



## Chairman's Address to Annual General Meeting

San Luis Obispo, California – Wednesday 27 May 2020 (PDT) & Thursday 28 May 2020 (AEST)

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

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

Due to the current COVID-19 pandemic, we thought it prudent to take steps to discourage a physical public gathering and encourage attendance online. We hope that holding a virtual meeting will allow greater participation and engagement amongst our shareholders going forward.

My name is Jerry Cutini and I am the Executive Chairman and Chief Executive Officer of Revasum, Inc. (**Revasum** or the **Company**). On behalf of the Revasum Board, it is my pleasure to address the shareholders at Revasum's 2020 Annual General Meeting, our second as a publicly listed Company on the Australian Securities Exchange.

It is now 4:00pm in San Luis Obispo, California on 27 May and correspondingly 9:00am in Sydney, Australia on 28 May. The Notice of the meeting was duly given, and the meeting 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.

I have been advised that a quorum is present for the matters to be considered at this meeting. I therefore declare this Annual General Meeting of shareholders of Revasum, Inc. 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:

- Ryan Benton, our Chief Financial Officer, and an Executive Director;
- Vivek Rao; Independent Non-Executive Director;
- Paul Mirabelle; Independent Non-Executive Director; and
- Kevin Landis; Non-Executive Director;

Also present today is Rebecca Shooter-Dodd our Corporate Controller and Gareth Few, from the Company's Auditor, BDO Audit Pty Ltd. Gareth will be available to answer 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 CEO and will then provide more detailed information on Revasum's performance and outlook.

Voting on the resolutions will be conducted by way of poll.

Shareholders attending the meeting online, will be able to cast their vote using the electronic voting card received when online registration is validated. 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. Security holders 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.

I would now like to provide you with some of the highlights of our performance for the year ended 5 January 2020, which was marked by a significant industry downturn in the first 3 quarters of the year and a rapid escalation of demand in the 4<sup>th</sup> quarter.

I trust each of you have received a copy of our 2019 Annual Report, copies of which are available on the Investors section of the Revasum’s website and the ASX announcement platform.

### **Operations**

During 2019 we invested heavily in the fast-growing Silicon Carbide market – notably launching our new 6EZ Silicon Carbide Polisher to the market during the fourth quarter of 2019. Since the release of the 6EZ polisher, our internal development team has not only met all advertised expectations but exceeded this bar in multiple regards. The 6EZ is delivering leading process technology developed specifically to take advantage of the rapidly growing SiC market. On the back of the impressive demo results, the Company is in advanced discussions with key strategic customers. We are on track to book an order and ship our first 6EZ system during the second half of 2020.

We also achieved preferred supplier status and signed a multi-year volume purchase agreement with one of our key customers, Cree, with deliveries of tools starting in Q4 of 2019 and continuing throughout their expansion period. Cree has previously announced a multi-year expansion of the SiC capacity that will see a 30x increase in the supply of SiC substrates. Cree is the unquestioned leader in the Silicon Carbide wafer market and Revasum is excited to be a preferred partner with Cree and our plan is to fully support their expansion with the best possible products.

During the year we secured US\$10.0 million in debt financing from Bridge Bank.

In addition to the above, during 2019 we invested in our internal infrastructure - successfully deploying our new Enterprise Resource Planning or ERP system.

### **2019 Financial Performance**

In 2019, the Company recorded revenues of US\$20.5 million which was a decrease of 25% versus the prior year and our recorded operating loss was US\$14.9 million. Total operating expenses for the half year were US\$17.2 million, a 54% increase from the prior year, primarily the result of a US\$1.9 million charge related to the impairment of capitalized product development. This charge is in relation to our CMP tool development project. Given the working capital constraints of the Company, a strategic decision was made to postpone this project – resulting in a non-cash charge. Our Adjusted EBITDA loss for the year was US\$10.5 million.



FY2019 Gross Profit decreased 77% to US\$2.3 million, with gross margins percentage declining to 11.2% versus 37.2% in 2018. As the Company moved its focus to our new Silicon Carbide tools, we took a material one-time non-cash charge related to legacy inventory in the amount of US\$2.2 million. The charge had an 11% detrimental impact on gross margin %.

