



ASX / Media Release

## Pivotal Systems Corporation March 2021 Quarterly Activities Report

Fremont, California and Sydney, Australia; 30 April 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 release a Quarterly update and Appendix 4C Report for the period ending 31 March 2021 (“Q1 2021”).

### Key Highlights

- The Company anticipates FY 2021 revenues will increase from FY 2020 revenues by 35-45% to US\$30-32 million.
- Unaudited Q1 2021 revenue of US\$6.34 million was up 5.4% sequentially (Q4 2020: US\$6.06 million) and up 46.7% from the same period a year ago (Q1 2020: US\$4.35 million)
- Received progress payment of US\$185K for advanced ALD (atomic layer deposition) GFC milestone achievement under the Development Agreement signed with a leading Japanese OEM in Q1 2021
- Unaudited Q1 2021 gross margins of 30.2% up from -3.9% in the pcp and up from 29.3% in Q4 2020
- Cash at 31 March 2021 was US\$4.1 million
- Pivotal has initiated qualification of its standard GFC for etch applications at the leading Japanese OEM.
- Remote GFC revenue with the leading Japanese OEM and Korean OEM increased from US\$104K to US\$209K in Q1 2021 (101%)
- Continuing qualification of a 2 channel Flow Ratio Controller (“FRC”) at a leading US Based OEM for deposition
- Backlog (confirmed orders not yet shipped) at 31 March 2021 was US\$4.9 million up 40% from Q4 backlog of US\$3.5 million.
- Maintained all manufacturing activity in China, Korea, and the United States during the reported period.
- Semiconductor industry growth in 2021 is accelerating from previous estimates.

### Quarter Cash Flow Summary

The Company’s cash position at 31 March 2021 was US\$4.1million. This balance included an outstanding balance of US\$1.5 million drawn against the US\$3.0 million term loan with Bridge Bank and the first tranche of US\$10.0 million subscribed under the US\$13.0 million RBI preferred stock facility from Anzu Partners.

Cash receipts from customers for the period were US\$7.1 million, up 23.5% from US\$5.7 million in Q4 2020, evidencing stability in receivables management. Cash payments from four major customers, totalling approximately US\$1.3 million were wired by our customers for receipt per invoice terms, to be received by the company by 31 March 2021. The four wires were received by Pivotal’s bank on 1 April and 2 April. Had these payments been received when expected, Q1 cash receipts from customers would have been US\$8.4 million and ending cash would have been approximately US\$5.4 million.

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Cash payments for Product Manufacturing were US\$6.7 million, up 39% from US\$4.8 million in Q4 2020, reflecting current and expected revenue growth as we build product to meet this increased demand. Pivotal continued to invest in product development with US\$0.75 million in capitalized costs incurred during the quarter.

During the quarter, the Company made salary and payments of US\$0.34 million to related parties and their associates including executive director's salary payments, non-executive director fees, and fees for consulting services provided by a director-related entity.

### **Product Update**

Sales of the standard low flow GFC, commonly used for Etch applications, continued its momentum in Q1 2021 driven by spending by US and Japan based OEMs and both IDMs and OEMs in Korea and Japan.

In late Q1 2021, Pivotal began qualification of its standard GFC used for advanced etch applications, with the leading Japanese OEM. Pivotal expects to complete this qualification by the end of FY 2021.

The High Temperature GFC fanout continued in Q1 2021 with multiple repeat orders including on newly qualified gases. This momentum is expected to accelerate in 2021.

Pivotal also released an internally designed high temperature piezoelectric actuator capable of operating at up to 150 degrees Celsius. This new piezo provides Pivotal extended capabilities in high temperature applications expected to increase significantly in the future. Pivotal has already incorporated this new piezoelectric capability in several of its new products.

Overall, Pivotal's strategic partnerships with leading OEMs continued in Q1 2021 as the team worked diligently on high temperature applications with its existing Japanese OEM partner as well as an additional OEM.

The Company also continued development of flow ratio controller applications for deposition with a leading USA Based OEM. Finally, the strategic development program on ALD flow applications with a leading Japanese OEM remained on track.

### **Operations Update**

First quarter full-time headcount was 45 employees.

During Q1 2021, Pivotal continued to increase production to maintain pace with industry growth and beyond. The Company estimates that its existing aggregate capacity in its China and Korea based CM's is 4000 units per month for 5 day, 2 shift production. This capacity of 4000 units per month is expected to be sufficient to meet the 2021 upside demand requirements.

## **Industry Update**

On 26 April 2021, SEMI reported North America-based manufacturers of semiconductor equipment posted US\$3.3 billion in billings worldwide for the third consecutive month in March 2021 (three-month average basis), representing growth of 48% over the pcp, driven by robust secular semiconductor demand for leading-edge technologies across diverse end-use markets and digitization of industries worldwide resulting in rising investments in semiconductor equipment.<sup>12</sup>

In December 2020, SEMI estimated the global semiconductor manufacturing equipment market reaching US\$71.9 billion in 2021 and US\$76.1 billion in 2022<sup>3</sup>.

In late March 2021, Citi research<sup>4</sup> forecast the equipment market in 2021 to be US\$73 billion, up 26% on the pcp, growing to US\$100 billion in 2025, due to a significant step-up in domestic semiconductor manufacturing in Europe and the US, driven by TSMC, Intel and Samsung.

According to the Semiconductor Industry Association (SIA)<sup>5</sup>, growth in global semiconductor demand is projected to require a 56 percent increase in manufacturing over the next 10 years.

## **U.S. Government Intervention into Domestic Semiconductor Manufacturing**

In late March 2021, the US government announced a proposed increase to US\$50 billion in semiconductor manufacturing and research via the American Foundries Act of 2020 (AFA) and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act. The federal investment is in response to a reduced share of US semiconductor manufacturing capacity, which has declined from 37% in 1990 to 12%, with only 6% of future capacity based in the U.S.

