



ASX / Media Release

Pivotal Announces US\$13 Million Revenue Based Preferred Stock Financing

Fremont, California; 30 January 2020 (PST) — Pivotal Systems Corporation (“Pivotal” or the “Company”) (ASX: PVS), today announces the signing of a definitive Preferred Stock Investment Agreement between Pivotal and Anzu Industrial RBI USA LLC, a fund organized by Anzu Partners LLC (Anzu), which provides the Company up to US\$13 million in additional funding required to grow and expand the business.

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.¹

The funding of 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. Please refer to the Appendix 3B accompanying this announcement for further details of the terms of the RBI Preferred Shares.

Revenue Based Redeemable Preferred Stock (RBI Preferred Stock) are an alternative source of financing versus ordinary equity and debt financing structures. 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. Beyond typical contractual covenants pertaining 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. The parties intend to treat the RBI Redeemable Preferred Stock as preferred equity for financial and tax purposes.

The issue of RBI Preferred Stock to Anzu is subject to Pivotal shareholder approval for the purpose of ASX Listing Rule 10.11 and for the purpose of Delaware General Corporation Law in order to amend the Company’s Certificate of Incorporation. The Company has separately lodged with ASX today a Notice of Special Meeting seeking approval of the financing by shareholders at a Special Meeting of shareholders to be held at 4:00pm Wednesday, 12 February 2020 (11:00am (Sydney Time) 13 February 2020) at the offices of Pivotal Systems Corporation, 48389 Fremont Blvd, Suite 100 Fremont, CA 94538 USA. Mr David Michael, Managing Director of Anzu and a Non-Executive Director of Pivotal, has been excluded from Board considerations on the issue of RBI Preferred Stock to Anzu and David Michael has also abstained from making any recommendations to shareholders as to whether to approve the resolutions being sought in the Notice of Special Meeting. In addition, in accordance with ASX Listing Rule requirements, Anzu will be excluded at the shareholders meeting from voting on Item 2 in the Notice of Special Meeting which relates to ASX Listing Rule 10.11 approval.

¹ Based on 113,519,313 Shares of common stock outstanding (equivalent to 113,519,313 CDIs)



Mr John Hoffman, Chairman and CEO of Pivotal Systems said “The RBI Redeemable Preferred Stock issue provides Pivotal 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. We eagerly await shareholder approval for this important transaction.”

The Board, having considered a range of financing alternatives including debt and equity offerings, concluded that the financing provided by the issue of RBI Preferred Stock to Anzu (rather than financing provided by a lender that is not a Listing Rule 10.1 party) is the best option for the Company in its current circumstances for various reasons including in particular (a) repayment / redemption obligations of the RBI Preferred Stock are linked to the revenue generated by the Company and that the Company has flexibility to redeem all RBI Preferred Stock at any time, and (b) the issue of RBI Preferred Stock is non-dilutive whereas issuing additional equity to other investors would typically require additional dilution as a result of issuing additional common stock / CDIs.

Shareholders should carefully read the Notice of Special Meeting for further explanatory details of the terms and structure of the financing and the RBI Preferred Stock.

THIS RELEASE DATED 30 JANUARY 2020 (PST) HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE BOARD OF DIRECTORS OF PIVOTAL SYSTEMS.

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

Safe Harbor Statement

This press release 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

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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 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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