



ASX / Media Release

Chairman's Address to 2023 Annual Meeting and Presentation

Fremont, California and Sydney, Australia; 13 June 2023 – Pivotal Systems Corporation (“Pivotal” or the “Company”) (ASX: PVS), a leading provider of innovative gas flow control (GFC) solutions to the semiconductor industry, today will be holding its virtual Annual General Meeting of Shareholders via webcast and an online voting platform (at <https://meetings.linkgroup.com/PVS23>) today at 11:00 am (AEST) being 6:00 pm Wednesday, 12 June 2023 PDT.

A copy of the Chairman's address to the 2023 Annual Meeting is attached to this release.

THIS RELEASE DATED 13 JUNE 2023 HAS BEEN AUTHORISED FOR LODGEMENT TO ASX BY THE CEO 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 presentation 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

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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/>.

Notice to U.S. persons: restriction on purchasing CDIs

Pivotal Systems is incorporated in the State of Delaware and its securities have not been registered under the U.S. Securities Act of 1933 or the laws of any state or other jurisdiction in the United States. Trading of Pivotal Systems' CHES Depository Interests ("CDIs") on the Australian Securities Exchange is not subject to the registration requirements of the U.S. Securities Act in reliance on Regulation S under the U.S. Securities Act and a related 'no action' letter issued by the U.S. Securities and Exchange Commission to the ASX in 2000. As a result, the CDIs are "restricted securities" (as defined in Rule 144 under the U.S. Securities Act) and may not be sold or otherwise transferred except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. For instance, U.S. persons who are qualified institutional buyers ("QIBs", as defined in Rule 144A under the U.S. Securities Act) may purchase CDIs in reliance on the exemption from registration provided by Rule 144A. To enforce the transfer restrictions, the CDIs bear a FOR Financial Product designation on the ASX. This designation restricts CDIs from being purchased by U.S. persons except those who are QIBs. In addition, hedging transactions with regard to the CDIs may only be conducted in compliance with the U.S. Securities Act.



Chairman's Address to the 2023 Annual Meeting

Fremont, California - 12 June 2023 and Sydney, Australia - 13 June 2023

Good evening for our US Investors and good morning for our Australian Investors.

My name is Kevin Hill and I am the Chief Executive Officer of Pivotal Systems Corporation. In addition, I will be concurrently acting as Chairman for the purpose of today's Annual General Meeting.

On behalf of the Pivotal Board, it is my pleasure to address the shareholders at Pivotal's 2023 Annual Meeting, our fifth as a publicly listed Company on the Australian Securities Exchange and my first as your CEO.

Today we are very pleased to welcome those of you participating online through our virtual meeting platform provided by our share registrar Link Market Services Limited.

It is now shortly after 6:00pm in Fremont, California on 12 June and correspondingly 11:00am in Sydney on 13 June. The Notice of the meeting was duly given on 4 May 2023 and the supplementary Notice of the meeting on 30 May 2023. The meeting today has been properly convened. We will turn to resolutions later in the meeting. Please note that only shareholders, proxy holders or shareholder company representatives may vote today. Holders of Chess Depository Interests (CDIs) will not be able to vote during today's AGM but will be able to ask questions.

I have been advised that a quorum is present for the matters to be considered at this meeting. I therefore declare this Annual Meeting of shareholders of Pivotal Systems open and welcome each of you to the virtual platform.

Before I proceed with the business of the Meeting, I would like to introduce my fellow Directors who are either in person here today in Fremont, California or joining us online.

- Kevin Landis; Non-Executive Director;
- David Michael; Non-Executive Director; and
- Jason Korman; Non-Executive Director

In addition, we have Ron Warrington our Chief Financial Officer in the room today with me. Welcome Ron. Finally, we have Adam Travaglione and Andrew Armstrong from the Company's Auditor, Armanino LLP who is joining us online. Adam and Andrew will be available to answer any questions you may have about the conduct of the audit and the auditor's report.

In relation to the procedure for the meeting, I will give a short address as Chairman of today's meeting and will then provide more detailed information on Pivotal's performance for the year and outlook in 2023.

Voting on the resolutions will be conducted by way of poll. Please note that shareholders will be able to vote online during the AGM and ask questions of Directors, Management and the Company's auditor. However, as I mentioned holders of CDIs will not be able to vote during today's AGM but will be able to ask questions. Please refer to the virtual annual meeting online portal guide or use the help line specified.



Following the voting, general business questions will be taken. All Securityholders participating online through the virtual meeting website - please click on 'Ask Question' button, type your question and click submit. I encourage Securityholders attending online, and who have questions, to send their questions through as soon as possible.

Securityholder questions received prior to the meeting will be addressed during the general business questions. As Chairman of the Annual Meeting today, I have been appointed as proxy for shareholders entitled to vote on the resolutions today. I will vote, where authorised, all undirected proxies in favour of each resolution.

The result of the polls will be declared and released to the ASX as soon as possible after the conclusion of the business of this Annual Meeting.

Turning now to a recap of Pivotal's 2022 Financial Year to 31 December 2022.

During the year, our installed base of gas flow controllers (GFCs) grew to 73,000 units across the globe. Revenues were down significantly during the year as the cyclical industry cycle transitioned into a slowdown in chip manufacture by Integrated Device Manufacturers, and cascaded upstream the supply chain to Pivotal.

Throughout most of 2022 the Semi supply chain was operating within a period of uncertainty as our Original Equipment Manufacturers (OEMs) rebalanced their inventory in response to the industry slowdown. This impacted sales of our GFC materially.

