

Pivotal Systems Releases 2018 Results

Highlights:

- Fiscal Year (FY) 2018 revenue increased 32% to US\$20.3 million (2017: US\$15.4 million) as a result of increased market penetration
- Backlog of confirmed orders of US\$14.3 million as at 31 December 2018, anticipated to be shipped and recognised as revenue in 2019
- FY18 Orders grew 101% to US\$31.1 million (2017: US\$15.5 million)
- FY18 Gross Profit increased 106% to US\$6.1 million (2017: US\$3.0 million) due to improved operational and cost efficiencies
- FY18 Gross Margins improved to 30.2% (2017: 19.3%) via cost efficiencies and supply chain improvements
- FY18 EBITDA was negative US\$1.2 million. Normalized EBITDA, excluding the impact of the IPO transaction and other one-off expenses was US\$0.1 million.
- GFC Market share growth continued through the doubling of Pivotal's business with two strategic process equipment Original Equipment Manufacturers (OEMs)
- Successful research and development projects culminated in the continued delivery of new products, including new High Flow Controller and the new Flow Ratio Controller (FRC)
- Received multiple repeat orders on the High Flow GFC

Sydney - 27 February 2019 - Pivotal Systems Corporation ("Pivotal" or the "Company") (ASX: PVS), a leading Silicon Valley based, international technology company, is pleased to announce its full-year results and Appendix 4E for the period ending 31 December 2018.

During the 2018 calendar year, Pivotal significantly grew its revenue and backlog through the introduction of new gas flow controller (GFC) products and by continually boosting market penetration with key customers in the semiconductor manufacturing and capital equipment industries.

Commenting on the Company's full year results, John Hoffman Chairman and CEO, said: "While we are disappointed to not achieve our Prospectus forecast, the Company has continued its growth and we are pleased to see the advantages of our products being increasingly recognised throughout the semiconductor industry. Pivotal is well positioned to build on the momentum from 2018 and continue to expand our reach through further product development and aggressive market penetration. Our strategy has been and continues to be, take market share at the leading edge and strong growth will follow."

2018 full-year highlights and achievements

Full-year revenue increased 32% to US\$20.3m, up from US\$15.4m in 2017. Pivotal had an end of year confirmed backlog of US\$14.3m.

Orders grew 101% from US\$15.5 million in 2017 to US\$31.1 million in 2018 following the successful qualifications of leading device manufacturers.

The postponement of capex spend by leading Integrated Device Manufacturer (IDM) customers delayed deliveries planned for Q4'18. These delays affected the Company's overall operating results as discussed in the 13 November 2018 ASX release and illustrated in the table below.

US\$'000	FY18	FY17	Percentage change	FY18 (IPO prospectus forecast) ¹
Revenue	20,328	15,446	Up 32%	30,091
Gross profit	6,130	2,974	Up 106%	10,938
Operating expenses	(10,181)	(6,891)	Up 48%	(10,010)
Statutory EBIT	(4,051)	(3,916)	Up 3%	928
Pro forma EBIT ²	(2,711)	(3,633)	Down 25%	1,233
Pro forma EBITDA ²	130	(1,147)	Up 111%	4,027

¹ Prospectus dated 22 June 2018

² EBITDA is a non-IFRS financial measure calculating earnings before interest, tax, depreciation and amortisation. Pro forma adjustments to Operating loss and EBITDA include one-off adjustments to cost of goods sold, IPO costs and the recognition of public company costs in the prior year.

As at 31 December 2018, the Company had a strong balance sheet with cash of US\$17.5 million and no debt.

John Hoffman further indicated: “We are pleased that we were able to secure increasing leading-edge market share. This is a promising development that indicates continued acceleration of the GFC product acceptance and is positive for our long term growth.”

Building on established relationships and penetrating new customers

In 2018, Pivotal continued to build on existing relationships with the standard low flow GFC, doubling its market share with two leading American OEMs. The Company was also able to replicate its leading market share at a second Korean IDM while penetrating two major Taiwan based IDMs during the reporting period. At the same time a renowned Japanese Technical University, working in conjunction with a leading Japanese Memory device manufacturer and Pivotal Systems, was able to successfully prove the product’s superior performance vs. key Japanese competitors. The resulting endorsement from a highly respected technical university will be instrumental in growing future business in Japan.

Continuing new product research & development

The Company has recognised that ongoing research and development is key to maintaining Pivotal’s superior technology and has delivered new products to market accordingly. The constant technical challenges associated with Moore’s Law make continuous innovation a business imperative and these challenges provide a path for Pivotal to deliver new differentiated products.

The advancement of the Company’s new High Flow GFC product has been an example of this as it has been successfully qualified by a leading Korean IDM, a leading Taiwanese IDM and a leading American OEM. The High Flow GFC enables the company to effectively compete in the large process deposition market of approximately \$300 million per year.

Pivotal’s engineering organisation, working in partnership with one of the leading OEM’s, has added features to the High Flow Product as it has been introduced to new IDM customers. The robust nature of the GFC hardware platform enables continuous improvement by adding new firmware features without changing hardware. This is a path followed previously with the standard GFC and allows the

company to further differentiate its products by directly meeting IDM & OEM customer needs as they are established.

Industry leading safety, compliance and customer satisfaction

Customer satisfaction remains at the forefront for Pivotal, and despite doubling shipments during the year, we successfully maintained industry leading shipped quality levels whilst ensuring best-in-industry 4-week standard lead-times. Zero accidents or safety incidents were reported during the year. Pivotal also received ISO recertification with zero findings.

Outlook

The market dynamics which prevailed in Q4 2018 have continued into Q1 2019 with key memory IDM's not taking significant new equipment deliveries. As a result, OEMs are focused on actively managing their inventory levels in light of the slowed equipment purchasing by the strategic IDM's and have therefore deferred shipments of Pivotal's GFCs.

Our current expectation is for 1H 2019 revenue to be in the range of US\$8-9 million with a skew towards Q2. Based on current feedback from customers around their capex plans, together with Pivotal's increasing market share we currently expect 2H 2019 to be significantly stronger than 1H 2019.

Pivotal will continue to work with its customers and keep investors informed of changing industry dynamics.

Investor conference call

A conference call will be held tomorrow morning, 9:00am AEDT. Investors are encouraged to email questions prior to the conference call to ir@pivotalsys.com.

Conference call details

At the time of the conference, please dial in with one of the numbers below and provide the conference ID 205462 to an operator.

Diamond Pass Registration Link

In order to pre-register for this conference 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://services.choruscall.com.au/diamondpass/pivotal-205462-invite.html>

If you are unable to register or wish to simply dial in, then at the time of the conference you can call one of the numbers below and provide the conference ID 205462 to an operator.

Australia Toll Free: 1800 908 299

Australia Local: +61 2 9007 8048

New Zealand Toll Free: 0800 452 795

Auckland Local: +64 9 929 3905

Canada/USA Toll Free: 1855 624 0077

Hong Kong Toll Free: 800 968 273

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Safe Harbor Statement

The Company provides this supplemental information regarding its operating performance. This information should be considered a supplement to, not a substitute for, financial statements prepared and published separately. Pivotal uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or IFRS. Although Pivotal believes that these measures provide useful information about the financial performance of the Company, they should be considered as supplements to the income statement measures that have been presented in accordance with the Australia Accounting Standards (ASS) and not as a replacement for them. Because non-IFRS financial measures are not based on ASS 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.

This announcement contains forward-looking statements, which address a variety of subjects including, for example, our statements regarding expected events, including expected revenue and earnings, 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, many of which are outside the control of the Company, 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:

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.