



Pivotal Systems Corporation December 2018 Quarterly Update

Fremont, CA - 30 January, 2019. 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 for the period ending 31 December 2018.

Key highlights

- High Flow GFC released and qualified by two leading device manufacturers
- Unaudited revenue for year ended 31 December of US\$20.3 million (within the guidance range provided in November 2018)
- Orders grew from US\$15.5 million in 2017 to US\$31.1 million in 2018 representing 101% growth
- December quarter customer receipts of US\$4.6 million, with total cash receipts of US\$19.4 million for 2018
- Backlog at 31 December 2018 of US\$14.3 million
- Investor conference call to be held today, Wednesday 30 January, at 9.00am with details provided below

December Quarter Cash Flow

Overall receipts from customers for the quarter totalled US\$4.6 million, bringing the total for the twelve months ended 31 December 2018 to US\$19.4 million, an increase of 21% over the prior year.

The delay to customers’ delivery schedules during Q4’18 affected Pivotal’s overall operating results. Postponement of previously planned capex spend by major semiconductor integrated device manufacturers (IDMs) impacted new process equipment shipments as discussed in our November 2018 Release.

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

Products

During the December quarter Pivotal’s Low Flow Gas Flow Controller (GFC) was successfully qualified at two new semiconductor factories (Fabs) by major Korean device manufacturers. This follows the release of Pivotal’s High Flow GFC, which has now been successfully qualified by a leading Korean IDM, a leading Taiwanese IDM and a leading US original equipment manufacturer (OEM).

These successful qualifications are important milestones in Pivotal’s continuous efforts to bring new products to market to expand its growth opportunities and strengthen its overall market position.

The Company also continued to market its new Flow Ratio Controller (FRC), introduced earlier in 2018. The Company is continuing with its new product development efforts and expects additional new product releases in 2019.



Operations

Pivotal, together with its contract manufacturing partner, has also successfully scaled up its new manufacturing centre in Korea, with manufacturing capacity increasing to 4,000 units per month in 2019.

The Company has also added to its sales team in Asia-Pacific, consistent with its growth strategy. Headcount at the end of the quarter was 44 full-time employees.

Commenting on the quarterly results, Pivotal Systems' CEO, John Hoffman, said: "We finished 2018 with preliminary unaudited revenue of US\$20.3 million and with an additional US\$14.3 million in backlog. Orders grew from US\$15.5 million in 2017 to US\$31 million in 2018 representing 101% growth. We continue to monitor the timing of anticipated capex spend of the IDMs for 2019 and beyond. Although the semiconductor industry slowed in the 2H2018, we remain confident in our ability to capitalise on the opportunities presented by Pivotal's superior technology and value proposition."

Investor Conference Call

An investor conference call will be held at 9.00am AEDT this morning, Wednesday 30 January 2019. Pre-registration links and dial in details are as follows:

Pre-registration is available via the link below which will provide fast track access to the call:
<https://services.choruscall.com.au/diamondpass/pivotal-441032-invite.html>

Alternatively, you may dial in with the following details, at the scheduled start time:

Conference ID: **436332**

Participant Dial-in Numbers

Australia Toll Free: 1800 908 299
Australia Local: +62 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
Japan Toll Free: 0066 3386 8000

Safe Harbor Statement

This press release and the accompanying Appendix 4C contain forward-looking statements, which address a variety of subjects including, for example, expected revenue, financial projections, 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 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.

For further information, interview and photos:

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Pivotal Systems Corporation

ARBN

626 346 325

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,642	19,432
1.2 Payments for		
(a) research and development	(82)	(82)
(b) product manufacturing and operating costs	(2,630)	(15,788)
(c) advertising and marketing	(586)	(2,164)
(d) leased assets	(74)	(240)
(e) staff costs	(516)	(1,855)
(f) administration and corporate costs ⁽¹⁾	(359)	(2,845)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(152)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	(315)
1.9 Net cash from / (used in) operating activities	395	(4,009)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(68)	(288)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
(d) intellectual property	-	-
(e) other non-current assets (capitalised development expenditure)	(740)	(3,231)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(808)	(3,519)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares ⁽²⁾	-	41,540
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	87
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(1,761)
3.5 Proceeds from borrowings	-	1,917
3.6 Repayment of borrowings	-	(4,925)
3.7 Transaction costs related to loans and borrowings	-	(120)
3.8 Dividends paid	-	-
3.9 Other (Payments to selling shareholders, net of costs)	5	(12,950)
3.10 Net cash from / (used in) financing activities	5	23,788

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	18,132	1,148
4.2 Net cash from / (used in) operating activities (item 1.9 above)	395	(4,009)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(808)	(3,519)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5	23,788

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.5	Effect of movement in exchange rates on cash held	(235)	81
4.6	Cash and cash equivalents at end of quarter	17,489	17,489

- (1) Q3 administration and corporate costs includes IPO-related cash outflows of \$1.65M .
- (2) Includes \$2M proceeds from the issue of preferred stock on the exercise of preference warrants in Q2-18 and \$39.54M proceeds from the issue of shares on IPO.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	17,489	18,132
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	17,489	18,132

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
203
-

Salary paid to executive directors and non-executive director fees.

7. Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1 Aggregate amount of payments to these parties included in item 1.2	77
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Salary paid to key management personnel (excluding those in 6.1 above), and consulting services provided by director-related entity.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	1,500	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has a \$1.5M AR line of credit with Bridge Bank with an interest rate of the Bank's prime rate plus 1.25% secured over all personal property of the Company. The facility was not drawdown at the end of the period.

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	117
9.2 Product manufacturing and operating costs	4,666
9.3 Advertising and marketing	590
9.4 Leased assets	74
9.5 Staff costs	516
9.6 Administration and corporate costs	360
9.7 Other (capitalised development costs)	861
9.8 Total estimated cash outflows	7,185

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 30 January 2019

Print name: John Hoffman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.