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# Cirtek Holdings Philippines Corporation (CHPC)

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Management Presentation  
July 12, 2021



# Cirtek Milestones and Business Track Record



CIRTEK is **35 YEARS** on going business with a proven track record of impressive growth, strong management team, annual dividend declaration to shareholders.



With our **Rich** business experience, CIRTEK can weather an economic slow down, recession and financial crisis. Our business is built on best **QUALITY** practice, low overhead / hands on style and Competitive price.



CIRTEK successfully entered the **5G** space, having bagged **MPAs** in the US in 2020.



We have successfully **TRANSFORMED** our business model from **manufacturing based** to **IP based** product company. The transformation will provide higher margin and profit.



CIRTEK is a **global player** and is growing in the highest **GROWTH** industry providing wireless connectivity solutions. We have **TIER 1** customers doing business with us.



CIRTEK is the **LEADING wireless** connectivity technology company in the Philippines.

- CTK Business Updates
- CATSI Business Updates
- Quintel Business Updates
- Financial Highlights



**CIRTEK**  
Electronics  
Corp.

## Applications / end users

- Communications
- Computing
- Consumer Electronic
- Industrial
- Automotive



Dashboard applications



Networking infrastructure

## The leader in semiconductors

**Leading Independent subcontractor for semiconductor assembly, test, and packaging services in the Philippines.**

Provides turnkey solutions that encompasses the whole process; offers customer-specific and standard packages. Has the capability and flexibility to meet and create value to customer needs. CEC is global and diversified footprint with over 33 years of operating track record.

## IOT based products including advance sensors for medical devices



Wireless applications



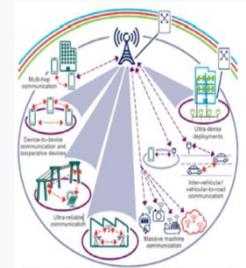
Data storage and connectors



Smart phones



5G Technology to gather all networks on one platform.

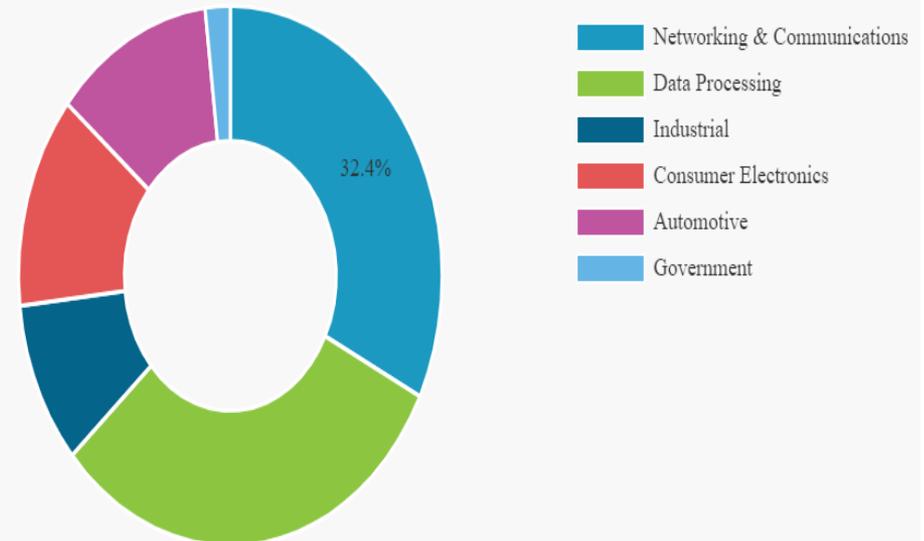


- **complex and advanced semiconductor products like 5G including aerospace application**

