to commence trading?</b>	Details are provided in the Important Dates section on page 2.
<b>When will I receive confirmation that my Application has been successful?</b>	It is expected that initial holding statements will be despatched by standard post on Tuesday, 3 July 2018.
<b>Are there any escrow arrangements?</b>	Yes. Details are provided in Section 10.10.
<b>Is there brokerage, commission or stamp duty considerations?</b>	No brokerage, commission or stamp duty is payable by Applicants on acquisition of CDIs under the Offer.

<b>Are there any tax considerations?</b>	<p>Yes. Please refer to Section 10.12 for an overview of the tax implications for Australian investors of investing in CDIs under the Offer.</p> <p>Note that it is recommended that all potential investors consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of CDIs, having regard to their specific circumstances.</p>
<b>What should you do with any enquiries?</b>	<p>All enquiries in relation to this Prospectus should be directed to the Pivotal Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (from outside Australia) between 9.00am and 5.00pm AEST, Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you require assistance to complete the Application Form, require additional copies of this Prospectus, have any questions in relation to the Offer or you are uncertain as to whether obtaining CDIs is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant, tax adviser financial adviser or other independent professional adviser before deciding whether to invest.</p>

## 8.5 BROKER FIRM OFFER

### 8.5.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of CDIs from their Broker and who have a registered address in Australia. If you have received a firm allocation of CDIs from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of CDIs from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

### 8.5.2 How to apply?

If you have received an allocation of CDIs from your Broker and wish to apply for those CDIs under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions.

Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker to request a copy of this Prospectus and Application Form. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (AEST) on the Closing Date or any earlier closing date as determined by your Broker.

Applications for CDIs must be for a minimum of 1,076 CDIs and payment for the CDIs must be made in full at the issue price of A\$1.86 per CDI. There is no maximum number or value of CDIs that may be applied for under the Offer. However, the Company and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Offer. Pivotal may determine a person to be eligible to participate in the Offer and may amend or waive the Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Offer opens at 9am (AEST) on Wednesday, 27 June 2018 and is expected to close at 5.00pm (AEST) on Thursday, 28 June 2018. The Company and the Joint Lead Managers may elect to close the Offer or extend the Offer, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.



## 08. DETAILS OF THE OFFER cont.

### 8.5.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

### 8.5.4 Allocation policy under the Broker Firm Offer

CDIs that have been allocated to Brokers will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate CDIs among their retail clients and they (and not the Company or the Joint Lead Managers) will be responsible.

### 8.5.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to apply for the amount of CDIs specified in the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of CDIs to successful Applicants. The Joint Lead Managers, in agreement with the Company, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by an Applicant in completing their Application.

### 8.5.6 Application monies

Application monies received under the Broker Firm Offer will be held in a special purpose bank account until CDIs are issued to successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of CDIs than the amount applied, will be mailed a refund (without interest) for all or part of their Application Monies, as applicable. No refunds due solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

To participate in the Offer, the Application Form must be completed and received, together with the Application Monies, in accordance with the instructions on the Application Form.

## 8.6 INSTITUTIONAL OFFER

### 8.6.1 Who can apply?

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain foreign jurisdictions to apply for CDIs. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

### 8.6.2 Allocation policy under the Institutional Offer

The allocation of CDIs among Applicants in the Institutional Offer was determined by agreement between the Company and the Joint Lead Managers. Participants in the Institutional Offer have been advised of their allocation of CDIs, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- number of CDIs bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of Institutional Shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

## 8.7 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue or transfer of CDIs to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer CDIs than applied or bid.

## 8.8 ABOUT THE CDIS

The Company is incorporated in the State of Delaware, United States of America. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, depositary instruments called CDIs are issued. Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Shareholders cannot trade their Shares on ASX without first converting their Shares into CDIs.

Each CDI represents an interest in one underlying Share. The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited ("CDN"), a subsidiary of ASX, will hold the legal title to the underlying Shares.

The Shares underlying the CDIs will be registered in the name of CDN and will be held on behalf of and for the benefit of the CDI holder. CDIs will be CHESS-approved from the date of Official Quotation in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. The Shares underlying the CDIs will rank equally with the Shares that the Company has previously issued. Investors should note that there are certain differences between Shares in the Company and ordinary shares which are typically issued by Australian incorporated public companies. A summary of the key rights attaching to CDIs and Shares is set out in Sections 10.7 and 10.9 and a comparison of the rights attaching to CDIs and Shares with rights of holders of shares in an Australian listed company is set out in Section 10.8.

Holders of CDIs can choose to have their CDIs converted to a direct holding of Shares as described in Sections 10.9, however, if they do so they will no longer be able to trade on ASX. Similarly, subject to any restrictions under applicable law, holders of Shares may choose to convert their Shares to CDIs to enable them to trade on ASX, as described in Section 10.9.

## 8.9 SUBSTANTIAL HOLDERS

The table below sets out the interests of the Existing Holders as at the date of this Prospectus and immediately following the Offer who hold a substantial interest in Securities of the Company. The table does not reflect any CDIs which the Existing Holders may subscribe for under the Offer.

	Date of Prospectus <sup>1</sup>				Immediately following the Offer			
	Number of Shares		Percentage of Shares		Number of Shares		Percentage of Shares	
	Undiluted	Fully diluted	Undiluted	Fully diluted	Undiluted	Fully diluted	Undiluted	Fully diluted
Firsthand Venture Investors	53,758,441	53,758,441	58.7%	50.7%	53,758,441	53,758,441	48.4%	42.9%
Anzu Partners	10,725,588	10,725,588	11.7%	10.1%	10,725,588	10,725,588	9.7%	8.6%
Employees/ Management/Board	4,124,423	18,500,806	4.5%	17.5%	4,124,423	18,500,806	3.7%	14.8%
Other existing Shareholders	23,035,573	23,035,573	25.1%	21.7%	13,605,404	13,605,404	12.3%	10.9%
Investors in the Offer	–	–	–	–	28,785,008	28,785,008	25.9%	23.0%
<b>Total</b>	<b>91,644,025</b>	<b>106,020,408</b>	<b>100.0%</b>	<b>100.0%</b>	<b>110,998,864</b>	<b>125,375,247</b>	<b>100.0%</b>	<b>100.0%</b>

1. Assumes that the Share Capital Restructuring described in Section 10.4 occurred immediately prior to the Prospectus Date.

## 08. DETAILS OF THE OFFER cont.

### 8.10 ASX LISTING

No later than seven days after the date of this Prospectus, the Company will apply to ASX for admission to the official list of ASX and for its CDIs to be granted official quotation by ASX. The Company is not currently seeking a listing of its CDIs or Shares on any stock exchange other than ASX.

The fact that ASX may admit the Company to the official list of ASX and grant official quotation of the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Trading in the CDIs, if quotation is granted, is expected to occur on 2 July 2018, initially on a deferred settlement basis. Holding statements confirming Applicants' allocations under the Offer are expected to be sent to successful Applicants on 3 July 2018. Applicants may call the Offer Information Line on 1300 737 760 from 2 July 2018 to confirm their allocations.

It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their holding statements will do so at their own risk.

Trading of CDIs on ASX on a normal T+2 settlement basis is expected to commence on 4 July 2018.

If permission for quotation of the CDIs is not granted within three months after the date of this Prospectus, all Application Amounts received by the Company will be refunded without interest as soon as practicable.

### 8.11 CHESS AND ISSUER SPONSORED HOLDINGS

The Company will apply to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the CDIs become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the CDIs of a CDI holder who is a participant in CHESS or a CDI holder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other CDIs will be registered on the issuer sponsored subregister.

Following Completion, CDI holders will be sent a holding statement that sets out the number of CDIs that have been allocated to them. This statement will also provide details of a CDI holder's Holder Identification Number (HIN) for CHESS holders or the Shareholder Reference Number (SRN) of issuer sponsored holders. CDI holders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

CDI holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the CDI holder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 8.12 OVERSEAS DISTRIBUTION

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

#### **Offer only made where lawful to do so**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

## New Zealand

This Offer is available only to persons receiving this Offer in New Zealand (electronically or otherwise) who are Wholesale Investors. This Prospectus does not constitute and should not be construed as an offer, invitation, proposal or recommendation to apply for CDIs by investors in New Zealand who are not Wholesale Investors. Applications or any requests for information from investors in New Zealand who are not Wholesale Investors will not be accepted. This Prospectus has not been, and will not be, lodged with the Registrar of Financial Service Providers in New Zealand and is not a product disclosure statement under the *Financial Markets Conduct Act 2013 (FMC Act)*. New Zealand Wholesale Investors wishing to invest in the Company should be aware that there may be different tax implications of investing in the Company and should seek their own tax advice as necessary.

The Offer made to New Zealand investors is available only to, and may only be accepted by, a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the FMC Act) who has completed a Wholesale Investor Certification or an Eligible Investor Certification or who invests a minimum amount of NZ\$750,000 in CDIs. Each New Zealand investor acknowledges and agrees that:

- he, she or it has not offered or sold, and will not offer or sell, directly or indirectly, any CDIs in the Company; and
- he, she or it has not distributed and will not distribute, directly or indirectly, this Prospectus or any other offering materials or advertisement in relation to any offer of any CDIs in the Company, in each case in New Zealand other than to a person who is a Wholesale Investor (in terms of clause 3 of Schedule 1 of the FMC Act), and;
- he, she, or it will notify the Company if they cease to be a Wholesale Investor (in terms of clause 3(2) and 3(3) of Schedule 1 of the FMC Act).

The following warning statement applies in relation to those New Zealand investors who are Wholesale Investors solely by reason of the minimum amount payable by them on acceptance of the offer being at least NZ\$750,000.

### Warning

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to this Offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is NZ\$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment.

Investments of this kind are not suitable for retail investors.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

## Hong Kong

**WARNING:** This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong (the **Companies (MISC) Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the **SFO**). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the CDIs have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under the SFO) or in other circumstances which do not result in this Prospectus being a “prospectus” as defined in the Companies (MISC) Ordinance or which do not constitute an offer to the public within the meaning of the Companies (MISC) Ordinance or the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

No advertisement, invitation or document relating to the CDIs has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the CDIs that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” (as defined in the SFO and any rules made under the SFO). No person allotted the CDIs may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

## 08. DETAILS OF THE OFFER cont.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

By accepting receipt of this Prospectus, you are deemed to confirm, represent and warrant to the Company that you are a professional investor within the meaning of section 1 of Part 1 of Schedule 1 to the SFO or section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D of the Laws of Hong Kong).

### United Kingdom

This Prospectus does not constitute a prospectus for the purpose of the prospectus rules issued by the “Financial Conduct Authority” (**FCA**) pursuant to Section 84 of the Financial Services and Markets Act 2000 (as amended) (**FSMA**) and has not been approved by or filed with the FCA. The information contained in this Prospectus is only being made, supplied or directed at persons in the United Kingdom who are qualified investors within the meaning of Section 86(7) of the FSMA and the CDIs are not otherwise being offered or sold and will not otherwise be offered or sold to the public in the United Kingdom (within the meaning of Section 102B of the FSMA), save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of Section 85 of FSMA) being made available to the public before the offer is made.

In addition, in the United Kingdom no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any CDIs except in circumstances in which Section 21(1) of the FSMA does not apply to the Company and this document is made, supplied or directed at qualified investors in the United Kingdom who are:

- persons having professional experience in matters relating to investments who fall within the definition of investment professionals in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) (“FPO”);
  - high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49 of the FPO; or
  - persons who fall within another exemption to the FPO,
- (all such persons being **Relevant Persons**).

Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

By accepting receipt of this Prospectus, each United Kingdom recipient is deemed to confirm, represent and warrant to the Company that it is a Relevant Person.

### United Kingdom – Exemption for fewer than 150 persons (other than qualified investors)

Neither the information in this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the CDIs and options.

This document is issued on a confidential basis to fewer than 150 persons (other than “qualified investors” (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the CDIs and options may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the CDIs and options has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

### **Singapore**

This document or any other offering material relating to the Offer has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of CDIs may not be issued, circulated or distributed, nor may the CDIs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an institutional investor, as defined in section 4(A)(1) of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), in accordance with and pursuant to section 274 of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the CDIs being subsequently offered for sale to any other party. Investors should note there are certain on-sale restrictions (set out in, among others, sections 257 and 276 of the SFA) applicable to all investors who acquire the CDIs pursuant to the exemptions in section 274 of the SFA. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore or to consult their own professional advisers as to such on-sale restrictions, and to comply accordingly.

The contents of this document have not been reviewed by any regulatory authority in Singapore. This document may not contain all the information that a Singapore registered prospectus is required to contain. In the event of any doubt about any of the contents of this document or as to your legal rights and obligations in connection with the Offer, please obtain appropriate professional advice.

### **Japan**

The CDIs have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the CDIs may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires CDIs may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of CDIs is conditional upon the execution of an agreement to that effect.

### **Cayman Islands**

No offer or invitation to subscribe for CDIs may be made to the public in the Cayman Islands.

### **United States residents**

The Shares being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States or to US persons absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Shares or distribution of this Prospectus or other offering material or advertisement in connection with the Offer in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving the Shares may not be conducted unless in compliance with the US Securities Act. Persons who come into possession of the Prospectus outside Australia should seek advice on and observe any such restrictions.

### **Overseas ownership and resale representation**

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.



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# 09.

## MATERIAL CONTRACTS



## 09. MATERIAL CONTRACTS

The Directors consider that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section contains a summary of the material contracts and arrangements and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

### 9.1 CUSTOMER PURCHASE ORDERS

The Company does not generally have long term contracts with its customers. Instead, customer orders are governed primarily by standard purchase orders. Customers provide forecasts and submit purchase orders, and Pivotal in turn provides its suppliers with forecasts and purchase orders. Pivotal's key customers include equipment manufacturers, such as Tokyo Electronic Limited (**TEL**), Lam Research and Applied Materials, Semes, Wonik, Amec, Kokusai and Shibaura, as well as semiconductor manufacturers, such as Samsung, TSMC, Toshiba, SK Hynix, and Texas Instruments.