At the year-end date, the Company had US\$6.8 million dollars in cash, with US\$2.0 million dollars drawn down on the Bridge Bank term loan facility and nothing drawn on its working capital facility.

### **Post Results for 2019**

As at today's date, we have a strong systems backlog of US\$9.3 million – this represents systems which have already shipped during the first half of 2020, and systems for which we have a confirmed PO, but have not yet shipped. This does not include our recurring revenue from spares, service and royalties. We expect the second half systems backlog figure to grow significantly as we book additional orders which are in the pipeline, including our first 6EZ orders.

During the first quarter of 2020, Revasum began experiencing the effects of the COVID-19 Pandemic, which have primarily affected our supply chain, not the activity we see at our customers. In California, while Revasum is characterized as an "Essential Business", we suffered from some of the impacts of the new social distancing guidelines. Our Sales team has been unable to travel, and this led to an initial slowdown in our customer 6EZ sales initiatives. However, as the quarter progressed, we saw a recovery as Revasum, and its customers became better acclimated with the new normal. In the US we have seen no slow-down whatsoever as it relates to our current product (7AF-HMG SiC grinder) sales and delivery in our largest US customers' factory ramp activity. We have continued to ship tools and book new orders. In the second quarter we have started to see Asia activity accelerate to near pre-COVID-19 levels. Over the last couple of months, we have successfully installed 5 tools in our largest China' customers factory and shipped three additional tools to that same facility.

We also recently announced that we received loan proceeds of US\$2.2 million under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business, calculated as provided under the PPP. The PPP provides a mechanism for forgiveness of up to the full amount borrowed. The amount of loan forgiveness is subject to reduction for numerous reasons, including if the borrower has recently, or during the eight-week period after loan origination, terminated employees or reduced salaries.

### **Outlook**

Finally, as we look at the overall market for semiconductor capital equipment and Revasum's business opportunity, we see:

- The improving market dynamics which prevailed in the fourth quarter of 2019 have resumed.
- Globally, we have not seen any impact to the demand for the SiC technology needs as they relate to electric vehicles.
- While we are disappointed that COVID-19 has delayed our early shipments of the 6EZ, we remain confident that as economic activity resumes and travel restrictions ease, we will enter into agreements for the new machine.



On behalf of our Board of Directors, I would like to thank the Revasum team who are located across the globe and have worked tirelessly for the Company, particularly during an unprecedented few months with the COVID-19 pandemic. I would also like to thank our securityholders for their outstanding support of the Company during this difficult and uncertain period.

Jerry Cutini  
Executive Chairman, Chief Executive Officer and President

*THIS ANNOUNCEMENT WAS AUTHORIZED FOR RELEASE BY THE CEO*

### **Safe Harbor Statement**

This announcement and the accompanying materials contain forward-looking statements, which address a variety of subjects including, for example, financial projections, our statements regarding expected events, including expected revenue and earnings, system shipments, expected product offerings, product development, market adoption 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 they are made. Revasum does 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 Revasum**

Revasum (ARBN: 629 268 533) specializes in the design and manufacturing of equipment used for the global semiconductor industry. Revasum's equipment helps drive advanced manufacturing technology for critical growth markets, including automotive, IoT, and 5G. Our product portfolio includes state of the art equipment for the grinding, polishing, and chemical mechanical planarization processes used to manufacture devices for those key end markets. All of Revasum's equipment is designed and developed in close collaboration with our customers. To learn how we create the equipment that generates the technology of today and tomorrow, visit [www.revasum.com](http://www.revasum.com).

**Company Contact**  
Rebecca Shooter-Dodd  
Corporate Controller  
[rebecca.shooter-dodd@revasum.com](mailto:rebecca.shooter-dodd@revasum.com)  
+1 (805) 541-6424

**Investor Relations**  
[ir@revasum.com](mailto:ir@revasum.com)  
+1 (805) 541-6424

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