



ASX / Media Release

## Chairman's Address to Special Meeting of Shareholders

Fremont, California; 12 February 2020 (PST)

Good morning ladies and gentlemen,

I would like to provide investors with a brief overview of the financing transaction and business update. As announced to the ASX on 30 January 2020 (PST) the Preferred Stock Investment Agreement between Pivotal and Anzu Industrial RBI USA LLC, a fund organized by Anzu Partners LLC (Anzu), provides the Company up to US\$13 million in additional funding required to grow and expand the business, subject to shareholder approval being obtained at today's Special Meeting.

Anzu is a venture capital and private equity firm that invests in breakthrough industrial technologies and currently manages approximately US\$350 million in capital commitments. Anzu was an investor into Pivotal in 2016 and remains the Company's second largest shareholder with 12.1% of the issued capital.

The funding of up to US\$13 million is available to be drawn down by the Company in two tranches: an initial funding of US\$10 million for the issue of 10,000 RBI Preferred Stock within ten business days of closing and a subsequent optional tranche of US\$3 million for the issue of 3,000 RBI Preferred Stock which is available in conjunction with the replacement of the Company's Bridge Bank senior term loan line of credit (as announced to ASX on 28 August 2019). Each RBI Preferred Stock will have an issue price of US \$1,000 per share. Further details of the terms of the RBI Preferred Shares were provided in the Notice of Special Meeting lodged with the ASX and dispatched to our shareholders and Chess Depositary Interest (CDI) holders.

Pivotal has carefully considered a range of additional financing alternatives for the Company and believes the proposed transaction with Anzu is in the best interests of Pivotal shareholders, with unanimous Board support (with David Michael abstaining given he is also a Managing Director of Anzu). Beyond typical contractual covenants relating to liquidation of the Company, there are no other financial covenants, no personal guarantees from founders or investors, no warrant or option coverage and the issue of RBI Preferred Stock is non-dilutive to current common stock / CDI holders.

As Pivotal announced to the ASX on 30 January 2020 (PST), the RBI Preferred Stock issue provides the Company with the financial flexibility it requires to meet the goals and objectives of our expanding customer base as the momentum within our business experienced in the latter part of the fourth quarter extends into 2020, commensurate with a sustained recovery in the semiconductor sector, globally.

Under the terms of the investment, Pivotal may elect to redeem all of the RBI Preferred Stock whenever the company chooses on an escalating, but capped, redemption price. Pivotal plans to redeem these RBI Preferred Stock back from the investor based on our revenue in the coming quarters and years at 4% of net revenue paid in arrears. We believe that this financing has the flexibility to enable our company to grow quickly as well as manage the cyclical nature of our industry. Redemptions are anticipated to be paced to company revenue, at 4% of gross revenue for the first \$10M invested and 6% if the further optional US\$3million is also drawn down. So, when the revenue rises rapidly, we plan to redeem and

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retire RBI Preferred Stock more quickly at a lower redemption price - making it less costly than dilutive equity. If revenue does not accelerate, we plan to redeem more slowly - putting less cash pressure on the company than a fixed-rate debt alternative, cushioning the effect of extended challenges in the semiconductor industry.

Briefly, I would like to re-iterate several important components of the Company commentary provided in the quarterly management update and cash flow report to the ASX on 30 January 2020 (PST). According to the global industry organization SEMI, global semiconductor manufacturing equipment sales, are expected to increase 5.5% to US\$60.8 billion in 2020, which is a core market for Pivotal's innovative product portfolio. Additionally, SEMI expects the 2020 equipment market recovery to be fuelled by advanced logic and foundry, new projects in China, and, to a lesser extent, memory. SEMI expects further expansion into 2021 with revenues climbing to US\$66.8 billion as leading device manufacturers invest in sub-10nm process equipment.

In terms of outlook, Pivotal's growth strategy continues to focus on successfully leveraging established Integrated Device Manufacturers (IDMs) customers' acceptance of its Gas Flow Controller (GFC) technology into new semiconductor processes while gaining increased acceptance by the major Original Equipment Manufacturers (OEMs) into new applications or tool sets.

Pivotal continues to move positively towards our market penetration and fan out objectives for FY2020 based on the rapid acceptance of the High Flow GFC, the High Temperature GFC and the Flow Ratio Controller (FRC).

Thank you.

John Hoffman  
Chairman & CEO

*THIS RELEASE DATED 12 FEBRUARY 2020 (PST) HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE BOARD OF DIRECTORS OF PIVOTAL SYSTEMS.*

- ENDS -

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#### **Safe Harbor Statement**

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

#### **About Pivotal Systems Corporation (ASX: PVS)**

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

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