# GLOBAL SEMICONDUCTOR MARKET SEGMENT

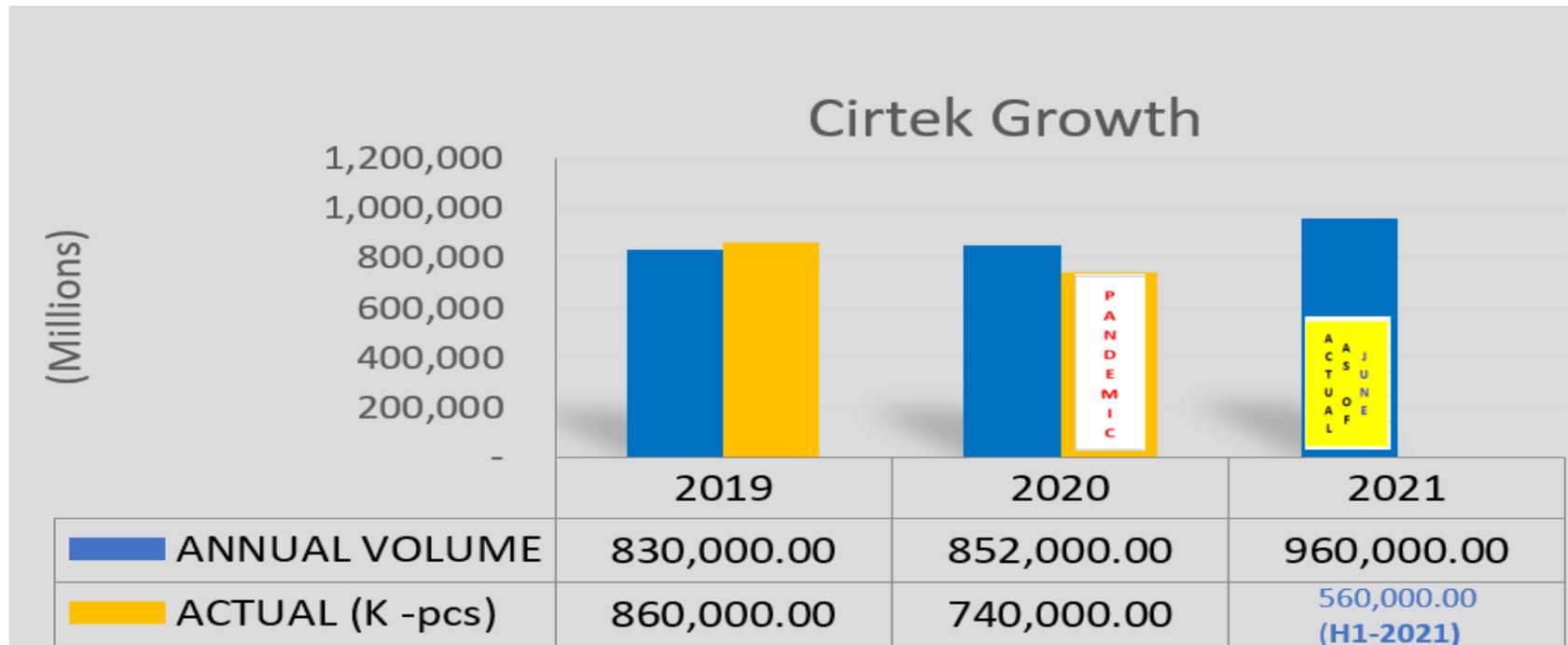
- The **Integrated Circuit (IC) industry** is the market segment that CIRTEK is engaged with
  - ✓ The worldwide **IC market** is expected to display an **increase of 20% to 24% growth in 2021** according to WSTS source.
  - ✓ The **growth drivers** will come from general purpose application that is expected to surge are
    - ✓ **5G connectivity, artificial intelligence, deep learning, virtual reality.**
    - ✓ **Other emerging applications in mobile, data center and cloud-computer servers**
    - ✓ **Consumer Electronics**
    - ✓ **automotive, and industrial markets,**

Global Semiconductor Market Share, By Application, 2020



source: Fortune business insights/ WSTS/SIA

## CIRTEK SEMICONDUCTOR VOLUME GROWTH AFTER PANDEMIC



- ❑ **After the Covid 19 in 2020, Cirtek business is picking up since Q1 2021**
  - Cirtek shipped **560Mu in H1-2021** versus 480Mu target or **16% better VS Plan**
  - Has been getting inquiries for capacity expansion since Q12021
  - Certain products already **fully booked**
  
