



ASX / Media Release

## Pivotal Systems Full Year 2019 Results

**Fremont, California and Sydney, Australia; 28 February 2020** – 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.

### Key operating highlights during the full year

- Pivotal named a Preferred Supplier for a leading US-based Original Equipment Manufacturer (“OEM”)
- Pivotal is now qualified at all three of the major OEMs for either etch or deposition
- Qualified the standard low flow and the remote GFC with a leading Japan based OEM
- Pivotal was able to maintain or improve its significant market share with its existing accounts, despite semiconductor capital spending decline of approximately 10% in 2019
- Using Smartstik architecture, Pivotal was able to penetrate, qualify and receive multiple repeat orders from a Korean Etch OEM for the standard GFC
- Expanded presence in Japan, Europe, Taiwan, China, North America and Korea
- In 2H2019, received purchased orders from all the major Deposition and Etch OEMs
- In Q42019, for the first time ever, the company received purchase orders for Integrated Device Manufacturers (“IDM’s”) end-users from all regional markets described above
- Pivotal named one of the TOP 10 Workplaces by CEO View Magazine and one of the 12 Most Disruptive Innovation Companies in USA
- New orders received in 2019 was US\$6.9 million (FY18:US\$31.1 million)
- Backlog (confirmed orders not yet shipped) at 31 December 2019 was US\$3.1 million (FY18: US\$14.3 million)

Pivotal recorded revenue for the period of US\$15.3 million which was in line with our trading update provided to the market on 20 January and reflects a decrease on the prior corresponding period (pcp) of 25% (2018: \$20.2 million). The revenue decline was the result of reduced shipments to customers in the period due to the slowdown in market conditions across the semiconductor industry for the majority of 2019. However, in the fourth quarter, Pivotal revenues of US\$6.4 million were up significantly on the third quarter, driven by an overall increase in demand for Pivotal’s proprietary range of gas flow controllers (GFCs) as OEMs increased inventory levels as the semiconductor capital equipment sector cycle started to rebound.

Gross Profit decreased 75% to US\$1.7 million in 2019, with gross margin percentage declining to 11.3%. The reduction was the result of lower revenue, a lower mix of higher gross margin IDM business, one-time charges incurred in 1H2019, and increased Q4 2019 manufacturing costs as Pivotal temporarily transitioned certain manufacturing activities back to Fremont.

Total operating expenses for the half year were US\$11.6 million, a 14% increase from the pcp (2018 US\$10.2 million), primarily the result of higher general and administrative expenses which included a non-cash US\$0.6 million accounting adjustment for expected credit loss.

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The Company recorded a net operating loss for the period of US\$9.9 million.

Cash was US\$5.4 million as at 31 December 2019 with bank debt of US\$2.8 million. Cash outflow from operations was US\$11.5 million for the year, which was significantly higher than the prior period, due to lower receipts from customers from lower shipments. Financing cash flows of \$3.0 million primarily reflected a drawdown from a US\$3.0 million term loan line of credit from Bridge Bank, as part of a US\$10 million debt facility announced in late August 2019.

The Company continues to invest in new product innovation with R&D expenses for the 2019 financial year at US\$3.5 million, up 12% on the pcp.

Full time head count ended the year at 45 persons.

Commenting on the Company's full year results, John Hoffman, Chairman and CEO, said: "2019 for the most part was a challenging year for the semiconductor capital equipment industry generally, with Pivotal recording a decline in revenues and a higher net loss for the period. However, during this downturn, we proactively engaged with our customers, accelerated our product innovation pathways and delivered a number of high-quality projects in a timely and cost-effective manner for the Company. Importantly, the sector has shown early signs of a strong recovery in 2020, with a number of OEMs providing a solid outlook for growth in 2020, driven by increased IDM capex in memory and advanced logic/foundry."

#### **Significant Events after the Balance Date**

On 30 January (PST), Pivotal announced 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 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 US\$13 million is available to be drawn down by the Company in two tranches: an initial funding of US\$10 million and a subsequent optional tranche of US\$3 million.

On 12 February (PST), Pivotal announced that shareholders had approved the Amended and Restated Certificate of Incorporation of the Company and the issue of up to 13,000 RBI Preferred Stock to Anzu RBI USA LLC.

On 24 February, the Company announced the receipt of US\$10 million in funding from the issue of 10,000 RBI Preferred Stock by Anzu.

#### **Outlook**

The market dynamics which prevailed in late 2019 have continued into the 1H2020, with forecast 2020 global semiconductor equipment sales of US\$60.8Bn (up 3.4% on 2019), expected to increase in 2021 by another 9.8% according to SEMI. In memory, NAND and DRAM pricing continues to improve with spot pricing up 11% and 23%, respectively since December.



The main tenets to our Company strategy at the IDM customer level are to successfully leverage established customers' acceptance of Pivotal GFC technology into new semiconductor processes. For OEM customers, Pivotal intends to drive the increased acceptance by the Top 3 OEMs into new applications or tool sets.

There is a lot of concern about the impact of the coronavirus epidemic on our business. Our primary Contract Manufacturer is in China and had a precautionary shut down for 10 days in February. Fortunately, they have resumed production and were at full capacity 3 days after returning to work. We will continue to monitor the situation and drive contingency efforts.

Pivotal expects a significantly improved financial performance in FY2020.

### **Investor Conference Call**

The Company will host an investor conference call today at **9.00am AEDT on Friday, 28 February** (2.00pm PST on Thursday, 27 February) with Mr. John Hoffman, Chairman and CEO and Mr. Timothy Welch, CFO.

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

In order to pre-register for the conference call 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.

<https://s1.c-conf.com/DiamondPass/10004303-invite.html>

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

Conference ID: **10004303**

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

### **Webcast Link**

The slide presentation and audio can also be viewed live at the following link:  
<https://services.choruscall.com.au/webcast/pivotal-systems-200228.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 28 FEBRUARY 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 and the accompanying Appendix 4C 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 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. Pivotal Systems Corporation (ARBN 626 346 325), is a company incorporated in Delaware, USA, whose stockholders have limited liability.

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