During 2022, the Company also experienced COVID-19 related supply shortages, particularly PCBA components. PCBA component shortages had two levels of impact, first was availability and second was mark-up, contributing to increased pressure on our cost of goods, and therefore gross profits.

Our margins were also materially impacted by inflationary pressures throughout the supply chain, with cost increases affecting sub-systems and assemblies such as pressure transducers and piezo assemblies.

During industry downturns, it is important to qualify our products for new applications to ensure any pick up in demand translates to product sales for the Company, and Pivotal remains keenly focused on new qualifications.

We did continue to make solid progress with our customers in 2022. Our Atomic Layer Deposition product developed with the leading Japanese OEM continued to progress well, with additional (and successful) qualifications for Pivotal products at leading Korean and North American IDMs.

Over the past year, Pivotal completed a large number of cost reduction measures including: reducing operating expenditures by 38% versus the 2022 financial year, reduced headcount by 36%; and we significantly reduced controllable spending including travel, material and the use of third party vendors.

Pivotal also has an aggressive cost of goods sold (COGS) reduction plan in process, which we aiming to reduce COGS by 20% during 2023 to improve our product gross margins, which were severely impacted in 2022.

Although the industry slowdown in demand is expected to be reflected in lower than normal revenue during the first half of the year, we are anticipating a much improved second half of 2023 as the industry demand recovers.



Despite these short-term headwinds, longer term, the overall wafer fabrication equipment (WFE) sector is anticipated to benefit from billions of dollars in government initiatives progressively announced through 2021 and into 2022, to expand domestic chip manufacturing capacity in Europe, Japan, China, South Korea and the United States.

Specifically in the USA, in August 2022 the US government signed into law the US\$52 billion CHIPS Act, which will provide funding, certain tax relief, and other incentives to companies looking to manufacture semiconductors in the US, with a significant portion of that going towards equipment. Wafer Fab Equipment typically addresses 45-55% of the total capital investment into a new production facility.

During the year, several changes to the Board and senior management team were made. I was honored to assume the role of CEO of Pivotal Systems on 1 June 2022, where I previously held the role of COO of the Company since 2020. I have over 25 years of global high technology management experience with the following companies: Apple, Applied Materials, IBM, Flextronics and Collins Aerospace.

On 31 December 2022, Mr John Hoffman, Pivotal's Executive Chairman and former CEO, retired from the Company. On behalf of the Board of Directors of Pivotal and our staff and customers, we express our sincere thanks and gratitude to John for his many years of dedicated service to the Company as CEO and Executive Chairman since joining the Company in 2010.

Earlier in 2022, Dr. Joseph Monkowski, Pivotal's President and Chief Technology Officer (CTO) retired from the Board of Directors following the Company's 2022 Annual General Meeting, allowing Dr Monkowski to focus on critical milestones of product development, while continuing on as President and CTO. But as we announced this morning, Joe has agreed to rejoin the Board going forward, and as Board member his insights into technology and innovation will enable application of Pivotal technology into accelerated profitable growth for our shareholders.

In conjunction with the Entitlement Offer announced on 13 April 2023, the following additional changes were made to the Board of Directors with Non-executive directors, Peter McGregor and Ryan Benton retiring from the Board. We are in advanced discussions with candidates from Australia and the US to replace those director positions.

On behalf of the Company I would like to thank all our departing Directors and wish them all the very best in their future endeavours and thank them for their outstanding years of service to Pivotal Systems.

As I just mentioned, we announced an accelerated renounceable pro-rata entitlement offer to raise gross proceeds of up to approximately A\$5.1 million which is US\$3.4 million. The Institutional Entitlement Offer was completed and announced on 17 April 2023 and raised approximately A\$3.78 million. The completion of this capital raise provides the company with additional cash runway during the 2023 financial year to implement our turnaround strategy announced on ASX as part of the capital raise.

Our strategy is a turnaround to breakeven via the combination of anticipated higher second half revenues, lower manufacturing costs and a 38% reduction in anticipated operating costs versus the prior corresponding period.

In parallel, Pivotal appointed Needham & Co. to undertake a review of strategic alternatives for the business. This process is continuing, however, we cannot guarantee that a higher price for Pivotal securities will be obtained from the process or that an exit event will occur at all.



As a Board, we recognize the impact of a sudden industry slowdown in 2022 and early 2023 performance, and are very disappointed by the associated material decline in the value of the company and its share price. We are resolute in our focus to restore shareholder value in 2023 through a combination of securing additional revenue opportunities, materially reducing the Company's operating costs without impacting our technology innovation, and introducing 2 new product platforms to drive growth.

Pivotal expects investment into semiconductor manufacturing equipment to decline 20-30% over 2022 levels during 2023 driven by an inflation fuelled general economic slowdown and ongoing geopolitical tensions, with the memory segment hit hardest by lower consumer confidence in many markets. But as with any cycle, the current industry slowdown will be replaced in time with an up-cycle fuelled by the secular trends such as generative AI driving server growth, as well as increased chip content in automobiles, communication, and devices of all kinds; a secular up-cycle that will drive continued growth in demand for semiconductors, and therefore the machines, such as a Pivotal gas flow controller, that makes the chips.

In conclusion, despite very challenged trading conditions in 2022 and thus far in 2023, we do appreciate and thank all shareholders for their support of the Company.

We look forward to a return to revenue growth in the second half of 2023 as supply chain bottlenecks moderate and the wafer fabrication equipment market outlook improves. Pivotal anticipates a significant improvement in earnings before interest, tax, depreciation and amortization ("EBITDA") in 2023, with the Company targeting a positive EBITDA result by year's end.

Thank you

Kevin Hill

CEO

13 June 2023 (AEST) / 12 June 2023 (PDT)