The standard terms and conditions found in the purchase orders set out typical market terms, including with respect to length of warranty, payment terms, transfer of title and liability, and intellectual property rights.

### 9.2 SUPPLY AGREEMENTS

Pivotal has entered into agreements with suppliers including Kemet, TE Connectivity and Earns under which the Company sources, among other things, piezo electrics, pressure transducers and printed circuit boards (PCBs). Pivotal works closely with its suppliers to forecast business volumes and audits them for performance and capacity. Quarterly key supplier meetings are held to ensure adequate performance.

NEC TOKIN America Inc. (**KEMET**) is a supplier of piezo assemblies, and has been for over 6 years. Kemet is qualified on all Company products. There is no contract in place with KEMET but KEMET and the Company have agreed pricing terms. Given the longstanding relationship and the materiality of the business relationship to KEMET, the Company believes KEMET is committed to a long term relationship with the Company.

### 9.3 COMPART MANUFACTURING AND SUPPLY AGREEMENT

The Manufacturing and Supply Agreement (MSA) between Pivotal and Compart Asia Pacific Limited (**Compart**) is a key supply agreement under which Pivotal has engaged Compart to manufacture a range of its products. Pursuant to the MSA, Pivotal agrees to purchase from Compart not less than 80% (by quantity) of its total purchases worldwide of certain designated products, in accordance with the following terms.

**Term:** 5 years beginning 15 May 2013 with Compart having granted the Company an extension to the term of the MSA which will continue on the same terms until the parties enter into the new MSA, the terms of which are currently being finalised.

**Pricing:** The initial maximum price for each of the designated products is set in the MSA. Thereafter, in the event the cost of any raw materials, parts, components or services increases or decreases more than 5%, the parties agree to negotiate in good faith a cost adjustment. If the parties are unable to agree to a price modification within 90 days, either party may terminate the MSA with 90 days' notice. The parties also agree to implement a cost reduction program with a target of reducing prices a minimum of 5% each year.

**Undertakings:** Compart agrees that it shall ensure that the prices for the designated products are not less favourable than those extended to other customers for equivalent goods. Pivotal agrees to provide a forecast of future demand so that Compart can obtain the necessary long-lead raw materials for manufacture of the products.

**Liability:** Compart is not liable under the MSA for defects in the products to the extent attributable to misuse, alteration, negligence, accident or faulty repair after delivery, and Compart's liability for any claim is capped at the value of the purchase order to which the claim relates.



## 09. MATERIAL CONTRACTS cont.

### 9.4 SALES REPRESENTATIVE AGREEMENTS

The Company has entered into a number of Sales Representative Agreements (**SRAs**) whereby the sales representative agrees to use best efforts to promote the sale of, solicit orders for and stimulate interest in the specified products in their respective territories. Certain sales representatives may also agree to provide post-sales technical, installation, training, warranty and service support for the products.

**Term and termination:** Terms are generally for successive 12 or 24 month periods until terminated and the SRAs can typically be terminated upon a specified notice period, e.g. with 90 days' notice or at the end of any term with 30 days' notice.

**Pricing:** Pivotal generally pays the sales representative a commission based on a percentage of the sales price, which can be adjusted for a number of factors.

**Exclusivity:** A number of the SRAs appoint the sales representative as the exclusive sales representative to solicit orders for the goods, equipment and/or services described in the SRA within the geographical area designated.

**Indemnity:** The SRAs provide for indemnification provisions. In some cases, the parties agree to indemnify one another for claims caused by that party's own gross negligence or willful misconduct. In others, the sales representative agrees to indemnify Pivotal for any claims resulting from any act, omission or obligation of or by the sales representative.

### 9.5 DISTRIBUTION AGREEMENTS

Pivotal has entered into distribution agreements whereby Pivotal engages exclusive and non-exclusive distributors to promote, market and distribute Pivotal's products in designated territories. Under the terms of these contracts, Pivotal makes available the products to the distributor, and the distributor is in turn responsible for all service of the product in such territory, including the installation and replacement of the products and, in certain cases, technical support.

**Term:** Generally 3 years

**Transfer of Title/Risk of Loss:** While Pivotal retains title of the stocked products until it receives payment from the distributor, the risk of loss of the products typically passes to the distributor upon the distributor's receipt of the products.

**Warranty:** Pivotal warrants that the stocked products are free from defects for a specified period of time.

**Liability:** The distributor assumes liability for claims to the extent they result from modifications to the products not made by Pivotal or attributable to the distributor's gross negligence, intentional misconduct or misrepresentations made by the distributor.

### 9.6 UNDERWRITING AGREEMENT

The Offer is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated on or around the date of this Prospectus between the Joint Lead Managers, the Company and SaleCo (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to jointly lead manage the Offer and act as underwriters for the Offer.

For the purpose of this Section 9.6, Information Materials means the following documents:

- the pathfinder prospectus (Pathfinder) for the Offer and any other draft of the Prospectus approved by the Company and SaleCo for delivery to investors;
- this Prospectus (including any supplementary or replacement prospectus) and any Application Form; and
- all marketing, roadshow or investor presentation materials (and amendments or updates to those materials) issued or authorised to be issued by the Company and SaleCo that are presented or delivered to prospective investors.

#### 9.6.1 Fees and expenses

Subject to the Joint Lead Managers satisfying their underwriting obligations under the Underwriting Agreement, the Company and SaleCo have agreed to pay the Joint Lead Managers the following fees which will be paid equally between the Joint Lead Managers:

- a management fee of 1.0% of the proceeds of the Offer; and
- a selling and underwriting fee of 3.5% of the proceeds of the Offer.

The Company may, in its absolute discretion, also pay to the Joint Lead Managers an incentive fee of up to 0.5% of the Offer Proceeds within 30 calendar days of settlement of the Offer (for the purpose of this section 9.6, this is referred to as the Settlement Date). In addition, the Company has agreed to pay or reimburse the Joint Lead Managers for the reasonable costs incurred by them in relation to the Offer.

### 9.6.2 Termination events

If any of the following events occur, each Joint Lead Manager may, at any time until 4:00 pm on the Settlement Date, terminate the Underwriting Agreement, without cost or liability, by notice to the Company, SaleCo and the other Joint Lead Manager:

- the Company or SaleCo lodges a supplementary prospectus or a Joint Lead Manager forms the view (acting reasonably) that a supplementary prospectus must be lodged with ASIC and the Company and SaleCo fail to lodge a supplementary prospectus;
- at any time before the Settlement Date the S&P/ASX 300 Index falls to a level that is 90% or less than the level at the close of trading on the trading day immediately prior to the date of the Underwriting Agreement and closes at or below that 90% level for a period of two consecutive trading days or on the business day immediately prior to the Settlement Date;
- ASX does not approve the admission of the Company to the official list and the granting of quotation to the Company's CDIs, or if approval is granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or conditions otherwise acceptable to the Company and SaleCo) or withheld, or ASX indicates in writing that the approval is likely to be withdrawn, qualified or withheld;
- ASIC issues an order or an interim order under section 739 of the Corporations Act concerning the Prospectus (unless such order is not made public and is withdrawn within 3 business days of issue, or if made within 3 business days of the Settlement Date is not withdrawn by the day before the Settlement Date);
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Prospectus (unless any such application is not made public and is withdrawn within 3 business days of being made or commenced, or if made within 3 business days of the Settlement Date is withdrawn by the day before the Settlement Date);
- any person (other than a Joint Lead Manager) who has previously consented to the inclusion of its name or any statement in the Prospectus or supplementary prospectus withdraws that consent;
- any person (other than the Joint Lead Manager) whose consent to the issue of the Prospectus is required by section 720 of the Corporations Act that has previously consented to the issue of the Prospectus or supplementary prospectus withdraws such consent;
- the Company and SaleCo fail to lodge this Prospectus with ASIC on or before the relevant lodgement date, unless a later date is approved by the Joint Lead Managers in writing;
- the Company or SaleCo is or becomes, for any reason, unable to issue or allot the CDIs;
- a circumstance arises that results in the Company or SaleCo repaying, or offering to repay, any monies received from a valid Application or offering applicants an opportunity to withdraw their valid Application without the prior written consent of the Joint Lead Managers;
- the Company or SaleCo withdraws this Prospectus or offers applicants under the Offer an opportunity to withdraw their application for CDIs;
- ASX withdraws or revokes any waiver of the ASX Listing Rules granted by ASX, or ASIC withdraws or revokes any exemption, modification or variation of the Corporations Act granted by ASIC in respect of the Offer (in each case, without immediate replacement or renewal) such that the Company and SaleCo are rendered unable to perform its obligations under this agreement;
- an insolvency event occurs in relation to the Company;
- an event occurs which is, or is likely (in the Joint Lead Managers reasonable opinion) to give rise to (a) a material adverse change in the assets, liabilities, financial position or performance or forecasts of the Company, SaleCo or a subsidiary of the Company (together, **Group**) from those disclosed in this Prospectus; or (b) a material adverse change in the nature of the business conducted by the Company, SaleCo or a subsidiary of the Company as disclosed in this Prospectus;

## 09. MATERIAL CONTRACTS cont.

- the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement; and
- if either John Hoffman or Joe Monkowski ceases to be part of the senior management team of the Company as described in section 5.3 of this Prospectus (**Senior Management**), a director or member of Senior Management is charged with a criminal offence relating to any financial or corporate matter, a government agency commences (or announces it intends to commence) public action against any director or member of Senior Management or a director or member of Senior Management is disqualified under the Corporations Act from managing a corporation;

In addition, if one of the following events occurs and a Joint Lead Manager in its reasonable and bona fide opinion believes the event (a) has or is likely to have a materially adverse effect on the success of the Offer, the ability of the Joint Lead Managers to market or promote the Offer, the willingness of persons to apply for, or settle obligations to subscribe for, CDIs under the Offer or the price at which CDIs under the Offer will be sold or traded on ASX; or (b) has, or is likely to, give rise to a liability of a Joint Lead Manager under applicable law, or has or is likely to give rise to a contravention by a Joint Lead Manager of, or the Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law, then each Joint Lead Manager may, at any time until on or before 4:00pm on the Settlement Date, terminate the Underwriting Agreement, without cost or liability, by notice to the Company:

- any government agency other than ASIC commences any regulatory investigation or court proceeding or takes any regulatory action or seeks any remedy in connection with the Company or SaleCo, the Offer or the Information Materials and such action is not disposed of or withdrawn to the reasonable satisfaction of the Joint Lead Managers on or before the fifth business day following commencement of the action or if the Settlement Date occurs prior to that 5th business day, before 10:00 am on the Settlement Date;
- a Joint Lead Manager forms the view that: (a) there is an omission in the Prospectus or any supplementary prospectus of material required by the Corporations Act to be included; (b) a statement in the pathfinder or Prospectus is misleading or deceptive or likely to mislead or deceive (whether by inclusion or omission); or (c) the Prospectus does not contain all information required to comply with all applicable laws;
- an event specified in the Offer timetable is delayed by more than three business days (other than any delay agreed in writing between the Company, SaleCo and the Joint Lead Managers or a delay resulting from of an extension of the exposure period by ASIC);
- any licence, permit, authorisation or consent which is material when considered in the context of the Information Material or necessary for the conduct of the business of any Group member is suspended, modified or amended in a manner not acceptable to the Joint Lead Managers (acting reasonably);
- a statement in any of the Information Material (other than the Prospectus) is or becomes misleading or deceptive or likely to mislead or deceive or the Information Material omits any information it is required to contain;
- the due diligence committee report is untrue, incorrect, misleading or deceptive;
- any statement or estimate in the Prospectus that relates to a future matter is or becomes incapable of being met in the projected timeframe or, in the reasonable opinion of a Joint Lead Manager, unlikely to be met in the projected timeframe (including the Forecast Information);
- a statement in any closing certificate is untrue or incorrect;
- other than as disclosed in this Prospectus, the Company, SaleCo or a subsidiary of the Company charges, or agrees to charge, the whole or a substantial part of the business or property to the Group;
- in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom, the Peoples' Republic of China, Japan, (a) hostilities not presently existing commence (whether or not war or a national emergency has been declared); (b) a major escalation in existing hostilities occurs (whether or not war or a national emergency has been declared); (c) a declaration is made of a national emergency or war or (d) a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;

- if: (a) any of the obligations of the relevant parties under any of the material contracts set out in section 9.2 and 9.3 of this Prospectus (**Material Contracts**) are breached in a material respect, terminated, withdrawn, rescinded, avoided or repudiated or amended in a material respect without the prior written consent of the Joint Lead Managers (acting reasonable); (b) a condition to a Material Contract is not satisfied or waived by the Settlement Date or becomes incapable of being satisfied; or (c) any Material Contract is found to be void or voidable; there is introduced, or there is a public announcement of a proposal to introduce, a new law or regulation or policy in Australia or any State or Territory of Australia (including a policy of the Reserve Bank of Australia);
- the Company or SaleCo fails to comply with any of its obligations contained in the Underwriting Agreement or a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is or becomes incorrect;
- any of the following occurs (a) a general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States, Japan, Singapore, South Korea, Taiwan or the Peoples' Republic of China is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries; or (b) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or is limited in a material respect for at least one day on which that exchange is open for trading; (c) any development which has a material adverse change on the political, financial or economic conditions or financial markets in Australia, New Zealand, the United States, the United Kingdom, Japan, Singapore, South Korea, Taiwan or the Peoples' Republic of China or in foreign exchange rates or any development involving a prospective adverse effect on the political, financial or economic conditions or financial markets in any of those countries or member states;
- a change in the Senior Management or the directors of the Company occurs; or
- an insolvency event occurs in relation to SaleCo or a subsidiary of the Company.