The CHIPS [for America Act] includes a range of federal investments to advance U.S. semiconductor manufacturing, including US\$10 billion for a new federal grant program that would incentivize new domestic semiconductor manufacturing facilities. The bill also includes a refundable investment tax credit for the purchase of new semiconductor manufacturing equipment and other facility investments.

Pivotal remains enthused by U.S. government initiatives announced to date and welcomes new fabrication (fab) plant investments across several U.S states by leading Integrated Device Manufacturers (IDMs). The number of Fabs is expected to double in the U.S from 9 to 18 with a US\$50 billion incentive program.

As the only domestic supplier of advanced technology flow controllers able to operate at the leading edge of silicon wafer manufacturing, Pivotal is uniquely positioned to benefit from this investment with its existing relationships with leading Original Equipment Manufacturers (OEMs), also based in the U.S. and Japan.

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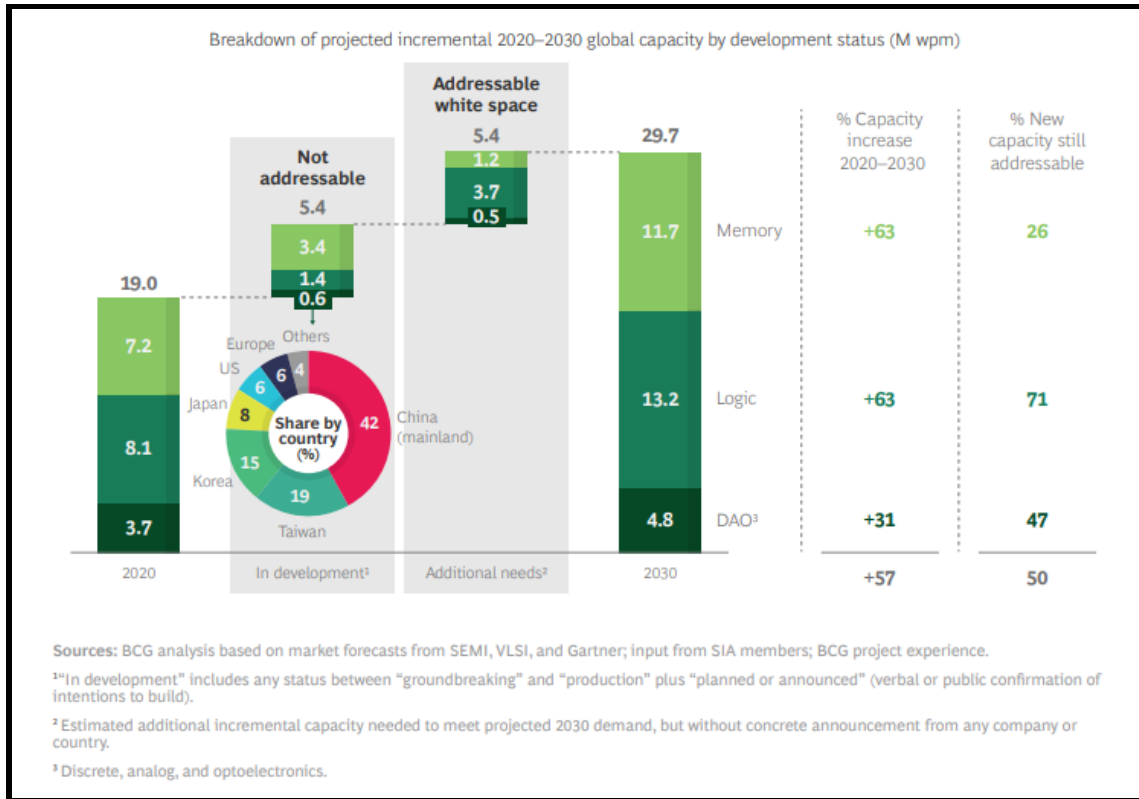
<sup>1</sup> <https://www.semi.org/en/news-media-press/semi-press-releases/mar-2021-north-america-billings-report>

<sup>2</sup> <https://www.semi.org/en/news-media-press/semi-press-releases/feb-2021-north-america-billings-report>

<sup>3</sup> <https://www.semi.org/en/news-media-press/semi-press-releases/semiconductor-equipment-2020-year-end-forecast>

<sup>4</sup> Citi Research: US Semiconductor Market- Foundry Capex Wars – Updating WFE Model

<sup>5</sup> <https://www.semiconductors.org/wp-content/uploads/2020/10/SIA-SUMMARY-OF-BCG-REPORT.pdf>



Source: SIA <https://www.semiconductors.org/wp-content/uploads/2020/09/Government-Incentives-and-US-Competitiveness-in-Semiconductor-Manufacturing-Sep-2020.pdf>

## Outlook

The Company has seen strengthening of the overall semiconductor industry and note global industry associations are forecasting growth to achieve record levels. The Company continues to progress toward its growth goals and maintains that its client-led new product development efforts are the key catalyst for future market share gains. In consideration of these factors, the Company anticipates FY 2021 revenues will increase from FY 2020 revenues by 35-45% to US\$30-\$32 million.

## Investor Conference Call

Pivotal will host an investor conference call today at 9.30am AEST (4.30pm PDT on Thursday, 29 April 2021) 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 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:

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<https://s1.c-conf.com/DiamondPass/10013323-ak765d.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: 10013323

**Participant Dial-in Numbers:**

Australia Toll Free: 1800 908299  
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United Kingdom: 0800 0511 453

*THIS RELEASE DATED 30 APRIL 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](#).

**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

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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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