

REVASUM

Q2 2023 – Second Quarter Activities Report

San Luis Obispo, California – 25 July 2023: Global semiconductor technology and equipment firm, **Revasum, Inc. (ASX: RVS, 'Revasum' or the 'Company')** is pleased to release the following update for the three-month period ending 2 July 2023 (Q2 FY23'). The Appendix 4C is prepared in US dollars and is unaudited.

Q2 FY23 HIGHLIGHTS

- Total quarterly revenue of US\$5.26 million (Q2 FY22: US\$3.13 million), a 67.8% increase year on year (YOY);
- Equipment revenue of US\$2.74 million (Q2 FY22: US\$1.48 million), an increase of 84.7% YOY;
- Other revenue of US\$2.52 million (Q2 FY22: US\$1.65 million), an increase of 52.6% YOY;
- Gross margins increased to 23.2% (Q1 FY23: 19.1%), margins improved on both on equipment and other revenue;
- Total backlog of US\$8.46 million as of 18 July 2023 increased by US\$1.16 million or 15.9% compared to 19 April 2023;
- Operating expenses in Q2 FY23 were US\$2.80 million (Q2 FY22: US\$4.05 million), a decrease of 30.9%;
- Expense control and cashflow management are ongoing priorities:
 - Excluding one-time expenses for legal fees associated with debt restructuring and severance, Q2 FY23 was the 4th consecutive quarter of sequential operating expense decline
 - Although cash used in operating activities increased to US\$1.05 million in Q2 FY23 relative to US\$0.72 million in Q1 FY23, a payment that was due in Q2 arrived in early Q3. Had this payment arrived on time cash used in operating activities would have improved sequentially for the 4th consecutive quarter;
- Cash balance of US\$693 thousand as of 2 July 2023;
- Inventory levels improved again during Q2, at the end of Q2 FY23 inventory was US\$8.65 million (Q1 FY23: US\$8.82 million), a sequential decrease of 2.0% and down US\$1.88 million or 17.9% vs Q2 FY22.

Revenue growth and diversification

Total YOY revenue growth accelerated in Q2 bringing 1H FY23 to US\$9.54 million (1H FY22: US\$7.41 million), an increase of 28.7% YOY. Both equipment sales and other revenue grew robustly in the first half buoyed by strong order demand.

Equipment revenue increased to US\$5.23 million in the 1H FY23 (1H FY22: US\$3.93 million), an increase of 32.9% YOY, and included shipments of three additional tools to three different customers during the quarter. Q2 was the third consecutive quarter shipping three tools demonstrating continued improvement in operational consistency and supply chain headwinds.

Recurring other revenues ramped materially in Q2 bringing 1H 23 to US\$4.31 million (1H FY22: US\$3.48 million), an increase of 23.9% YOY. Strong customer demand for spares and service drove 1H growth, but consumables growth in Q2 was up sharply with forecasts from customers indicating this important revenue stream will continue to grow rapidly in the 2H FY23. Also, in Q2 Revasum finalized a third annual service agreement with a major customer. These agreements both improve customer experience and provide ongoing predictable revenue streams.

Product development

During the quarter, the company completed validation activities of the 200mm conversion kit for the 6EZ Chemical Mechanical Polisher. A conversion kit was installed on the company's laboratory 6EZ tool and multiple 200mm silicon carbide wafers were processed. Automatic system calibration of polishing downforce was properly executed by the system and material removal rates and removal uniformity were found to be consistent with those achieved on 150mm wafers.

A leading silicon carbide wafering customer has engaged Revasum to convert a 6EZ tool in their factory to process 200mm silicon carbide wafers. The conversion is underway, and the company anticipates completion of the conversion in early Q3.

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Industry Update and Outlook

After a strong 2022, global semiconductor equipment sales are now forecast to contract significantly in 2023. SEMI, a leading global semiconductor industry association, recently projected an 18.9% decrease for the calendar year in semiconductor capital equipment spending to US\$76.43 billion. Capital spending for silicon carbide prime substrate and power device fabrication remains robust with demand expected to exceed supply over the coming years as a number of new wafer making facilities announced by major suppliers come on line.

Reduction in global demand for components used in the fabrication of semiconductor capital equipment has resulted in an easing of supply chain constraints for some components with most, but not all, components returning to normal lead-times. The company is continuously evaluating its inventory, supplier lead times, and order backlog to maximize its ability to capture new business while minimizing inventory risk.

Financial commentary on cash and expense control

Operating cash outflows for the quarter decreased to US\$1.05 million (Q2 FY22: outflows of US\$2.10 million). This improvement was due to reduced payments to suppliers primarily for product manufacturing and operating costs but also augmented by lower administration and staffing costs.

Management's focus on expense control continues. Excluding one-time costs associated with debt restructuring and severance, Q2 FY23 was the 4th consecutive quarter of sequential operating expense decline.

Inventory reduction efforts continued in Q2 as well. Those efforts bolstered by consistent customer shipments pushed inventory levels in Q2 down to US\$8.65 million (Q1 FY23: US\$8.82 million), a decrease of 2.0% sequentially. Since peaking in Q2 FY22 at US\$10.53 million inventory is down US\$1.88 million or 17.9% over the last year.

Revasum's unaudited cash balance at the end of Q2 FY23 was US\$693 thousand (Q1 FY23: US\$486 thousand).

Events Subsequent to Q2 FY23 period end

Revasum received a letter of intent from a South Korean company to purchase a 6EZ SiC CMP system in Q4 FY23. This transaction will mark the third customer to purchase a 6EZ.

In addition to the above transaction, Revasum has entered into an agreement with a leading SiC grind wheel manufacturing company to collaborate on the development of next generation grind wheels on Revasum's 7AF HMG SiC grinder. Once again, the specific commercial terms are confidential, but the agreement calls for three important provisions. Revasum will contribute a 7AF HMG grinder on favorable terms to the manufacturing company, the companies will work jointly on the development of the grind wheels, and Revasum will earn royalties on sales of grind wheels resulting from this collaboration for a number of years.

Subsequent to quarter-end, the company received a USD\$713 thousand payment from a customer which was due in Q2 FY23. Including the late payment, Revasum's unaudited cash balance at the end of Q2 FY23 would have been USD\$1.41 million (Q1 FY23: US\$486 thousand).

Revasum President and Chief Executive Officer, Scott Jewler said:

We are pleased with the results of our first half of operations in 2023. We have taken steps to strengthen our balance sheet, upgrade our workforce, and enhance our customer relationships. Our manufacturing operations have been streamlined and our efficiency is increasing across the board. The industry transition to 200mm silicon carbide wafer sizes appears to be gaining traction and we are encouraged by the results of our testing of 200mm wafer chemical mechanical planarization (CMP) on our 6EZ platform.

We are engaging new customers in Asia and driving hard towards achieving our goals for the full year.

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THIS ANNOUNCEMENT WAS AUTHORIZED FOR RELEASE BY THE BOARD OF DIRECTORS

--ENDS--

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Safe Harbor Statement

This announcement contains 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. Learn how we create the equipment that generates the technology of today and tomorrow, visit www.revasum.com.