In the event a Joint Lead Manager terminates its obligations under the Underwriting Agreement, that Joint Lead Manager shall be immediately relieved of its obligations under the Underwriting Agreement and the remaining Joint Lead Manager may elect by notice in writing to the terminating Joint Lead Manager, the Company and SaleCo that it will (terminate its obligations under the Underwriting Agreement (b) assume all obligations of the terminating Joint Lead Manager or (c) it may nominate a replacement Joint Lead Manager acceptable to the Company and SaleCo acting reasonably, that will assume all the obligations of the terminating Joint Lead Manager. Upon termination, the Company and SaleCo will be relieved of any obligation to pay the Joint Lead Manager any fees which have not accrued as at the date of termination (except costs reasonably incurred by the Joint Lead Manager).

### 9.6.3 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers as well as common conditions precedent, including the receipt by the Joint Lead Managers of the final, signed due diligence report and that ASX will grant certain waivers and ASIC will grant certain modifications in relation to the Offer.

The representations and warranties given by the Company and SaleCo relate to matters such as conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, information in this Prospectus and compliance with laws and the ASX Listing Rules. The Company also provides additional representations and warranties in connection with the business and affairs of the Company including in relation to ownership of assets, licences and litigation.

The Company's undertakings include that it will not, until 90 days after Completion, issue (or agree to issue) or indicate in any way that it may or will issue or agree to issue any CDIs, Shares or other securities that are convertible or exchangeable into Shares, or that represent the right to receive Shares, without the prior written consent of the Joint Lead Managers. This undertaking is subject to certain exceptions, including any issue made pursuant to this Prospectus, an employee share plan, a bonus share plan, the Share Capital Restructure or the sell down.

### 9.6.4 Indemnity

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct or negligence of any indemnified party, the Company agrees to keep the Joint Lead Managers and their representatives indemnified from losses suffered by them in connection with the Offer or the appointment and role of the Joint Lead Managers pursuant to the Underwriting Agreement.

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# 10.

ADDITIONAL  
INFORMATION



## 10. ADDITIONAL INFORMATION

### 10.1 INCORPORATION

The Company was incorporated on 28 October 2003 in Delaware, United States.

### 10.2 GROUP STRUCTURE

The Group comprises the Company, which is the parent company and key operating company of the Group and the following wholly owned subsidiaries:

- Pivotal SaleCo, Inc. which was incorporated in Delaware in the United States on 14 May 2018 for the purpose of facilitating the sell down of certain Existing Shares held by the Selling Shareholders (refer to Section 10.6 for further details); and
- Pivotal Systems Korea, Ltd., which was incorporated in South Korea on 16 March 2018 and which will be responsible for administration and logistics in relation to shipments from the new Korean Compart manufacturing facility.

### 10.3 CURRENT CAPITAL STRUCTURE

The issued capital of the Company as at the date of this Prospectus (prior to the Share Capital Restructuring described in Section 10.4) is set out in the table below:

Class of Security	Number
<b>Shares</b>	
Class B Common Stock	16,749,426
Series Seed Preferred Stock	1,702,416
Series A Preferred Stock	16,576,103
Series B Preferred Stock	15,050,939
Series C Preferred Stock	4,716,784
Series D Preferred Stock	13,143,287
<b>Warrants</b>	
Class B Common Stock Warrants	18,192,776
Series C Warrants	43,103
Series D Warrants	8,609,341
Options	14,376,383

### 10.4 CAPITAL STRUCTURE FOLLOWING THE OFFER

Shortly prior to allotment of CDIs under the IPO, the following changes will automatically be made to the capital structure of the Company (**Share Capital Restructure**) in accordance with stockholder consents obtained prior to the Prospectus Date and conditional upon the Board resolving to allot CDIs under the Offer:

- reclassification of the existing Class B common stock as common stock;
- conversion of the existing Series Seed, A, B C and D Preferred Stock into Shares;
- cancellation of the Warrants held by the Company's venture lender in return for a cash payment; and
- automatic exercise of the Series C, Series D and Class B Common Stock Warrants into Shares.



## 10. ADDITIONAL INFORMATION cont.

As at the Allotment Date, the issued share capital of the Company will comprise the following:

Class of Security	Number of Securities immediately prior to allotment of New CDIs under the Offer	Number of Securities immediately following Completion
Shares	91,644,025	110,998,864
Options	14,376,383	14,376,383

### 10.5 OPTIONS ON ISSUE

The Company has the following Options on issue as at the date of this Prospectus.

Grant date	Exercise price per Share (US\$)	Term	Number of Options
01-Apr-09	38.35	10 years	82
05-May-09	5.90	10 years	5,350
28-Jul-09	5.90	10 years	1,148
11-Feb-10	8.85	10 years	10,139
10-May-10	14.75	10 years	2,800
08-Sep-10	14.75	10 years	2,645
20-Oct-10	14.75	10 years	101
18-Jan-11	17.70	10 years	5,342
20-Jul-12	0.10	10 years	1,325,000
29-Apr-13	0.25	10 years	110,000
15-Oct-14	0.23	10 years	5,115,849
11-Jul-16	0.21	10 years	117,000
14-Jul-16	0.21	10 years	3,826,427
20-Jan-17	0.21	10 years	495,500
08-Dec-17	0.37	10 years	2,070,000
15-Feb-18	0.37	10 years	25,000
28-Feb-18	0.37	10 years	950,000
29-Mar-18	0.37	10 years	84,000
15-Apr-18	0.37	10 years	230,000

Generally, Options vest in accordance with the vesting schedule below for so long as the option holder continuously provides services to the Company:

- $\frac{1}{4}$  of the Options on the first anniversary of the vesting start date; and
- $\frac{1}{48}$ th of the Options each month thereafter.

Certain options have been granted with vesting schedules that deviate from the above. For example, some options are fully vested as of the grant date.

In February 2018, performance options were granted to the Key Executives and Nori Kobayakawa, which vest subject to achievement of specified performance metrics and a time-based vesting schedule, subject to acceleration upon a change in control of the Company. Ryan Benton and another employee also have outstanding options which are subject to acceleration upon a change in control of the Company.

## 10.6 SALECO

SaleCo is a special purpose vehicle incorporated in Delaware which has been established to facilitate the sale of CDIs by the Selling Shareholders.

Each of the Selling Shareholders, the Company and SaleCo has entered, or will enter, into a Sell Down Deed under which the Selling Shareholders agree to sell a prescribed amount of their Existing Shares to SaleCo, which will be sold by SaleCo into the Offer in the form of CDIs, free from encumbrances and third party rights. The Selling Shareholders have agreed to sell up to approximately 10.8 million existing Shares to SaleCo.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants in the form of CDIs at the Offer Price. The price payable by SaleCo to selling Shareholders for these Existing Shares is equal to the Offer Price less sale costs of 4.5% of the sale proceeds. The Company will procure that CDN issues CDIs to successful Applicants under the Offer.

The directors of SaleCo are John Hoffman and Ryan Benton. SaleCo is wholly owned by the Company. The Indemnification Agreements between Messrs. Hoffman, Sharma and Benton and the Company also apply to their activities as officers and directors of SaleCo, including as to any loss which they may incur as a consequence of the Offer.

## 10.7 CERTIFICATE OF INCORPORATION, BYLAWS AND RIGHTS ATTACHING TO THE SHARES

A summary of the Company's share capital and provisions of its Certificate of Incorporation and Bylaws, which will apply from the Allotment Date, is set out below. This summary is not intended to be exhaustive.

### General description of share capital

*Shares* – The Company is authorized to issue 370,000,000 Shares, par value of \$0.00001 per Share, 250,000,000 of which are designated "Common Stock," and 120,000,000 of which are designated "Common Prime Stock."

Certain Existing Shareholders will enter into escrow agreements with the Company in conjunction with the Offer as required by the ASX Listing Rules. In the event of a breach of any such escrow agreement, the Common Stock will convert automatically into Common Prime Stock for the duration of the breach. As of the date of the Prospectus, no shares of Common Prime Stock are issued or outstanding.

*Options* – The Company has reserved an aggregate of 20,220,222 Shares for issuance under its 2012 Equity Incentive Plan.

### Voting

At a meeting of the Company's stockholders, every stockholder present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders. Holders of Common Prime Stock are not entitled to any voting rights or voting powers.

### Dividends

Holders of Common Stock shall be entitled to receive, when, as and if declared by the Board, out of any assets of the Company legally available, any dividends as may be declared from time to time by the Board.

Holders of Common Prime Stock are not entitled to share in any dividends.



## 10. ADDITIONAL INFORMATION cont.

### **Rights attaching to Shares**

Other than the Existing Shareholders who are subject to escrow agreements as described above, whose Shares will be subject to conversion into Common Prime Stock upon breach of applicable restrictions, stockholders have no preferences of rights of conversion, exchange, pre-emption or other subscription rights. Certain stockholders have registration rights as provided in the Investors Rights' Agreement dated 6 September 2016.

### **Anti-takeover provisions of Delaware Law, Certificate of Incorporation and Bylaws**

As a foreign company registered in Australia, the Company will not be subject to Chapters 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holders and takeovers).

Provisions of the DGCL, the Company's Certificate of Incorporation and the Company's Bylaws could make it more difficult to acquire the Company by means of a tender offer (takeover), a proxy contest or otherwise, or to remove incumbent officers and Directors of the Company. These provisions (summarised below) could discourage certain types of coercive takeover practices and takeover bids that the Board may consider inadequate and to encourage persons seeking to acquire control of the Company to first negotiate with the Board. The Company believes that the benefits of increased protection of its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging takeover or acquisition proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

**Delaware anti-takeover statute** – Subject to certain exceptions, the DGCL prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the time the person became an interested stockholder, unless certain conditions are not met, e.g. the business combination or the acquisition of shares that resulted in the stockholder becoming an interested stockholder is approved in a prescribed manner. A “business combination” can include, inter alia, a merger, asset or share sale or other transaction resulting in financial benefit to an interested stockholder. Generally, an interested stockholder is a person who, (i) is the owner of 15% or more of the outstanding voting stock of the Company, or (ii) is an affiliate or associate of the Company and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three year period prior to the determination of interested stockholder status, and the affiliates and associates of such person. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the Shares held by Shareholders.

**Classified board** – The Company's Certificate of Incorporation and Bylaws will provide that the Company's board is classified into three classes of directors. Directors may be removed from office only for cause. The existence of a classified board could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror.

**Amendment** – The Company's Bylaws provide that the Bylaws may be amended by stockholders holding a majority of the Company's outstanding voting stock or, to the extent provided in the Certificate of Incorporation, by the Board, except insofar as the Bylaws adopted by the stockholders otherwise provide.

The Company's Certificate of Incorporation provides that the Company's Bylaws may be amended by the Board.

**Size of the Board and Board Vacancies** – The Company's Certificate of Incorporation provides that the number of Directors on the Board is to be fixed exclusively by the Board. Newly created directorships resulting from any increase in the Company's authorised number of Directors or any vacancies may be filled by the stockholders or by a majority of the remaining Directors in office or by a sole remaining director on a provisional basis until the next annual stockholder meeting, unless otherwise required by law or provided in the Certificate of Incorporation.

**Special stockholder meetings** – The Company's Bylaws provide that special meetings of stockholders may be called by the Board, the Chairperson of the Board, the Chief Executive Officer, the President, the holders of shares of the Company that are entitled to cast not less than ten percent (10%) of the total number of votes entitled to be cast by all stockholders at such meeting, or by a majority of the members of the Board.

**Requirements for advance notification of stockholder nominations and proposals** – The Company's Bylaws establish advance notice procedures with respect to nomination of candidates for election as Directors and other business to be properly brought before an annual stockholder meeting.

**No cumulative voting** –The Company's Certificate of Incorporation provides that there will be no cumulative voting.

**Authorised but unissued shares** – Subject to the limitation on the issue of securities under the Listing Rules and DGCL, the Company's authorised but unissued Shares will be available for future issue without stockholder approval. The Company may use additional Shares for a variety of purposes, including future offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorised but unissued Shares and potentially preferred stock could render more difficult, or discourage, an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise.

## 10.8 COMPARISON OF LAWS GOVERNING THE COMPANY AS A US COMPANY WITH LAWS GOVERNING AUSTRALIAN PUBLICLY LISTED COMPANIES GENERALLY

Unless otherwise stated, the Corporations Act provisions referred to below do not apply to the Company as a foreign company.