- ❑ **We expect the uptrend to stay on course**
  - **Market analyst are on the same page** with regards to 2021 onward
  - **Customer consign and funded assy and test to secure capacity**
  - With this trend, CTK **will continue to expand** its **capacity** by **25%**

# CIRTEK BUSINESS DRIVERS IN 2021 FORWARD



# CIRTEK BUSINESS WINS 2021



## Cirtek Chip Demand Outpaces Supply

- ❑ As quoted from the Integrated Circuit (IC) Insight's market research report, the worldwide IC market is expected to display **an increase of 24% growth this year which will be driven by a 21% jump in shipments and a 2% increase** in average selling price.
- ❑ A growth rate of **24% would be the third largest increase in the global IC market over the past 16 years**, being surpassed only by the 33% surge displayed in 2010 and the 25% increase registered in 2017 according to the IC Insights market research report. (Source: [www.icinsights.com](http://www.icinsights.com))
- ❑ Cirtek Holdings Philippines Corporation ("Cirtek" or the "Company"), through its semiconductor arm, Cirtek Electronics Corp., **continues its collaboration with customers to develop expansion plans** to address the global chip shortage that the industry is experiencing. **In early Q1 of 2021, Cirtek Electronics Corp. started procuring additional equipment to support the surge in demand from its customers.** This is at the back of the Cirtek Group's manufacturing capacity already running at 100%. The new equipment will **initially drive 25% additional capacity in the second half of 2022.** This expansion is complemented with booked orders received in Q1 of 2021.
- ❑ **Cirtek secured three new customers in early 2021** from major telecom players in **Europe that will complement** the Company's growth trajectory.
- ❑ Due to the industry's bullish outlook, supply chain backlogs and chip demand outpacing supply, customers have even started to consign equipment to Cirtek as insurance for production capacity on top of Cirtek's own internal equipment.
- ❑ Cirtek also sees growing trends in products focused on internet of things (IoT), wireless communication (5G deployment), medical devices and wearables.

- CTK Business Updates
- CATSI Business Updates
- Quintel Business Updates
- Financial Highlights

## Overview

- Over 25 years in design, manufacturing, packaging, and testing.
- One of only a handful of independent RF/MW/MM companies in the world
- Primary sells integrated circuits principally to the U.S.
- Manufactured 1.5M MW radio systems as of 2016-end.

## Customer List



## Production Facilities



- Building 1 and 2: 14,121 m<sup>2</sup>
- Building 3 (new): 8,175 m<sup>2</sup>
- 3.5 Megawatts standby generator
- Located within a free trade zone (PEZA)
- Class 10K and 100K clean room
- ESD-controlled environment

ISO 9001:2015 and ISO 14001:2015  
certified by TUV NORD



Established as Pacific Microwave Corporation



Acquired by REMEC Inc.



Became REMEC Broadband Wireless Inc.



Acquired by CIRTEK Holdings

1996

2001

2005

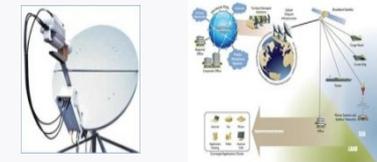
2014



Valid from 2018-04-03  
Valid until 2021-04-02  
Initial Certification 2018-04-03



Valid from 2018-04-03  
Valid until 2021-04-02  
Initial Certification 2018-04-03



## Products

- Split-type Microwave Radios
- All Outdoor Internet Protocol Radios
- Gigabit Millimeterwave Radios
- Multi-gigabit 80Ghz Radios
- Indoor Radio Frequency Units
- Satellite Communication Products
- Point-of-Sale Devices
- RF Evaluation Boards

## Uses

- Microwave Backhaul Radio Links
- High-capacity Millimeter Wave Radio Systems
- Long Haul Radio Systems
- Satellite Block Up Converters and Transceivers

## Business Applications

- Wireless Telecommunication
- Satellite Communication Systems
- Enterprise Solutions
- Public Safety / Utilities / Transportation
- Aerospace / Defense

