



ASX / Media Release

## **Pivotal Records Record FY20 Revenues of US\$22.1 Million**

**Fremont, California and Sydney, Australia; 26 February 2021** – Pivotal Systems Corporation (“Pivotal” or the “Company”) (ASX: PVS), a leading provider of innovative gas flow control (“GFC”) solutions to the semiconductor industry, is pleased to announce its financial results for the full year ended 31 December 2019 (FY2020).

### **Key highlights:**

- **Product Revenues up 44% to US\$22.1 million versus the prior corresponding period (pcp), including software and service sales of US\$0.96 million, up 174%**
- **Expanding footprint of OEM and IDM customers driven by successful qualifications and new evaluations of Pivotal products**
- **Strategic Development Agreements with Leading US and Japanese OEM’s**
- **Improving Gross Margin Performance each Quarter with 4Q at 29.6%**
- **Improving Market Share in the critical flow markets**
- **Continued semiconductor equipment growth forecast for 2021 and 2022**
- **Outlook remains strong with 1H 2021 revenue growth anticipated versus 2H 2020**

Pivotal recorded revenue for the period of US\$22.1 million, an increase of 44% from FY2019 and reflected strong demand for Pivotal’s products from semiconductor original equipment manufacturers (OEMs). The Company’s reported net loss after tax of US\$9.1 million was an improvement of 8.5% on the pcp.

Commenting on the Company’s full year results, John Hoffman, Chairman and CEO of Pivotal Systems said: “We are very pleased by the substantial growth and record revenues delivered in 2020, alongside material improvements in our manufacturing efficiency that resulted in significant improvements to our gross margins as we exited the year. These solid financial results were delivered in an environment of substantial business and economic uncertainty caused by COVID-19 and heightened geopolitical tensions between the United States and China. Importantly, the semiconductor industry has been one of the few beneficiaries of COVID-19, with the equipment sector experiencing growth of 16% in 2020 and is expected to show continued momentum into 2021 and 2022, with Pivotal Systems uniquely positioned to grow its industry leading position with our innovative gas flow controllers and leading-edge capabilities to capture more market share and additional customers.”

Mr Hoffman continued: “By driving innovation in collaboration with our valued customers, Pivotal has secured multiple agreements with leading Original Equipment Manufacturers (OEMs) to integrate our products to perform atomic layer deposition and advanced etch processes in methods currently not possible with competitor products. We believe this offers further opportunities for growth over the longer

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term, while also creating sizeable barriers to entry and high switching costs for our competitors to overcome.”

During the full year, the number of repeat/qualified customers increased by 12% to 37 versus FY2019, while a total of six customers are currently evaluating Pivotal’s GFCs (FY2019: 6). The growth in customers was a mix of both IDM’s and OEMs. It should be noted that the OEM market is far more concentrated with three players, namely LAM Research (NASDAQ:LRCX), Applied Materials (NASDAQ:AMAT) and Tokyo Electron (TYO:8035) accounting for approximately 95% of the mass flow controller market. During the period, the Company continued to diversify its customer base with multiple repeat orders from China, Japan, Taiwan and US based customers.

The revenue split between OEM/IDM at FY2020 was 94%/6% versus 79%/21% at FY2019. Pivotal’s top global customers accounted for 95% of revenues in FY2020 versus 91% in FY2019. The Company’s high temperature GFC products have experienced continued sales growth with a leading Japanese OEM, with Pivotal having qualified additional process gases for the high temperature application(s) and qualifying additional process gases at various IDM accounts. In 2020, Pivotal saw a Korean based OEM qualify the high temperature GFC.

The installed base of Pivotal’s GFCs continues to expand, with increasing numbers of GFCs progressively coming out of warranty. During the year Pivotal fully qualified its Korean Repair and Upgrade Center, which provides both repair and software upgrades to IDM and OEM customers globally. The Company experienced 174% growth in repair revenue to US\$0.96 million in FY2020 versus the prior corresponding period (pcp).

The company achieved overall Gross Profit of US\$2.4 million in FY2020 which was up 41% versus the pcp, reflecting product gross margins of 11.1% (FY2019:11.3%). The Company exited the year with Q4 2020 gross margins of 29.6%, reflecting our Korean transformation activity effectively eliminating US Customs Duty, coupled with a 50% reduction in manufacturing overheads and lower freight and labor costs.

Total operating expenses for FY2020 were US\$11.2 million, which were comparable to 2019 expenses of US\$11.6 million. Pivotal continued to invest in research and development, with total expenditure (expensed and capitalized) of US\$5.4 million up 13.3% versus the pcp. Sales and marketing expenditure of US\$3.5 million in FY2020 was up 12% versus the pcp of US\$3.2 million, reflecting higher commission expense on higher revenues in FY2020.

The Company closed the half year with a cash balance of US\$7.5 million. The Company raised an additional US\$14 million in new equity during FY20, with a US\$10 million RBI Preferred Stock funding from Anzu Partners completing in February 2020 and a US\$4 million strategic share placement to Viburnum Funds, an Australian high conviction active ownership investment manager, completing in December. Additionally, the Company recorded a US\$1.75 million balance outstanding on the term loan with Bridge Bank.

## **Outlook**

SEMI<sup>1</sup> estimates the global semiconductor manufacturing equipment market reaching US\$71.9 billion in 2021 and US\$76.1 billion in 2022, highlighting the long-term growth expectations in this market. The majority of Pivotal’s sales are to the semiconductor original equipment manufacturers (OEMs), providing

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<sup>1</sup> <https://www.semi.org/en/news-media-press/semi-press-releases/semiconductor-equipment-2020-year-end-forecast>



solid sales leverage into the expected growth in the equipment market with Pivotal now qualified at the top three global equipment companies.

The Company anticipates that 1H 2021 revenues will increase from 2H 2020 revenues and maintains prior guidance of improving growth from 2020 to 2021. The company also sees continuing gross margin improvement in the 1H2021. Finally, the Company sees continued strengthening in the overall semiconductor industry where growth is anticipated to achieve record levels. While COVID-19 still brings uncertainty, the Company continues to progress toward its growth goals. Pivotal maintains that its client-led new product development efforts are the key catalyst for future market share gains.

### **Investor Conference Call**

The Company will host an investor conference call today at 9.30am AEDT on Friday, 26 February (2.30pm PT on Thursday, 25 February) with Mr. John Hoffman, Chairman and CEO and Mr. Dennis Mahoney, CFO.

**Details of the call are set out below.**

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

<https://s1.c-conf.com/diamondpass/10012346-wq1987.html>

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

Conference ID: **10012346**

### **Participant Dial-in Numbers:**

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

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

<https://services.choruscall.com.au/webcast/pivotal-systems-210226.html>

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

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**THIS RELEASE DATED 26 FEBRUARY 2021 HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE BOARD OF DIRECTORS OF PIVOTAL SYSTEMS.**

**- ENDS -**

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

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

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