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
<b>Transactions that require Shareholder approval</b>	<p>The DGCL and the Company's Certificate of Incorporation and Bylaws (which will be in effect at Listing) govern the type of transactions that require stockholder approval. Generally, the following types of transactions, among others, unless otherwise provided in the Certificate of Incorporation or the Bylaws, will require stockholder approval:</p> <ul style="list-style-type: none"> <li>• amendments to the certificate of incorporation;</li> <li>• material corporate transactions such as a merger or acquisition, the sale of all or substantially all of the Company's assets, or the dissolution of the Company;</li> <li>• Establishing stock plans and amendments to same;</li> <li>• Permitting interested director transactions; and</li> <li>• Taking certain actions affecting stockholder rights.</li> </ul> <p>The Company's Bylaws provide that the Bylaws may be amended by stockholders holding a majority of the Company's outstanding voting stock or, to the extent provided in the Certificate of Incorporation, by the Board of Directors (the "Board"), except insofar as the Bylaws adopted by the stockholders otherwise provide.</p> <p>The Company's Certificate of Incorporation provides that the Company's Bylaws may be amended by the Board.</p>	<p>Under the Corporations Act, the principal transactions or actions requiring shareholder approval include:</p> <ul style="list-style-type: none"> <li>• adopting or altering the constitution of the company;</li> <li>• appointing or removing a director or auditor;</li> <li>• certain transactions with related parties of the company;</li> <li>• putting the company into liquidation;</li> <li>• changes to the rights attached to shares;</li> <li>• Shareholder approval is also required for certain transactions affecting share capital (e.g. share buybacks and share capital reductions); and</li> <li>• Under the ASX Listing Rules, shareholder approval is required for matters including: <ul style="list-style-type: none"> <li>– increases in the total amount of directors' fees;</li> <li>– directors' termination benefits in certain circumstances;</li> <li>– certain transactions with related parties;</li> <li>– certain issues of shares; and</li> <li>– if a company proposes to make a significant change to the nature or scale of its activities or proposes to dispose of its main undertaking.</li> </ul> </li> </ul>

## 10. ADDITIONAL INFORMATION cont.

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
<b>Shareholders' right to request or requisition a general meeting</b>	<p>The Company's Bylaws provide that special meetings of stockholders may be called by the Board, the Chairperson of the Board, the Chief Executive Officer, the President, the holders of shares of the Company that are entitled to cast not less than ten percent (10%) of the total number of votes entitled to be cast by all stockholders at such meeting, or by a majority of the members of the Board.</p>	<p>The Corporations Act requires the Directors to call a general meeting on the request of members with at least 5% of the vote that may be cast at the general meeting or at least 100 shareholders who are entitled to vote at a general meeting.</p> <p>Shareholders with at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting at their own expense.</p>
<b>Shareholders' right to appoint proxies to attend and vote at meetings on their behalf</b>	<p>Unless otherwise provided by law or the Certificate of Incorporation, at a meeting of the Company's stockholders, every stockholder present in person or by proxy is entitled to one vote for each share held on the record date for the meeting on all matters submitted to a vote of stockholders.</p> <p>Under the Company's Bylaws, the presence at the meeting (in person or represented by proxy) of the holders of one-third of the shares of stock entitled to vote at the meeting will constitute a quorum for the transaction of business, except if otherwise required by applicable law.</p> <p>Except as otherwise provided by statute, elsewhere in the Certificate of Incorporation or Bylaws, or by applicable stock exchange rules, every matter other than the election of directors shall be decided by the affirmative vote of the holders of a majority of the shares of stock entitled to vote thereon that are present in person or represented by proxy at the meeting and are voted for or against the matter.</p> <p>Directors will be elected by a plurality of the votes of the shares (present in person or represented by proxy at the meeting) entitled to vote on the election of Directors.</p>	<p>The position is comparable under the Corporations Act with respect to the appointment of proxies.</p>

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
<b>Changes in the rights attaching to shares</b>	<p>The DGCL allows a majority of the shares of a class of such class of shares, or such higher number of outstanding shares as set out in a company's Certificate of Incorporation, to amend the rights attaching to such class or series (as applicable) of shares.</p> <p>Notwithstanding the above, under the DGCL, the number of authorised shares of a class of stock of a company may be increased or decreased (but not below the number of shares of such class then outstanding) by the affirmative vote of the holders of a majority of all the stock of the corporation entitled to vote (irrespective of the provisions of the DGCL described above that otherwise require that such an amendment be approved by the holder of the affected class of stock), if a provision to that effect is included in a company's original certificate of incorporation, or in any amendment there to (i) creating such class of stock or (ii) that was adopted prior to the issuance of any shares of such class of stock, or (iii) that was authorised by a resolution adopted by the affirmative vote of the holders of a majority of such class of stock.</p>	<p>The Corporations Act allows a company to set out in its constitution the procedure for varying or cancelling rights attached to shares in a class of shares.</p> <p>If a company does not have a constitution, or has a constitution that does not set out a procedure, such rights may only be varied or cancelled by:</p> <ul style="list-style-type: none"> <li>• a special resolution passed at a meeting for a company with a share capital of the class of members holding shares in the class; or</li> <li>• a written consent of members with at least 75% of the votes in the class.</li> </ul>
<b>Shareholder protections against oppressive conduct</b>	<p>Stockholders can sue on their own behalf in a direct suit if the stockholder can claim some personal harm, which can include claims regarding, among others, contractual and preemptive rights, rights to vote, etc.</p> <p>Stockholders can also bring derivative suits on behalf of the Company, as discussed below.</p>	<p>Under the Corporations Act, shareholders have statutory remedies for oppressive or unfair conduct of the company's affairs and the court can make any order as it sees appropriate.</p>

# 10. ADDITIONAL INFORMATION cont.

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
Shareholders' rights to bring or intervene in legal proceedings on behalf of the company	<p>Under the DGCL, a stockholder may bring a derivative action on behalf of the Company where those in control of the Company have failed to assert a claim belonging to the Company. A stockholder must meet certain eligibility and standing requirements, including a requirement that the plaintiff has been a stockholder of the Company at the time of the act of which the plaintiff makes the complaint and a requirement that the plaintiff maintain his or her status as a stockholder throughout the course of the litigation.</p> <p>A derivative plaintiff must also have made a demand on the Directors of the Company to assert the corporate claim, and the Directors have not pursued the claim, unless such a demand would have been futile.</p>	<p>The Corporations Act permits a shareholder to apply to the court for leave to bring proceedings on behalf of the company, or to intervene in proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for those proceedings, or for a particular step in those proceedings.</p> <p>The court must grant the application if it is satisfied that:</p> <ul style="list-style-type: none"><li>• it is probable that the company will not itself bring the proceedings, or properly take responsibility for them, or for the steps in them;</li><li>• the applicant is acting in good faith;</li><li>• it is in the best interests of the company that the applicant be granted leave;</li><li>• if the applicant is applying for leave to bring proceedings, there is a serious question to be tried; and</li><li>• either at least 14 days before making the application, the applicant gave written notice to the company of the intention to apply for leave and of the reasons for applying, or the court considers it appropriate to grant leave.</li></ul> <p>The Corporations Act provides that proceedings brought or intervened in with leave must not be discontinued, compromised or settled without the leave of the court.</p>

**“Two Strikes”  
rule in relation to  
remuneration reports**

**DELAWARE LAW AND U.S. FEDERAL LAW**

In the U.S., the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (U.S.) requires all “reporting companies” to have an advisory shareholder vote on pay at least once every three years. Companies must report the results and say how they have responded to these when making decisions on pay the following year.

The Company will be required to register as a U.S. reporting company pursuant to Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended, or the “U.S. Exchange Act,” if, among other things, it has (i) assets of more than \$10 million on the last day of its fiscal year and (ii) either 2,000 or more holders of any class of equity securities or 500 or more holders of any class of equity securities who are not “accredited investors” as defined in Rule 501 of Regulation D of the U.S. Securities Act.

If the Company qualifies as an ‘emerging growth company’ at the time it becomes a reporting company, then it will not be required to hold an advisory stockholder vote on pay until it is no longer an emerging growth company.

The Company will be an emerging growth company until the earliest of: (i) the last day of the first fiscal year in which its annual gross revenues exceed \$1.07 billion, (ii) last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the issuer pursuant to an effective registration statement under the U.S. Securities Act (iii) the date that it becomes a “large accelerated filer” as defined in Rule 12b-2 under the U.S. Exchange Act, (see below) or (iv) the date on which the Company has issued more than \$1.0 billion in non-convertible debt during the preceding three year period.

**AUSTRALIAN LAW**

The Corporations Act requires that a company’s annual report must include a report by the Directors on the company’s remuneration framework (called a remuneration report).

A resolution must be put to shareholders at each annual general meeting of the company’s shareholders (**AGM**) seeking approval for the remuneration report. The approval is advisory only, however, if more than 25% of shareholders vote against the remuneration report at two consecutive AGMs (i.e. two strikes), an ordinary (50%) resolution must be put to shareholders at the second AGM proposing that a further meeting be held within 90 days at which all of the Directors who approved the second remuneration report must resign and stand for re-election.

## 10. ADDITIONAL INFORMATION cont.

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
<b>“Two Strikes” rule in relation to remuneration reports</b> continued	<p>A company becomes a large accelerated filer if it meets the following conditions as of the end of its fiscal year:</p> <ul style="list-style-type: none"> <li>(i) it has an aggregate worldwide market value of the voting and non-voting common equity held by non-affiliates of \$700 million or more as of the last business day of its second fiscal quarter.</li> <li>(ii) it has been subject to the requirements of Section 13(a) or 15(d) of the U.S. Exchange Act for at least 12 months.</li> <li>(iii) it has filed at least one annual report pursuant to Section 13(a) or 15(d) of the U.S. Exchange Act; and</li> <li>(v) it is not eligible to rely on the requirements for smaller reporting companies for its annual and quarterly reports.</li> </ul>	
<b>Disclosure of substantial holdings</b>	<p>Section 16(a) of the U.S. Exchange Act requires the reporting of beneficial ownership of a reporting company’s equity securities by (i) directors; (ii) officers and (iii) stockholders owning more than 10% of the Company’s common stock.</p> <p>In addition, the U.S. Exchange Act requires every person (or group of persons) who acquires beneficial ownership of 5% or more of a U.S. reporting company’s equity securities) to disclose:</p> <ul style="list-style-type: none"> <li>• how many securities are beneficially owned by the filing person;</li> <li>• whether there is a movement of at least 1% in their beneficial ownership; and</li> <li>• whether they have intent to control or influence control of the company.</li> </ul>	<p>The Corporations Act requires every person who is a substantial holder to notify the listed company and the ASX that they are a substantial holder and to give prescribed information in relation to their holding if:</p> <ul style="list-style-type: none"> <li>• the person begins to have, or ceases to have, a substantial holding in the company;</li> <li>• the person has a substantial holding in the company and there is a movement of at least 1% in their holding; or</li> <li>• the person makes a takeover bid for securities of the company.</li> </ul> <p>Under the Corporations Act a person has a substantial holding if the total votes attached to voting shares in the company in which they or their associates have relevant interests is 5% or more of the total number of votes attached to voting shares in the company, or the person has made a takeover bid for voting shares in the company and the bid period has started and not yet ended.</p> <p>These provisions do not apply to the Company as an entity established outside Australia. However, the Company will be required to release to the ASX any substantial holder notices that are filed in the U.S.</p>

	DELAWARE LAW AND U.S. FEDERAL LAW	AUSTRALIAN LAW
<b>How takeovers are regulated?</b>	<p>The acquisition of securities in the company is subject to the DGCL and applicable U.S. Securities Laws. As a Delaware corporation, the Company is subject to section 203 of the DGCL, which generally prohibits a Delaware corporation from engaging in any business combinations with any stockholder who owns, or at any time in the last three years owned, 15% or more of the company's outstanding voting stock, referred to as an interested stockholder, for a period of three years following the date on which the stockholder became an interested stockholder, subject to certain exceptions. In addition, under the DGCL, the Board has the ability to implement a broader range of takeover defence mechanisms. Under US federal securities law, certain "tender offers" to acquire shares of the company are subject to regulations that require that such offers comply with certain terms, notices, timing and other procedures.</p>	<p>The Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if any person's voting power in the company will increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.</p> <p>Exceptions to the prohibition apply (eg. acquisitions with shareholder approval, 3% creep over 6 months and rights issues that satisfy prescribed conditions).</p> <p>Substantial holder notice requirements apply (as discussed above under the heading "Disclosure of substantial holdings").</p> <p>Compulsory acquisitions are permitted by persons who hold 90% or more of securities or voting rights in a company.</p> <p>The Australian takeovers regime will not apply to Pivotal as a foreign company.</p>

## 10.9 CHESS DEPOSITARY INTERESTS

Details of CDIs and the key differences between holding CDIs and holding the underlying Shares is detailed below:

<b>What are CDIs?</b>	<p>In order for the Shares to trade electronically on the ASX, the Company intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement.</p> <p>CHESS cannot be directly used for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the U.S. Accordingly, to enable the Shares to be cleared and settled electronically through CHESS, the Company intends to issue depository interests called CHESS Depositary Interests or CDIs.</p> <p>CDIs confer the beneficial ownership in foreign securities such as the Shares on the CDI holder, with the legal title to such Shares being held by an Australian depository nominee.</p>
<b>Who is the depository nominee and what do they do?</b>	<p>The Company will appoint CDN, a subsidiary of the ASX, and an approved general participant of ASX Settlement to act as its Australian depository.</p> <p>CDN will hold legal title to the Shares on behalf of CDI holders. CDN will receive no fees for acting as the depository for the CDIs.</p> <p>By completing an Application Form, an Applicant will apply for Shares to be issued to CDN, which will in turn issue CDIs to the Applicant.</p>



## 10. ADDITIONAL INFORMATION cont.

<b>What registers will be maintained recording your interests?</b>	<p>The Company will operate a certificated principal register of Shares in the U.S, branch and an uncertificated issuer sub-register of CDIs and an uncertificated CHESS sub-register of CDIs in Australia.</p> <p>The Company's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs will be maintained by the Share Registry. The branch register is the register of legal title (and will reflect legal ownership by CDN of the Shares underlying the CDIs with the Shares held by CDN recorded on the register of Shares). The two uncertificated sub-registers of CDIs combined will make up the register of beneficial title of the Shares underlying the CDIs.</p>
<b>How is local and international trading in CDIs affected?</b>	<p>CDI holders who wish to trade their CDIs will be transferring the beneficial interest in the Shares rather than the legal title. The transfer will be settled electronically by delivery of the relevant CDI holdings through CHESS. In other respects, trading in CDIs is essentially the same as trading in other CHESS approved securities, such as shares in an Australian company.</p>
<b>What is the CDI:Share ratio?</b>	<p>Each CDI will represent an interest in one Share.</p>
<b>What will Applicants receive on acceptance of their Applications?</b>	<p>Successful Applicants will receive a holding statement which sets out the number of CDIs held by the CDI holder and the reference number of the holding. These holding statements will be provided to a holder when a holding is first established and where there is a change in the holdings of CDIs.</p>
<b>How do CDI holders convert from a CDI holding to a direct holding of Shares on the U.S. principal register?</b>	<p>CDI holders who wish to convert their ASX listed CDIs to Shares to be held on the U.S. register can do so by instructing the Company's Share Registry either:</p> <ul style="list-style-type: none"> <li>• directly in the case of CDIs on the issuer sponsored sub register operated by the Company. CDI holders will be provided with a form entitled "Register Removal Request" for completion and return to the Company's Share Registry; or</li> <li>• through their sponsoring participant (usually their broker) in the case of CDIs which are sponsored on the CHESS sub register. In this case, the sponsoring broker will arrange for conversion from the CHESS sub-register to the issuer sponsored sub-register so that the holder may complete the relevant form and its return to the Company's Share Registry.</li> </ul> <p>The Company's Share Registry will then arrange for the Shares to be transferred from CDN into the name of that holder and a statement of holding will be issued. This will cause the Shares to be registered in the name of the holder on the Company's share register and trading on ASX will no longer be possible. The Shares are not and will not in the near future be quoted on any market in the U.S.</p> <p>The Company's Share Registry will not charge an individual security holder or Pivotal a fee for transferring CDI holdings into Shares (although a fee will be payable by market participants). It is expected that this process will be completed with 24 hours, provided that the Share Registry is in receipt of a duly completed and valid removal request form. However, no guarantee can be given about the time for this conversation to take place.</p> <p>If holders of Shares wish to convert their holdings to CDIs, they can do so by contacting the Company's Share Registry. The Company's Share Registry will not charge a fee to a holder of Shares seeking to convert the Shares to CDIs (although a fee will be payable by market participants).</p>