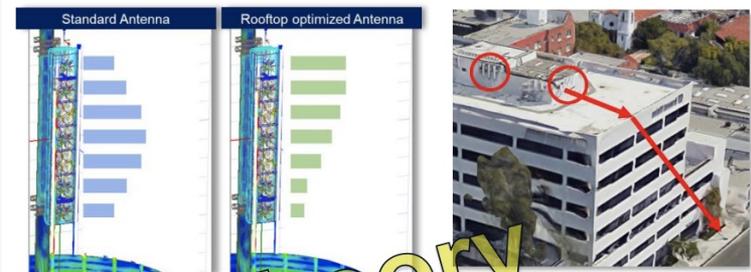
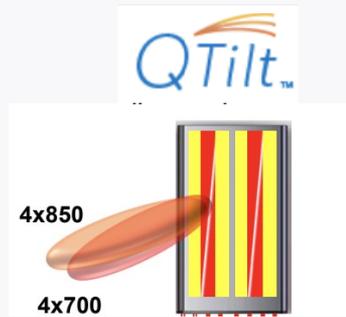


- Revenue growth driven by strong demand for Radio Frequency (RF) / Microwave / Millimeterwave products in the telecoms, consumer, defense, security, satcom, and imaging end markets
  - Managed to secure [Blanket Purchase Orders \(BPOs\)](#) from 2 major US customers (RBWN and MNI) to support 2021 sales
  - Secured contract manufacturing services from IDT/Renesas
    - ❖ Currently in the midst of product qualification - 2 models have been qualified so far for [High Speed Data Transmission](#) application
  - Growing Analog Devices Inc (ADI) market share
    - ❖ Expansion of ADI products into the System Level Box Builds and new RF Boards from ADI
      - [Battery Monitoring System \(BMS\)](#) for the [Electric Vehicle \(EV\)](#) market
  - Working with Cobham AES on the qualification of new [RF Power Modules for Aerospace Application](#)
    - ❖ Qualification in 2021
    - ❖ Mass production in 2022 onwards
  - Secured long term partnership with MNI
    - ❖ [Next Generation Ethernet/TDM](#) radio and Microwave radio

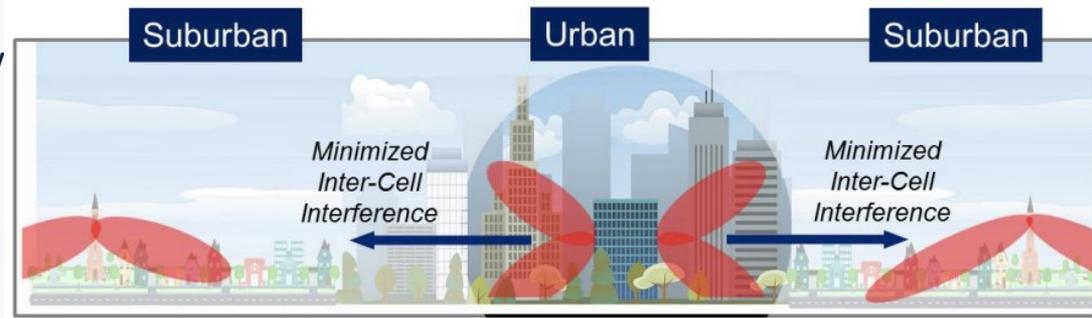
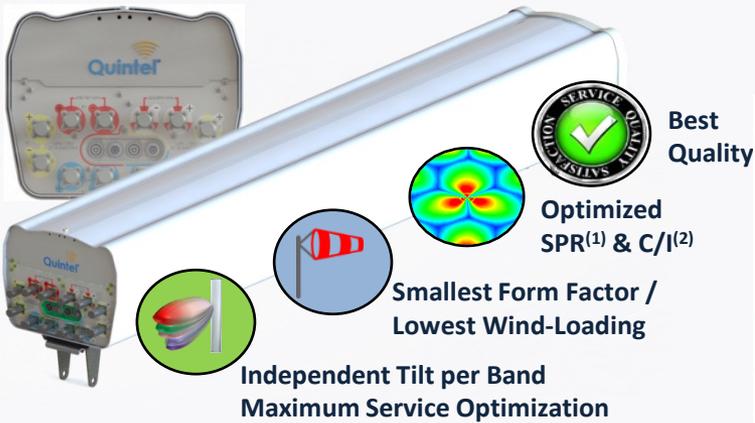
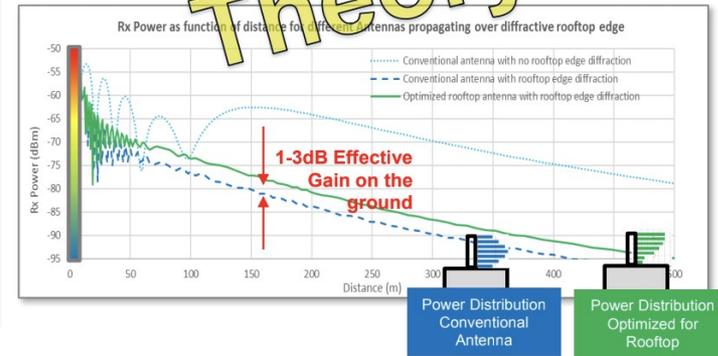