<p><b>What are the voting rights of a CDI holder?</b></p>	<p>If holders of CDIs wish to attend and vote at the Company's general meeting, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant U.S. law at the time of the meeting prevents CDI holders from attending those meetings.</p> <p>In order to vote at such meetings, CDI holders have the following options:</p> <ul style="list-style-type: none"> <li>(a) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or</li> <li>(b) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or</li> <li>(c) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.</li> </ul> <p>As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.</p> <p>As each CDI represents one Share, a CDI holder will be entitled to one vote for every one CDIs they hold.</p> <p>Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.</p> <p>These voting rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the Delaware General Corporation Law. Since CDN is the legal holder of applicable shares, the holders of CDIs do not have any directly enforceable rights under the Company's Bylaws or Certificate of Incorporation.</p>
<p><b>What dividend and other distribution entitlements do CDI holders have?</b></p>	<p>Despite legal title to the Shares being vested in CDN, the ASX Settlement Operating Rules provide that CDI holders are to receive all economic benefits and other entitlements in relation to the underlying Shares, these include dividends and other entitlements which attach to the underlying Shares. These rights exist only under the ASX Settlement Operating Rules (which have the force of law by virtue of the Corporations Act), rather than under the U.S. Exchange Act or the Delaware General Corporation Law.</p> <p>Whilst the Company does not anticipate declaring any dividends in the foreseeable future, should it do so in the longer term, the Company will declare any dividends in US\$ as that is its main functional currency. In that event, the Company will pay any dividend in US\$ or A\$ depending on the country of residence of the CDI holder. If the CDI holder in Australia wishes to receive dividends in US\$ they must complete an appropriate form and return it to the Company's Share Registry, no later than the close of business on the dividend record date.</p>

## 10. ADDITIONAL INFORMATION cont.

<b>What corporate action entitlement (such as rights issues and bonus issues) do CDI holder have?</b>	CDI holders receive all direct economic and other entitlements in relation to the underlying Shares. These include entitlements to participate in rights issues, bonus issues and capital reductions. These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL.
<b>What rights do CDI holders have in the event of a takeover?</b>	<p>If a takeover bid or similar transaction is made in relation to the Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder. CDN must ensure that the offeror processes the takeover acceptance of a CDI holder if such CDI holder instructs CDN to do so.</p> <p>These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL.</p>
<b>What notices and announcement will CDI holders receive?</b>	CDI holders will receive all notices and company announcements (such as annual reports) that Shareholders are entitled to receive from the Company. These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL.
<b>What rights do CDI holders have on liquidation or winding up?</b>	In the event of the Company's liquidation, dissolution or winding up, a CDI holder will be entitled to the same economic benefit on their CDIs as holders of Shares. These rights exist only under the ASX Settlement Operating Rules, rather than under the U.S. Exchange Act or the DGCL.
<b>Will CDI holders incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares?</b>	A CDI holder will not incur any additional ASX or ASX Settlement fees or charges as a result of holding CDIs rather than Shares.
<b>Where can further information be obtained?</b>	<p>For further information in relation to CDIs and the matters referred to above, please refer to the ASX website and the documents entitled</p> <p>(a) "Understanding CHES Depositary Interests at:  <a href="http://www.asx.com.au/documents/settlements/CHES_Depositary_Interests.pdf">http://www.asx.com.au/documents/settlements/CHES_Depositary_Interests.pdf</a></p> <p>(b) ASX Guidance Note 5 at:  <a href="http://www.asx.com.au/documents/rules/gn05_chess_depositary_interests.pdf">http://www.asx.com.au/documents/rules/gn05_chess_depositary_interests.pdf</a></p> <p>or contact your stockbroker or the Offer Information Line.</p>

## 10.10 ESCROW ARRANGEMENTS

Certain existing Shareholders who do not sell all of their Shares into the Offer will be restricted from dealing in their CDIs or Shares. These restrictions are either imposed by the ASX, have been agreed to voluntarily or have been effected by amendment to the Company's Investors' Rights Agreement.

With respect to ASX imposed restrictions, the ASX Listing Rules require that certain persons or entities such as seed capitalists, promoters and related parties enter into restriction agreements under which they are restricted from dealing in a specified number of their Securities for up to 24 months from the date of quotation of the CDIs. The restriction agreements will be in the form required by the ASX Listing Rules over such number of securities and for such period of time as determined by the ASX, and restrict the ability of the holder of the securities from disposing of, creating any security interest in or transferring effective ownership or control of such securities. In accordance with the Company's Certificate of Incorporation and as required by the ASX Listing Rules, if a Shareholder breaches or violates the applicable restrictions, the Shares subject to such restrictions will convert into Common Prime Stock, which is a class of common stock that does not have voting or dividend rights, until the violation being remedied or the end of the restriction period.

With respect to voluntary restrictions, the Company has requested a number of persons and entities have to agree to voluntary restrictions for a specific period of time on similar terms to the ASX restriction agreements. However, under the voluntary escrow arrangements, Shareholders may transfer Shares or CDIs to other Shareholders that are also subject to the escrow arrangements and the Shares/CDIs will continue to be restricted in the hands of the transferee for the balance of the restriction period set out in the table below.

In addition, the Company has amended its Investors' Rights Agreement to provide that the investor parties thereto may not transfer their Shares after the Offer until they are released in three tranches as described in the table below.

The table below sets out the periods during which certain Shareholders are restricted from dealing in their securities pursuant to the above restrictions immediately following Completion of the Offer.

	Shares	Options	% of fully diluted capital upon Completion	Day following release of the FY18 result <sup>1,5</sup>	Day following release of the H1FY19 result <sup>2,5</sup>	Day following release of the FY19 result <sup>3,5</sup>	24 Months post IPO <sup>4,5</sup>
Firsthand Venture Investors	53,758,441	–	42.9%	3,225,368	5,644,394	7,257,079	37,631,600
Anzu Partners	10,725,588	–	8.6%	2,145,117	3,753,955	4,826,516	–
John Hoffman	1,441,870	3,348,659	3.8%	–	–	–	4,790,529
Dr. Joseph Monkowski	1,445,683	3,339,089	3.8%	–	–	–	4,784,772
Omesh Sharma	1,041,870	2,021,357	2.4%	–	–	–	3,063,227
Other Senior Management	–	1,876,899	1.5%	–	–	1,876,899	–
Employees, contractors and consultants	–	3,589,379	2.9%	717,873	1,256,280	1,615,226	–
Other shareholders <sup>6,7</sup>	13,800,404	201,000	11.2%	2,682,813	4,694,927	6,036,379	587,285
<b>Total</b>	<b>82,213,856</b>	<b>14,376,383</b>	<b>77.0%</b>	<b>8,771,171</b>	<b>15,349,556</b>	<b>21,612,099</b>	<b>50,857,413</b>

Notes:

1. Expected to be on or about February 28, 2019, approximately 8 months after the IPO.
2. Expected to be on or about August 28, 2019, approximately 14 months after the IPO.
3. Expected to be on or about February 28, 2020, approximately 20 months after the IPO.
4. Expected to be on or about 29 June 2020.
5. Escrow profile shown on a fully diluted basis.
6. Includes holdings of Ryan Benton (Independent Non-Executive Director).
7. This represents the maximum number of shares that will be subject to voluntary escrow.

## 10. ADDITIONAL INFORMATION cont.

### 10.11 FOR U.S. RESTRICTIONS

#### Regulation S

The Offer is being made available to investors in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act for offers which are made outside the U.S. Accordingly, the CDIs to be issued under the Offer (and the Shares underlying those CDIs) have not been, and will not be, registered under the U.S. Securities Act or the laws of any state or other jurisdiction in the U.S.

As a result of relying on the Regulation S exemption, the CDIs which are issued under the Offer (and the Shares underlying those CDIs) will be 'restricted securities' under Rule 144 of the U.S. Securities Act. This means that you will not be able to sell the CDIs issued to you under the Offer into the U.S. or to a U.S. person for a period of 12 months from the date of allotment of the CDIs under the Offer, unless the re-sale of the CDIs is registered under the U.S. Securities Act or an exemption is available. Accordingly, the market for CDIs is likely to be limited to ASX, and if the market outside of the U.S. does not develop or is illiquid, purchasers of CDIs will be unable to sell the CDIs into the market within the U.S. due to restrictions on the transfer of CDIs.

To enforce the above transfer restrictions, the Company has requested that all CDIs issued under the Offers bear a "FOR U.S." designation on ASX. This designation effectively automatically prevents any CDIs from being sold on ASX to U.S. persons. However, you will still be able to freely transfer your CDIs on ASX to any person other than a U.S. person.

In addition, hedging transactions with regard to the Company's CDIs may only be conducted in accordance with the U.S. Securities Act.

#### No-action letter

In January 2000, the SEC issued a no-action letter to ASX with regard to initial public offerings of U.S. private companies on ASX. The letter provided that non-reporting private U.S. companies, which had not listed their shares in the U.S., such as the Company, could do so on ASX in reliance on Regulation S.

The no-action letter requires purchasers of CDIs pursuant to the Offer and any person who purchases CDIs in the secondary market to make representations about their non-U.S. status. The no-action letter is based on certain assumptions and also requires that the Company, ASX, the CUSIP Bureau and ASX Participating Organisations (as defined below) take certain actions in order to comply with the requirements set forth in the no-action letter.

#### Representations regarding non-U.S. status

Each Applicant under the Offer will be deemed to have represented, warranted and agreed for the benefit of the Company and its related bodies corporate and any officers, employees, agents, advisers or brokers of any of them (affiliates) as follows:

- that the Applicant is not a U.S. Person and is not acting for the account or benefit of a U.S. Person. A U.S. Person includes, among other things and subject to certain limited exceptions:
  - any natural person resident in the U.S.;
  - any partnership or corporation organised or incorporated under the laws of the U.S.;
  - any estate of which any executor or administrator is a U.S. person;
  - any trust of which any trustee is a U.S. person;
  - any agency or branch of a foreign entity located in the U.S.;
  - any non-discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary for the benefit or account of a U.S. person;
  - any discretionary account or similar account, other than an estate or trust, held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the U.S.; and
  - any partnership or corporation, organised or incorporated under the laws of any foreign jurisdiction, if formed by a U.S. person principally for the purpose of investing in securities not registered under the U.S. Securities Act.

- the Applicant acknowledges and agrees that, in order to ensure that U.S. Persons do not purchase any CDIs under the Offer, a number of procedures governing the trading and clearing of CDIs will be implemented, including the application to the CDIs of the status of Foreign Ownership Restriction (“FOR”) securities under the ASX Settlement Operating Rules and the addition of the notation “FOR U.S.” to the CDI description on ASX trading screens and elsewhere, which will inform the market of the prohibition on U.S. Persons acquiring CDIs;
- the Applicant understands and agrees that, if in the future it decides to resell, pledge, transfer or otherwise dispose of any CDIs (or the Shares underlying those CDIs) it will only do so: (i) outside the U.S. in an offshore transaction in compliance with Rule 903 or 904 under the U.S. Securities Act, (ii) pursuant to an effective registration statement under the U.S. Securities Act or (iii) pursuant to an available exemption from the registration requirements of the U.S. Securities Act, and in each case in accordance with all applicable securities laws;
- the Applicant agrees not to engage in hedging transactions with regard to the CDIs (or the Shares underlying the CDIs) unless in compliance with the U.S. Securities Act; and
- the Applicant acknowledges that the Company and its affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any such acknowledgments, representations or warranties are no longer accurate, it will notify the Company immediately. Each Applicant agrees to indemnify the Company, its affiliates and their respective Directors, officers, employees and advisers against any loss, damage or costs incurred and arising out of or in relation to any breach by it of the acknowledgments, representations, warranties and agreements.

#### **Representations of purchasers of CDIs in the secondary market**

The no-action letter requires that purchasers of CDIs in the secondary market make similar certifications and agreements to the ones that purchasers make in the Offer regarding their status as non-U.S. Persons.

#### **Requirements of ASX and CUSIP Bureau**

The no-action letter requires that ASX and entities like CUSIP Global Services take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- the CDIs issued under the Offers will be classified as FOR securities under the ASX Settlement Operating Rules, and will be identified on trading screens as being on the FOR list. For this purpose, “Foreign Person” will be defined as a “U.S. Person” and the permitted foreign ownership level will be zero. As a result, no U.S. Person may apply for CDIs under the Offer. If you have a CHESS HIN designated as “Foreign”, you may not subscribe for CDIs under the Offer. If for any reason CDIs are purchased by a U.S. Person under the Offer, the CDIs will be divested under the ASX Settlement Operating Rules;
- ASX will widely publish an explanation of the restricted stock identifier beginning a reasonable period prior to initial quotation of the Company’s CDIs on ASX and continually thereafter; the CDIs will be identified in the records maintained by entities such as CUSIP Global Services, as restricted under the U.S. Securities Act, so that participants in book entry clearance facilities and others that trade the CDIs will have notice that transfers of the CDIs to U.S. persons are restricted and must qualify under an appropriate exemption;
- U.S. entities may not participate in the ASX market, either as brokers or as market-makers;
- no ASX trading screens may be placed in the U.S.; and
- whilst ASX and ASX Settlement will maintain these procedures and systems, neither the ASX or ASX Settlement is responsible for monitoring compliance with SEC requirements or U.S. law, nor is the ASX or ASX Settlement responsible to third parties for any misfeasance by the Company in relation to those procedures. If the Company breaches U.S. law, neither ASX nor ASX Settlement is responsible for those breaches.

## 10. ADDITIONAL INFORMATION cont.

### Requirements of the Lead Manager and ASX Participating Organisations

The no-action letter requires that the Lead Manager and ASX Participating Organisations (brokers that are members of ASX) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- whether in the Offer or in secondary trading, ASX Participating Organisations must not execute a transaction on ASX in Regulation S securities if that broker knows that the purchaser is acting for the account or benefit of a U.S. Person;
- in connection with any purchase of CDIs, whether in the Offer or any secondary trading, ASX Participating Organisations must make reasonable efforts to ascertain whether a purchaser is a U.S. Person or is acting for the account or benefit of a U.S. Person, and implement measures designed to assure reasonable compliance with these requirements;
- the confirmation sent to each purchaser of CDIs either in the Offer or in any secondary market trading must include a notice that the CDIs are subject to the restrictions of Regulation S;
- any information provided by the Lead Manager to publishers of publicly available databases, such as Bloomberg and Reuters, about the terms of the issuance of the CDIs must include a statement that the CDIs have not been registered under the U.S. Securities Act and is subject to restrictions under Regulation S.

### Requirements of the Company

The no-action letter also requires that the issuer of the CDIs (i.e. the Company) take certain actions in order to comply with the provisions of the no-action letter, a summary of which is set out below:

- the Company must undertake to provide notification of the Regulation S status of its CDIs in shareholder communications such as annual reports, periodic interim reports and notices of shareholder meetings;
- the Bylaws must provide that the Company will refuse to register any transfer of the CDIs (or the Shares underlying those CDIs) not made:
  - in accordance with the provisions of Regulation S (Rule 901 through Rule 905 and preliminary notes);
  - pursuant to registration under the U.S. Securities Act; or
  - pursuant to an available exemption from registration; and
- during the distribution compliance period the Company undertakes that any information provided by the Company to publishers of publicly available databases, such as Bloomberg and Reuters, about the term of issuance of the CDIs must include a statement that the CDIs have not been registered under the U.S. Securities Act and are subject to restrictions under Regulation S.

### Legending requirements

Global securities, certificates into which global securities may be subdivided and any physical certificate representing the Shares into which CDIs have been converted prior to the end of the restriction period must bear certain restrictive legends required under Regulation S and certain other pertinent provisions of the U.S. Securities Act and the regulations promulgated under the U.S. Securities Act. No Shares bearing the restrictive legend may be transferred by the Registry or other transfer agent without a favourable opinion or counsel or the assurance that the transfer complies fully with the U.S. Securities Act.

### 10.12 AUSTRALIAN TAXATION IMPLICATIONS OF INVESTING UNDER THE OFFER

Pivotal is a company incorporated in the U.S. and registered as a foreign company in Australia and as such, it would be treated as a foreign company for Australian taxation purposes.

Pivotal's financial year ends on 31 December, annually. The following general taxation comments consider the Australian taxation implications for Australian tax residents only. The tax implications for holders of CDIs in Pivotal relate to the receipt of dividends and potential gains on the disposal of CDIs in Pivotal.

The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. We recommend each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in Pivotal are urged to obtain independent financial advice about the consequences of acquiring CDIs in Pivotal.

To the maximum extent permitted by law, Pivotal, its officers, Directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of CDIs in Pivotal issued under this Prospectus.

### **Dividends**

Where Pivotal pays a dividend to an Australian tax resident Shareholder, the dividend should be included in the Shareholders assessable income for the relevant year of income. For income tax purposes the dividend is to be grossed up for any withholding tax deducted in the U.S. for an Australian tax resident Shareholder.

The general U.S. dividend withholding tax rate is 15% and may be reduced in certain circumstances. A corresponding foreign tax offset may be available to the Shareholder for the withholding tax deducted in relation to the dividend paid.

The foreign tax offset should be equivalent to the withholding tax deducted and remitted to the U.S. tax authorities. This offset is calculated on the greater of:

- A\$1,000; or
- the Australian tax payable on the net income on which foreign tax is paid.

Generally, dividends received by an Australian resident company who holds at least 10% in a foreign company (ie non-portfolio dividend) would not be assessable income for Australian taxation purposes. Pivotal is a foreign company, accordingly there would be no attaching franking credits to any dividend paid (ie no franked dividends).

### **Profit making intention**

Any gain derived by shareholders who acquire their CDIs in Pivotal as part of a business or with a view of profit, may be assessable as ordinary income for Australian taxation purposes. Correspondingly, any loss made on disposal may be deductible. In this scenario, the transaction would not be subject to the Capital Gains Tax (**CGT**) provisions and the general CGT discount concession would not be available. Each investor should seek independent advice as to whether the gain would be considered ordinary income.

### **CGT**

The disposal of CDIs in Pivotal by a Shareholder would be a CGT event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the CDIs in Pivotal (broadly, the amount paid to acquire the CDIs in Pivotal plus any transaction costs incurred in relation to the acquisition or disposal of the CDIs in Pivotal).

In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the CDIs in Pivotal. A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the CDIs have been held for more than 12 months prior to the CGT event.

Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustee (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the CDIs in Pivotal exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

### **Goods and Services Tax (GST)**

No GST should be payable in respect of the acquisition or disposal of the CDIs in Pivotal. Further, no GST should be payable in respect of dividends paid.

### **Stamp Duty**

On the issue or allotment of the CDIs in Pivotal as part of the offer, no stamp duty should be payable. No stamp duty should be payable in respect of the acquisition or disposal of the CDIs in Pivotal that are quoted on the Australian Securities Exchange at the time of the transactions.



## 10. ADDITIONAL INFORMATION cont.

### 10.13 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below, or as otherwise disclosed in this Prospectus, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Moelis Australia Advisory Pty Ltd and Shaw and Partners Limited have acted as Joint Lead Managers to the Offer. The Company has paid or agreed to the amount described in Section 9.6 in respect of these services.

BDO Corporate Finance (East Coast) Pty Ltd has acted as the Australian Investigating Accountant and provided the Independent Limited Assurance Report in Section 7 and has acted as the tax adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately \$280,000 (plus disbursements and GST) in respect of these services. Further amounts may be paid to BDO Corporate Finance (East Coast) Pty Ltd in accordance with time-based charges.

Maddocks Lawyers has acted as the Australian legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately \$180,000 (plus disbursements) up to the date of this Prospectus in respect of these services. Further amounts may be paid to Maddocks in accordance with its normal time-based charges. In addition, DLA Piper, Australia has also acted as Australian legal adviser to the Company. The Company has paid or agreed to pay an amount of approximately \$83,000 (plus disbursements) up to the date of this Prospectus in respect of these services.

Fenwick & West LLP has acted as US legal adviser to the Company in relation to the Offer. The Company has paid or agreed to pay an amount of approximately \$395,436 in respect of these services.

The Company will pay these amounts and other expenses of the Offer out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of the expenses of the Offer is set out in Section 8.3.

### 10.14 OFFER EXPENSES

A summary of the Offer costs is set out below.

Offer Costs	A\$'000	US\$'000
Joint Lead Manager fees	2,677	2,008
Legal fees	523	392
Independent accountant fees	200	150
Tax advisory fees	32	24
Audit fees	80	60
ASX Listing fee	200	150
Other costs	339	254
<b>Total</b>	<b>4,051</b>	<b>3,038</b>

The Company has paid or will pay all of the costs associated with the Offer other than 4.5% of sale proceeds which will be borne by Selling Shareholders. If the Offer proceeds, the total estimated cash expenses in connection with the Offer to be paid by the Company and SaleCo (including underwriting, management, advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be approximately A\$4.1 million.

## 10.15 CONSENTS

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described below:

- Moelis Australia Advisory Pty Ltd has consented to being named as Joint Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Moelis Australia Advisory Pty Ltd;
- Shaw and Partners Limited has consented to being named as Joint Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Shaw and Partners Limited;
- BDO Corporate Finance (East Coast) Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant and to the inclusion of its Investigating Accountant's Report in Section 7 in the form and context in which it appears;
- BDO East Coast Partnership has consented to be named in this Prospectus as the Company's auditors and tax advisers and has consented to the inclusion of the summary of tax implications in Section 10.12. BDO East Coast Partnership does not make any other statement in this Prospectus;
- Maddocks Lawyers has consented to being named in the Corporate Directory of this Prospectus as the Australian legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Maddocks Lawyers;
- Fenwick & West LLP has consented to being named in the Corporate Directory of this Prospectus as the US legal adviser to the Company, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Fenwick & West LLP;
- Boardroom Pty Limited has consented to being named in the Corporate Directory and elsewhere in this Prospectus as the Share Registry for the Company. Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registry to the Company. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

## 10. ADDITIONAL INFORMATION cont.

### 10.16 ASX AND ASIC WAIVERS AND CONFIRMATIONS

The ASX has given the Company 'in principle' advice that it would be likely to provide the confirmations and waivers described below on receipt of the Company's application for admission to the Official List of ASX:

- a waiver from Listing Rule 1.1, condition 12, to the extent necessary to permit the Company to have Options on issue with an exercise price of less than \$0.20 per CDI;
- a waiver from Listing Rules 6.16, 6.19, 6.21 and 6.22 to the extent necessary to permit the Company to have on issue under the Prior Plan that do not comply with those Listing Rules;
- a waiver from Listing Rule 14.2.1 to the extent necessary to permit the Company not to provide in the proxy form for meetings, an option for CDI holders to vote against a resolution to elect a Director;
- a confirmation that the Company may prepare its financial accounts in US Dollars; and
- confirmations with respect to the mandatory ASX escrow requirements for Existing Shareholders.

ASIC has granted a modification of section 707 of the Corporations Act to the extent necessary to permit the Shares that will be issued on the reclassification of the existing Class B common stock as Shares, conversion of the existing Series A, B, C and D Preferred Stock to Shares and exercise of the Series C, Series D and Common Stock Warrants into Shares, to be able to be sold within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale.

### 10.17 LEGAL PROCEEDINGS

To the knowledge of the Directors, at the Prospectus Date there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved, which the Company believes is likely to have a material impact on the business or the financial results of the Company.

### 10.18 INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the CDIs to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of CDIs listed on ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

### 10.19 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in New South Wales, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

### 10.20 STATEMENT OF DIRECTORS

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

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# 11.

## DEFINED TERMS



## 11. DEFINED TERMS

In this Prospectus:

<b>\$</b>	United States Dollars (unless otherwise specified).
<b>A\$</b>	Australian Dollars.
<b>AIFRS</b>	Australian International Financial Reporting Standards.
<b>AFSL</b>	Australian Financial Services Licence.
<b>Allotment Date</b>	The date on which the Shares are allotted under the Offer.
<b>Applicant</b>	A person who submits a valid Application Form and required Application Amount pursuant to this Prospectus.
<b>Application</b>	An application for Shares under this Prospectus.
<b>Application Amount</b>	Money submitted by Applicants under the Offer.
<b>Application Form</b>	The application form attached to or accompanying this Prospectus for investors to apply for Shares under the Offer.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>Associate</b>	Has the meaning ascribed to that term in the Corporations Act.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.
<b>ASX Corporate Governance Principles</b>	The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this Prospectus.
<b>ASX Listing Rules</b>	The official Listing Rules of ASX as amended or waived and applicable to the Company from time to time.
<b>ATO</b>	The Australian Taxation Office.
<b>Board</b>	The board of directors of the Company.
<b>Broker</b>	Any ASX participating organisation selected by the Joint Lead Manager in consultation with the Company to act as a broker to the Offer.
<b>Broker Firm Offer</b>	Has the meaning ascribed to that term in Section 8.5.
<b>CDIs</b>	CHESS Depositary Interests.
<b>CGT</b>	Capital Gains Tax.
<b>Closing Date</b>	The date that the Offer closes as set out on page 2 “Important Dates”.
<b>Company or Pivotal</b>	Pivotal Systems Corporation (ARBN 626 346 325).
<b>Compart</b>	Compart Asia Pacific Limited.
<b>Completion</b>	Completion of the issue and transfer of CDIs under this Prospectus.
<b>Contract Manufacturer</b>	Compart Asia Pacific Limited.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Directors</b>	The directors (including any alternate directors) of the Company as at the date of this Prospectus.
<b>DGCL</b>	Delaware General Corporation Law.

<b>DRAM</b>	Dynamic Random Access Memory is a type of memory used by computer processors. It is commonly used in smartphones, PCs and data centre storage.
<b>EtherCAT</b>	EtherCAT Technology Group.
<b>Existing Shareholders</b>	A holder of Shares immediately prior to the issue of CDIs under the Offer.
<b>Existing Shares</b>	Existing shares at the date of this Prospectus.
<b>Exposure Period</b>	The seven day period after the date of lodgement of the Original Prospectus with ASIC as has been extended by ASIC for a further period of 7 days.
<b>Financial Information</b>	Has the meaning given in Section 6.
<b>Firsthand</b>	Firsthand Venture Investors.
<b>GFC</b>	A Gas Flow Controller refers to Pivotal's proprietary MFC device.
<b>GST</b>	Has the meaning given to that term in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and includes goods and services tax.
<b>IC</b>	An Integrated Circuit is a device built on a semiconductor substrate (base) layer by pattern diffusion of trace elements onto it. The invention of the IC technology in 1958 enabled much of the electronics industry we know today.
<b>IDM</b>	Integrated Device Manufacturers are firms that design, manufacture and sell semiconductors. Examples include Samsung, Intel, Texas Instruments, SK Hynix and TSMC.
<b>Institutional Investor</b>	An Applicant to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (disregarding section 708AA), and excluding a retail client within the meaning of section 761G of the Corporations Act.
<b>ISO 9000</b>	A family of quality management systems standards designed to help organisations ensure they meet regulatory requirements relating to a product or service.
<b>IOT</b>	Internet of Things refers to the system of interrelated physical devices that have the ability to connect to the internet and transfer data over a network without human interaction. Physical devices include those that until recently did not have internet connectivity such as fridges, dishwashers and other household goods.
<b>Joint Lead Managers</b>	Moelis Australia Advisory Pty Ltd and Shaw and Partners Limited.
<b>Key Executives</b>	John Hoffman, Dr. Joseph Monkowski and Omesh Sharma.
<b>Manufacturing and Supply Agreement</b>	The agreement between Pivotal and Compart to manufacture and supply Pivotal products dated 13 March 2013.
<b>MFC</b>	A Mass Flow Controller is a system that controls the flow of gas into process tools used in the fabrication of ICs.
<b>New CDIs</b>	CDIs offered for subscription by the Company over newly issued Shares under the Prospectus.
<b>OEM</b>	Original Equipment Manufacturer refers to firms that manufacture and sell semiconductor process equipment to IDMS. Examples include Applied Materials, Lam Research and Tokyo Electron.
<b>Offer</b>	The offer of CDIs to raise up to A\$53.5 million.