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- UK Defense R&D Origins
- Holds Rich Intellectual Property Patents
- Technology Commercialized in 2007

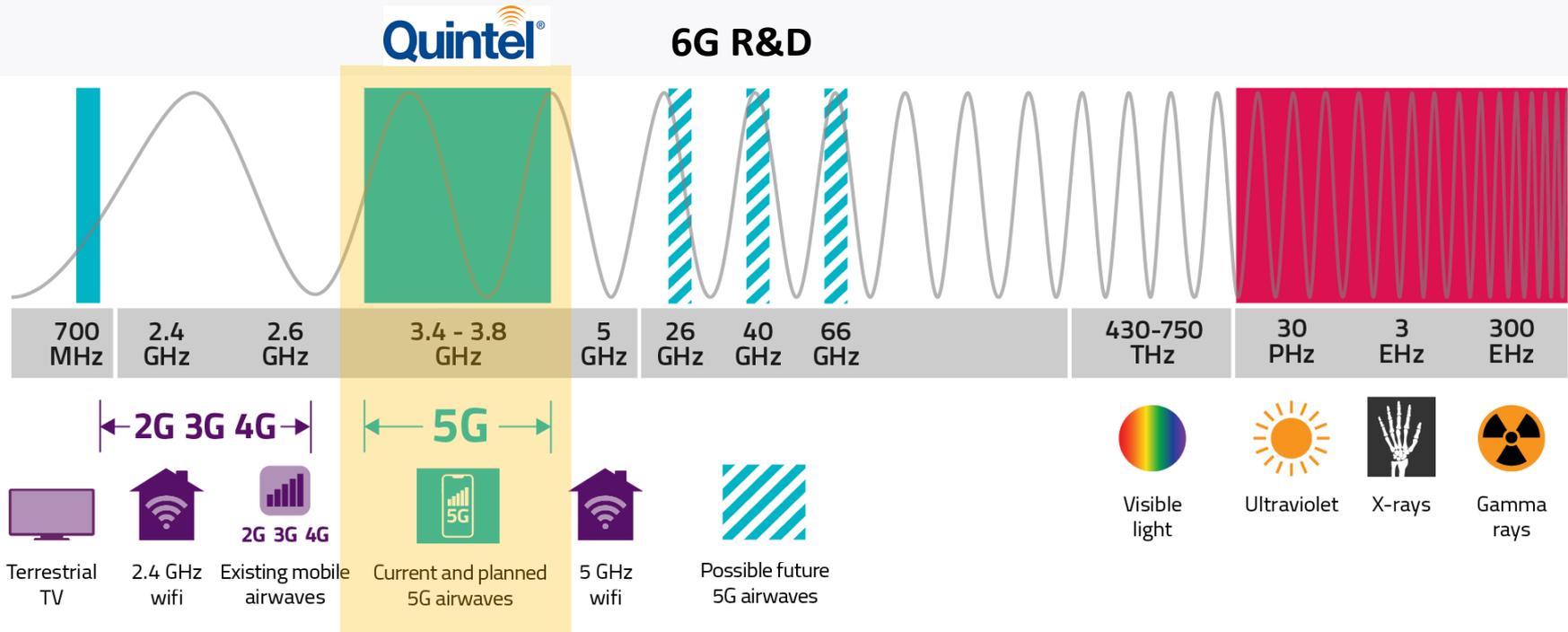


Theory





- 5G new products approval secured
- Extension of Master Supply Agreement (2021-2025)
- Only one of two antenna vendors approved at both Major Telcos to date
- Both Telcos rank #1 and #2 globally in terms of revenue