## 11. DEFINED TERMS cont.

<b>Offer Period</b>	The period during which investors may subscribe for CDIs under the Offer.
<b>Offer Price</b>	The subscription price per CDI under the Offer (i.e. A\$1.86 per CDI).
<b>Option</b>	An option to acquire Securities in the Company issued under the Company's Equity Incentive Plans (as described in Section 5.7 of this Prospectus).
<b>ODVA</b>	Open DeviceNet Vendor Association, Inc.
<b>Original Prospectus</b>	The Prospectus issued by the Company and SaleCo dated 12 June 2018, which was lodged with ASIC on that date and is replaced by this Prospectus.
<b>OSD</b>	Optoelectronics Sensors & Discretes devices are a group of semiconductor devices that are not ICs. Optoelectronic devices are devices that operate on both light and electrical currents and focus on light-emitting or light-detecting devices and are used in digital cameras, LEDs and solar cells. Electronic sensors convert stimuli including heat, light and sound into electrical signal and are used in hard disk drives, temperature and pressure sensors. Discrete devices are elementary electronic devices constructed as a single unit.
<b>Prospectus</b>	This Prospectus, dated 22 June 2018, for the issue of CDIs to raise approximately A\$53.5 million (including the electronic form of that Prospectus).
<b>Prospectus Date</b>	The date on which the Original Prospectus was lodged with ASIC, being 12 June 2018.
<b>Retail Applicant</b>	An Applicant who is not an Institutional Applicant.
<b>Sale CDIs</b>	CDIs over Existing Shares offered for sale by SaleCo under this Prospectus.
<b>SaleCo</b>	Pivotal SaleCo, Inc which is offering CDIs over Existing Shares for sale under this Prospectus.
<b>Security</b>	Includes a Share or CDI which is the subject of the Offer and any other right, or any other equity interest in the Company.
<b>Selling Shareholders</b>	Those Shareholders who will sell down Shares into the Offer as described in Section 10.6 of this Prospectus.
<b>Share</b>	A fully paid share of common stock in the capital of the Company.
<b>Share Capital Restructuring</b>	The conversion of preferred stock to Shares and exercise of Warrants into Shares as described in Section 10.4.
<b>Shareholder</b>	A registered holder of a Share.
<b>Share Registry</b>	Boardroom Pty Limited.
<b>Sccm</b>	Standard Cubic Centimetres per minute refers to the flow measurement of the volume of gas which passes through a point in one minutes time.
<b>Subscription Price</b>	The amount payable by Applicants to the Company for the issue of CDIs under the Offer being A\$1.86 per CDI.
<b>Underwriting Agreement</b>	The underwriting agreement between the Joint Lead Managers and the Company, as outlined in section 9.6.
<b>US\$</b>	United States Dollars.
<b>US Person</b>	Has the meaning given to it in Rule 902(k) under Regulation S of the U.S. Securities Act.
<b>US Securities Act</b>	The United States Securities Act of 1933, as amended from time to time.
<b>Warrant</b>	A warrant to acquire a Share in the capital of the Company.

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## APPENDIX 1

# SUMMARY OF INTELLECTUAL PROPERTY





# APPENDIX 1 SUMMARY OF INTELLECTUAL PROPERTY

This Appendix provides details of the patents and trademarks which Pivotal has been granted or applied for.


## PATENTS

Title of the Inventions	Priority Deadline	Provisional and Patent Cooperation Treaty	US Patent Application No.	Status in US	Non-US Countries Granted	Non US Countries Filed & Pending
METHOD AND APPARATUS FOR IN SITU TESTING OF GAS FLOW CONTROLLERS	11 Jul 2008	61/080,196 61/090,147 PCT/US2009/031170	7,823,436 8,240,324 8,667,830 8,857,456	4 Granted	CN, TW, 2 JP	KR (allowed) EP (published)
METHOD AND APPARATUS FOR THE MEASUREMENT OF ATMOSPHERIC LEAKS IN THE PRESENCE OF CHAMBER OUTGASSING	24 Jul 2008	61/083,489	8,393,197	1 Granted	None	None
METHOD AND APPARATUS FOR GAS FLOW CONTROL	15 Oct 2009	61/252,143 PCT/US2010/052974	9,904,297 9,523,435 15/342,067	2 Granted 1 Allowed	KR, CN, EP (FR, DE, GB, IR), JP, TW	CN Div (Allowed)
METHOD AND APPARATUS FOR ENHANCING IN-SITU GAS FLOW MEASUREMENT PERFORMANCE	9 Dec 2009	12/634,568 12/634,593 12/634,629	8,271,210 8,271,211 8,265,888	3 Granted	None	None
TRANSIENT MEASUREMENTS OF MASS FLOW CONTROLLERS	29 Nov 2010	61/417,842	9,400,004	1 Granted	None	None
METHOD AND APPARATUS FOR GAS FLOW CONTROL	10 Jul 2015	62/191,272 PCT/US2016/041581	15/206,180	Pending	TW	CN, EP, JP, KR (pending)
METHOD FOR WIDE RANGE GAS FLOW WITH REAL TIME FLOW MEASUREMENT AND CORRECTION	26 May 1999	09/318,880 PCT/US2099/028687	6,119,710	1 Granted	None	None
WIDE RANGE GAS FLOW SYSTEM WITH REAL TIME FLOW MEASUREMENT AND CORRECTION	17 Aug 2000		6,216,726	1 Granted	None	None
SYSTEM AND METHOD FOR VACUUM CHAMBER LEAK DETECTION	30 Nov 2007		7,590,498	1 Granted	None	None

Title of the Inventions	Priority Deadline	Provisional and Patent Cooperation Treaty	US Patent Application No.	Status in US	Non-US Countries Granted	Non US Countries Filed & Pending
USE OF MODELED PARAMETERS FOR REAL-TIME SEMICONDUCTOR PROCESS METROLOGY APPLIED TO SEMICONDUCTOR PROCESSES	20 Apr 2005	60/673,663	7,695,984	1 Granted	None	None
TECHNIQUES FOR CALIBRATION OF GAS FLOWS	13 Sep 2006	60/844,495	7,757,541	1 Granted	None	None
END POINT DETECTION METHOD FOR PLASMA ETCHING OF SEMICONDUCTOR WAFERS WITH LOW EXPOSED AREA	19 Jan 2005	60/644,928	7,871,830	1 Granted	None	None
SYSTEM AND METHOD FOR CONTROLLING PROCESS END-POINT UTILIZING LEGACY END-POINT SYSTEM	16 Apr 2007	PCT/US2007/066777	7,873,052	1 Granted	None	None
DATA TIMESTAMP MANAGEMENT	6 Jul 2006	60/819,430	7,937,232	1 Granted	None	None
METHOD AND APPARATUS FOR IDENTIFYING THE CHEMICAL COMPOSITION OF A GAS	7 Aug 2007	61/202,457 60/963,974	7,940,395 8,237,928	2 Granted	None	None
HIGH-SPEED SECS MESSAGE SERVICES (HSMS) PASS-THROUGH INCLUDING BYPASS	21 Sep 2006		8,102,844	1 Granted	None	None

# APPENDIX 1 SUMMARY OF INTELLECTUAL PROPERTY cont.

## TRADEMARKS

Trademark applications	Serial number	Goods/Services
<b>PIVOTAL SYSTEMS</b> Use Based	87/907,622	<b>Class 9:</b> Apparatus for measuring gas concentration. <b>Class 11:</b> Gas regulators, namely mass flow controller.
 Use Based	87/908,340	<b>Class 9:</b> Apparatus for measuring gas concentration. <b>Class 11:</b> Gas regulators, namely mass flow controller.
<b>ACD</b> Intent-to-Use	87/908,371	<b>Class 11:</b> Gas regulators, namely mass flow controller.
<b>END POINT INDEX GENERATOR</b> Intent-to-Use	87/908,395	<b>Class 9:</b> Apparatus for measuring gas concentration.
<b>GFM</b> Intent-to-Use	87/908,415	<b>Class 11:</b> Gas regulators, namely mass flow controller.
<b>OMEGA 3.0</b> Intent-to-Use	87/908,427	<b>Class 9:</b> Apparatus for measuring gas concentration.
<b>REAL-TIME FLOW MONITORING</b> Intent-to-Use	87/908,440	<b>Class 11:</b> Gas regulators, namely mass flow controller.
<b>REAL-TIME FLOW MONITORING AND CONTROL</b> Intent-to-Use	87/908,447	<b>Class 11:</b> Gas regulators, namely mass flow controller.
<b>SENSOR X</b> Intent-to-Use	87/908,452	<b>Class 9:</b> Apparatus for measuring gas concentration.
<b>SQUARE WAVE FLOW CONTROL</b> Intent-to-Use	87/908,462	<b>Class 11:</b> Gas regulators, namely mass flow controller.

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## APPENDIX 2

## KEY ACCOUNTING POLICIES



# APPENDIX 2 KEY ACCOUNTING POLICIES

## KEY ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of the Financial Information set out in this Prospectus.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

### Sale of goods

Product revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract.

### Provision for sales returns

Provision is made for the estimated costs of rebates, discounts and returns and cost to repair or replace products under warranty at the time of sale.

### Expenses

#### Research costs

Expenditure on research activities, undertaken with the prospect of obtaining new technical knowledge and understanding, is recognised in the statement of profit or loss and other comprehensive income as an expense when it is incurred.

#### Other expenses

Other expenses classified according to their function, as selling and marketing or general and administrative, include expenses mainly related with facilities, materials, depreciation, and share-based payment transactions.

### Income tax

The income tax expense for the year comprises current income tax expenses and deferred tax expenses.

Current income tax expense charged to the profit or loss in the tax payable on taxable income for the current period. Current tax liabilities are measured as the amounts expected to be paid to the relevant tax authority using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are only recognised to the extent that it is probably that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less or that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables generally have 30 to 90 day terms. Collectability of trade receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Inventory

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

The Company's inventories are concentrated in high-technology parts and components that may be specialised in nature or subject to rapid technological obsolescence. These factors are considered in estimating required reserves to state inventories at the lower of cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Plant and equipment are depreciated, and leasehold improvements are amortised, over their estimated useful lives using the straight-line method.

The expected useful lives of the assets are as follows:

<b>Plant &amp; equipment</b>	2-5 years
<b>Leasehold improvements</b>	over the remaining lease term

The residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when there is an indication that they have changed.

A carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement profit or loss and other comprehensive income.

## APPENDIX 2 KEY ACCOUNTING POLICIES cont.

### Intangible assets

#### Development costs

Development costs on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during the development.

The costs that are eligible for capitalisation of development costs are the following:

- Hardware and Software engineers' compensation for time directly attributable to coding the software.
- An allocated amount of indirect costs, such as overhead related to programmers and the facilities they occupy.
- Costs associated with testing the software for market (i.e. alpha, beta tests).
- Borrowing costs.
- Patents acquisition and registration costs (patents, application fees, and legal fees).
- Other direct developing costs that are incurred to bring the hardware with embedded software to market.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit which is 5 years.

Amortisation is recorded in profit or loss. During the period of development, the asset is tested for impairment annually.

Development costs are amortised on a straight-line basis over the period of expected future sales from the related project.

At the end of the year, the Company has considered indicators of impairment of the intangible assets and determined there were none.

#### Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

#### Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Employee benefits

##### Short-term employee benefits

Provisions for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the balances are settled.

#### Provisions

The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

### **Critical accounting judgements, estimates and assumptions**

In determining the level of provision required for warranties the Company has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Financial liabilities**

Common stock warrants and preferred stock warrants are derivatives classified as a financial liability. Convertible preferred stock are financial liabilities designated at fair value through profit or loss considering that the preferred stock conversion feature is an embedded derivative whose value increases with the value of the common stock. Formal valuations have been obtained for these instruments and have been communicated to key management personnel.

As at all financial year ends included in the financial statements, the fair value of the common stock warrants, preferred stock warrants and preferred stock is determined using the Black Scholes model, which requires the use of subjective assumptions including volatility, expected term, risk free rate and the fair value of the underlying common stock.

Promissory notes are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Borrowing costs on promissory notes are capitalised as part of the cost of a qualifying asset when it takes a substantial period of time to get ready for its intended use or sale. The Company capitalised borrowing costs for an internally generated intangible asset in the development phase since 2015. The interest capitalisation rate is applied only to costs that themselves have been capitalised as development costs.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares, warrants or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Share-based payments**

Under the employee share scheme, shares issued under the 2012 Equity Incentive Plan to employees, directors and consultants for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The Company provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions) via the 2012 Equity Incentive Plan ("the Plan").

The terms of the share options are as determined by the Board. The cost of these equity-settled transactions to employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a Black & Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).



## APPENDIX 2 KEY ACCOUNTING POLICIES cont.

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At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

# Pivotal Systems Corporation

## ARBN 626 346 325

### Broker Firm Application Form

This is an Application Form for CHESS Depository Interests (CDIs) in Pivotal Systems Corporation (**Company**) on the terms set out in the replacement Prospectus dated 22 June 2018 (**Prospectus**). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,076 CDIs (A\$2,000). This Application Form and your Application Amount must be received by **5.00pm (Sydney Time) on the Closing Date**.

**This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in the CDIs of the Company and you should read the entire Prospectus carefully before applying for CDIs.**

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website <http://www.boardroomlimited.com.au/privacy-policy.html>

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer period, the Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the Original Prospectus expires on 11 July 2019.

The Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Prospectus has been prepared for publication in Australia. The CDIs to be offered under the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States, or to or for the account of any US Person in the absence of registration or an exemption from registration under the US Securities Act and applicable state securities laws. In addition, any hedging transactions using CDIs may only be conducted in compliance with the US Securities Act.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

<b>A Number of CDIs you are applying for</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">Minimum of 1,076 CDIs to be applied for</div>	<b>B Total amount payable</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">x A\$1.86 per CDI =</div> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">A\$</div>					
<b>C Write the name(s) you wish to register the CDIs in (see reverse for instructions)</b> Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> Name of Applicant #2 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> Name of Applicant #3 or <Account Designation> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>						
<b>D Write your postal address here</b> Number/Street <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> Suburb/Town <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"><div>State <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div></div><div>Postcode <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div></div></div>						
<b>E CHESS participant – Holder Identification Number (HIN)</b> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; text-align: center; line-height: 20px;">X</div><div style="border: 1px solid black; height: 20px; width: 100%; margin-left: 5px;"></div></div>						
<b>F Enter your Tax File Number(s), ABN, or exemption category</b> Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> Applicant #2 <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> Applicant #3 <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>						
<b>G Cheque payment details – PIN CHEQUE(S) HERE (if applicable).</b> Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below. <table style="width: 100%; border-collapse: collapse; margin-top: 10px;"><tr><td style="width: 35%; border-bottom: 1px solid black;">Name of drawer of cheque</td><td style="width: 15%; border-bottom: 1px solid black;">Cheque no.</td><td style="width: 15%; border-bottom: 1px solid black;">BSB no.</td><td style="width: 15%; border-bottom: 1px solid black;">Account no.</td><td style="width: 20%; border-bottom: 1px solid black;">Cheque Amount A\$</td></tr></table>		Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$
Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$		
<b>H Contact telephone number (daytime/work/mobile)</b> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; margin-right: 5px;"></div><div style="border: 1px solid black; height: 20px; width: 100%; margin-left: 5px;"></div></div> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; margin-right: 5px;"></div><div style="border: 1px solid black; height: 20px; width: 100%; margin-left: 5px;"></div></div> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; margin-right: 5px;"></div><div style="border: 1px solid black; height: 20px; width: 100%; margin-left: 5px;"></div></div> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; margin-right: 5px;"></div><div style="border: 1px solid black; 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## Declaration By submitting this Application Form with our Application Amount, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have completed this Application Form in accordance with the instructions on the form and in the Prospectus.
- ✓ declare that all details and statements made by me/us are complete and accurate;
- ✓ agree that this Application for CDIs in the Company is upon and subject to the terms of the Prospectus;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of CDIs that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- ✓ authorise the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the CDIs to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the Bylaws and Certificate of Incorporation of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the CDIs, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia.
- ✓ acknowledge and agree that certain representations and warranties are required to be given in connection with my/our application (being those set out in Section 10.11 of the Prospectus) and understand that by completing the Application Form I/we will be deemed to have made those representations and warranties.

## Guide to the Application Form

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A** If applying for CDIs insert the **number** of CDIs for which you wish to subscribe at Item **A** (not less than 1,076 CDIs representing a minimum investment of A\$2,000). Multiply by A\$1.86 to calculate the total Application Monies for CDIs and enter the **A\$amount** at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Tax File Number(s). It is not an offence to withhold your TFN or, where the securities are held for a business purpose, your ABN. However, if you do not provide your TFN or ABN, tax may be deducted from payments of interest and the unfranked portion of dividends and distributions at the highest marginal rate.
- G** Applicants pay their Application Monies to their Broker in accordance with the relevant Broker's directions. Please contact your broker for further instructions.
- H** Enter your **contact details, including name, phone number and e-mail address**, so we may contact you regarding your Application Form or Application Monies.
- By providing an e-mail address you are electing to receive notices of meetings, annual reports and other communications from the Company electronically to the provided e-mail address.

### Correct Form of Registrable Title

Note that ONLY legal entities can hold the CDIs. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

### Lodgment

Mail your completed Application Form with your cheque(s) or bank draft (if applicable) attached to your broker, and complete the broker details below:

Broker Contact Number	Broker Name
<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> </div>	<div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> <div style="border: 1px solid black; width: 30px; height: 30px;"></div> </div>

**The Broker Firm Offer closes at 5:00 p.m. (Sydney Time) on 28 June 2018, unless varied in accordance with the Corporations Act and ASX Listing Rules and the terms of the Prospectus.**

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.**

### Privacy Statement

Pivotal Systems Corporation advises that Chapter 2C of the Corporations Act requires information about its securityholders (including names, addresses and details of securities held) to be included in the Company's securityholder register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus.

# Pivotal Systems Corporation

## ARBN 626 346 325

### Broker Firm Application Form

This is an Application Form for CHESS Depository Interests (CDIs) in Pivotal Systems Corporation (**Company**) on the terms set out in the replacement Prospectus dated 22 June 2018 (**Prospectus**). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 1,076 CDIs (A\$2,000). This Application Form and your Application Amount must be received by **5.00pm (Sydney Time) on the Closing Date**.

**This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in the CDIs of the Company and you should read the entire Prospectus carefully before applying for CDIs.**

The Share Registry's Privacy Policy (**Privacy Policy**) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website <http://www.boardroomlimited.com.au/privacy-policy.html>

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer period, the Company will send you a free paper copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy before the Original Prospectus expires on 11 July 2019.

The Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Prospectus has been prepared for publication in Australia. The CDIs to be offered under the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States, or to or for the account of any US Person in the absence of registration or an exemption from registration under the US Securities Act and applicable state securities laws. In addition, any hedging transactions using CDIs may only be conducted in compliance with the US Securities Act.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

<b>A Number of CDIs you are applying for</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">Minimum of 1,076 CDIs to be applied for</div>	<b>B Total amount payable</b> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">x A\$1.86 per CDI =</div> <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div> <div style="text-align: center; margin-top: 5px;">A\$</div>					
<b>C Write the name(s) you wish to register the CDIs in (see reverse for instructions)</b> <div style="margin-top: 5px;">Applicant #1 <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div style="margin-top: 5px;">Name of Applicant #2 or &lt;Account Designation&gt; <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div style="margin-top: 5px;">Name of Applicant #3 or &lt;Account Designation&gt; <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div>						
<b>D Write your postal address here</b> <div style="margin-top: 5px;">Number/Street <div style="border: 1px solid black; height: 20px; width: 100%;"></div><div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"><div>Suburb/Town <div style="border: 1px solid black; height: 20px; width: 60%;"></div></div><div>State <div style="border: 1px solid black; height: 20px; width: 10%;"></div></div><div>Postcode <div style="border: 1px solid black; height: 20px; width: 15%;"></div></div></div>						
<b>E CHESS participant – Holder Identification Number (HIN)</b> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; width: 20px; height: 20px; text-align: center; line-height: 20px;">X</div><div style="border: 1px solid black; height: 20px; width: 100%;"></div></div>						
<b>F Enter your Tax File Number(s), ABN, or exemption category</b> <div style="display: flex; justify-content: space-between; margin-top: 5px;"><div>Applicant #1 <div style="border: 1px solid black; height: 20px; width: 40%;"></div></div><div>Applicant #2 <div style="border: 1px solid black; height: 20px; width: 40%;"></div></div></div> <div style="margin-top: 5px;">Applicant #3 <div style="border: 1px solid black; height: 20px; width: 40%;"></div></div>						
<b>G Cheque payment details – PIN CHEQUE(S) HERE (if applicable).</b> Cheque to be made in accordance with the instruction from your broker. If payment is made by cheque, enter cheque details below. <table style="width: 100%; border-collapse: collapse; margin-top: 5px;"><tr><td style="width: 35%; border-bottom: 1px solid black;">Name of drawer of cheque</td><td style="width: 15%; border-bottom: 1px solid black;">Cheque no.</td><td style="width: 15%; border-bottom: 1px solid black;">BSB no.</td><td style="width: 15%; border-bottom: 1px solid black;">Account no.</td><td style="width: 20%; border-bottom: 1px solid black;">Cheque Amount A\$</td></tr></table>		Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$
Name of drawer of cheque	Cheque no.	BSB no.	Account no.	Cheque Amount A\$		
<b>H Contact telephone number (daytime/work/mobile)</b> <div style="display: flex; align-items: center; margin-top: 5px;"><div style="border: 1px solid black; height: 20px; width: 10%;"></div><div style="border: 1px solid black; height: 20px; width: 40%;"></div></div> <div style="margin-top: 5px;"><b>Contact Name</b> <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div> <div style="margin-top: 5px;"><b>E-mail Address</b> <div style="border: 1px solid black; height: 20px; width: 100%;"></div></div>						

Broker Reference – Stamp Only

Broker Code	Advisor Code

## Declaration By submitting this Application Form with our Application Amount, I/we declare that I/we:

- ✓ have read the Prospectus in full;
- ✓ have received a copy of the electronic Prospectus or a print out of it;
- ✓ have completed this Application Form in accordance with the instructions on the form and in the Prospectus.
- ✓ declare that all details and statements made by me/us are complete and accurate;
- ✓ agree that this Application for CDIs in the Company is upon and subject to the terms of the Prospectus;
- ✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
- ✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- ✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- ✓ apply for the number of CDIs that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
- ✓ acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- ✓ authorise the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the CDIs to be allocated to me/us;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the Bylaws and Certificate of Incorporation of the Company;
- ✓ acknowledge that neither the Company nor any person or entity guarantees any particular rate of return on the CDIs, nor do they guarantee the repayment of capital;
- ✓ represent, warrant and agree that I/we am/are not in the United States or a US Person and am/are not acting for the account or benefit of a US Person; and
- ✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia.
- ✓ acknowledge and agree that certain representations and warranties are required to be given in connection with my/our application (being those set out in Section 10.11 of the Prospectus) and understand that by completing the Application Form I/we will be deemed to have made those representations and warranties.

## Guide to the Application Form

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A** If applying for CDIs insert the **number** of CDIs for which you wish to subscribe at Item **A** (not less than 1,076 CDIs representing a minimum investment of A\$2,000). Multiply by A\$1.86 to calculate the total Application Monies for CDIs and enter the **A\$amount** at Item **B**.
- C** Write your **full name**. Initials are not acceptable for first names.
- D** Enter your **postal address** for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. **NB: your registration details provided must match your CHESS account exactly.**
- F** Enter your Tax File Number(s). It is not an offence to withhold your TFN or, where the securities are held for a business purpose, your ABN. However, if you do not provide your TFN or ABN, tax may be deducted from payments of interest and the unfranked portion of dividends and distributions at the highest marginal rate.
- G** Applicants pay their Application Monies to their Broker in accordance with the relevant Broker's directions. Please contact your broker for further instructions.
- H** Enter your **contact details, including name, phone number and e-mail address**, so we may contact you regarding your Application Form or Application Monies.
- By providing an e-mail address you are electing to receive notices of meetings, annual reports and other communications from the Company electronically to the provided e-mail address.

### Correct Form of Registrable Title

Note that ONLY legal entities can hold the CDIs. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

### Lodgment

Mail your completed Application Form with your cheque(s) or bank draft (if applicable) attached to your broker, and complete the broker details below:

Broker Contact Number	Broker Name
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**The Broker Firm Offer closes at 5:00 p.m. (Sydney Time) on 28 June 2018, unless varied in accordance with the Corporations Act and ASX Listing Rules and the terms of the Prospectus.**

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.**

### Privacy Statement

Pivotal Systems Corporation advises that Chapter 2C of the Corporations Act requires information about its securityholders (including names, addresses and details of securities held) to be included in the Company's securityholder register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and disclosures your information please contact the Company at the address or telephone number shown in the Prospectus.

# CORPORATE DIRECTORY

## COMPANY

Pivotal Systems Corporation  
48389 Fremont Blvd. Suite 100  
Fremont, CA, 94538  
Phone +1 (510) 770 9125  
Fax +1 (510) 770 9126  
Email [info@34.207.231.139](mailto:info@34.207.231.139)  
Web / <https://www.pivotalsys.com>

## DIRECTORS

John Hoffman – Executive Chairman and CEO  
Dr. Joseph Monkowski – Executive Director and CTO  
Ryan Benton – Independent Non-Executive Director  
Kevin Landis – Non-Executive Director  
David Michael – Non-Executive Director

## AUSTRALIAN REGISTERED OFFICE

c/o Company Matters Pty Limited  
Level 12, 680 George Street  
Sydney, NSW 2000 Australia

## PROPOSED ASX CODE

PVS

## INVESTIGATING ACCOUNTANT

BDO Corporate Finance (East Coast) Pty Ltd  
Level 11, 1 Margaret Street  
Sydney, NSW 2000 Australia

## JOINT LEAD MANAGER AND UNDERWRITER

Shaw and Partners  
Level 15, 60 Castlereagh Street  
Sydney, NSW 2000 Australia

## JOINT LEAD MANAGER AND UNDERWRITER

Moelis Australia Advisory Pty Ltd  
Level 27, Governor Phillip Tower, 1 Farrer Place  
Sydney, NSW 2000 Australia

## AUSTRALIAN LEGAL ADVISER

Maddocks Lawyers  
Angel Place  
Level 27, 123 Pitt Street  
Sydney, NSW 2000 Australia

## REGISTRY

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney, NSW 2000 Australia