- Telco infra networks upgrade every decade
- USA currently in transition to 5G
- Preparation for 6G as next big wave

## Extension of Quintel USA Master Supply Agreement (MSA)

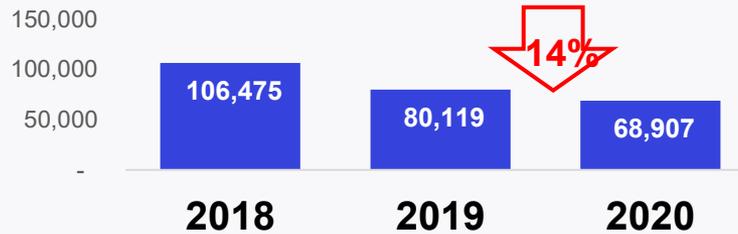
- ❑ Quintel USA, Inc., the Telecom Base Station Antenna unit under the holding firm, Cirtek Holdings Philippines Corporation (“Cirtek” or the “Company”), is pleased to announce the **extension of its Master Supply Agreement** with two (2) major leading carriers in North America. This comes at a time following a series of **new product introductions** released by Quintel when 5G is at an inflection point.
- ❑ Quintel’s 5G products are precisely **designed with the customer’s network architecture in mind** allowing synergies in terms of backwards compatibility to existing infrastructure while providing 5G capability at a fraction of the cost against competitor products. This extension allows Quintel another **five (5) years of secured business** with these two (2) telcos companies.
- ❑ According to Group Vice Chairman, Jorge Aguilar, “Quintel is poised to grow its business in the near to medium term as evidenced by the relevance of its pioneering products that has been well received by our customers. **Our products allow carriers to stay ahead of their game and maximize 5G services in the quickest and most cost economical manner.** We are preparing our supply chain, planning, capacity expansion and capital expenditures to fully support the demand as we look to **grow our market share to double digit figures in the next 3-5 years.**”
- ❑ The global 5G base station market is anticipated to grow by a **CAGR of around 32% over the forecast period of 2020-2028** and is estimated to cross market valuation of **USD 177 Billion** by 2028 according to research and market study published on March 9, 2021. (Source: Saunders J et Al, Base station antenna development trends in the 5G era (Analyst Angle).

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- Financial Highlights

# Financial Highlights

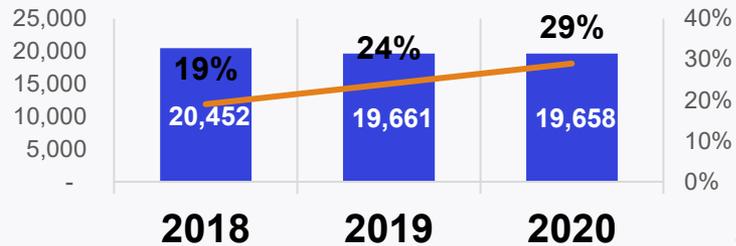
## REVENUE

In thousand US\$



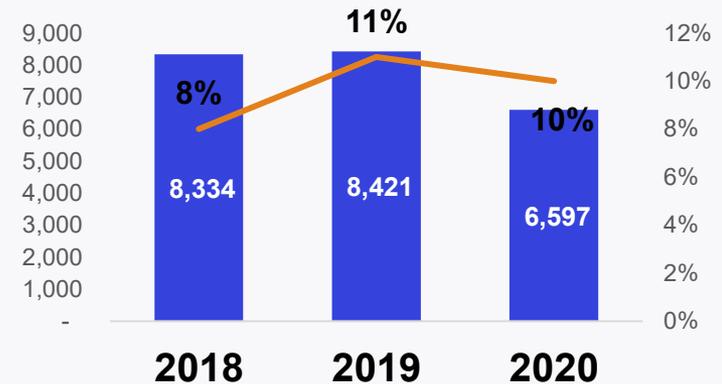
## EBITDA / EBITDA Margin

In thousand US\$



## Net Income / Net Income Margin

In thousand US\$ / %



# Cirtek Audited 2018-2020

## Financial summary

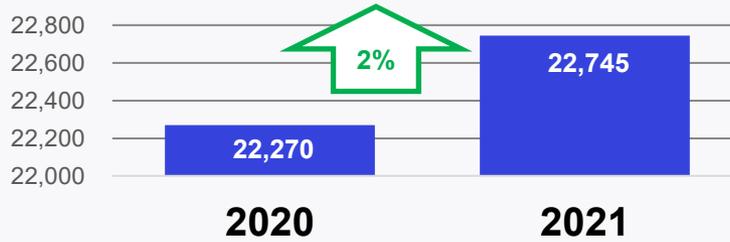
Except for per share amounts (US\$000s)

Consolidated Income statement data	As of and for the years ended December 31			2019-2020 Inc. (Dec.)%
	Audited 2018	Audited 2019	Audited 2020	
<b>Net sales</b>	<b>106,475</b>	<b>80,119</b>	<b>68,907</b>	<b>-14%</b>
Cost of sales	(84,624)	(57,091)	(49,202)	-14%
Gross profit	21,850	23,028	19,705	-14%
<i>GP Margin (%)</i>	21	29	29	
<b>Net Income</b>	<b>8,334</b>	<b>8,421</b>	<b>6,597</b>	<b>-22%</b>
<i>Net profit margin (%)</i>	8	11	10	
<b>EBITDA</b>	<b>20,452</b>	<b>19,661</b>	<b>19,658</b>	<b>0%</b>
<i>Ebitda Margin (%)</i>	19	25	29	
<i>Earnings per share</i>	0.011	0.011	0.006	
Consolidated Balance sheet data				
Current assets	120,094	133,663	161,452	21%
<b>Total Assets</b>	<b>264,569</b>	<b>266,831</b>	<b>309,084</b>	<b>16%</b>
Current liabilities	82,647	93,383	110,509	18%
<b>Total Liabilities</b>	<b>150,783</b>	<b>152,572</b>	<b>167,651</b>	<b>10%</b>
<b>Total Equity</b>	<b>113,786</b>	<b>114,259</b>	<b>141,433</b>	<b>24%</b>
Current ratio (x)	1.5	1.5	1.4	
D/E ratio	0.90	1.11	1.00	

# Cirtek 1Q 2020 VS 1Q 2021

## REVENUE

In thousand US\$



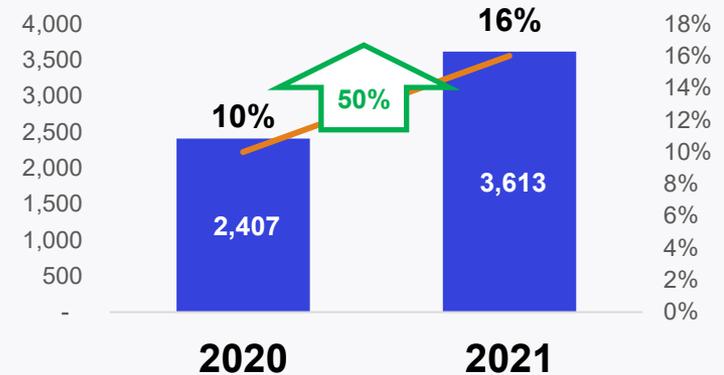
## EBITDA / EBITDA Margin

In thousand US\$



## Net Income / Net Income Margin

In thousand US\$ / %



# Cirtek 1Q 2020 VS 1Q 2021

## Financial summary

Except for per share amounts (US\$000s)

Consolidated	As of and for the period ended March 31		2020-2021 Inc. (Dec.)%
	Income statement data	Unaudited 2020	
<b>Net sales</b>	22,270	22,745	2%
Cost of sales	(15,967)	(16,109)	1%
Gross profit	6,303	6,636	5%
<i>GP Margin (%)</i>	28%	29%	
<b>Net Income</b>	2,407	3,613	50%
<i>Net profit margin (%)</i>	10	16	
<b>EBITDA</b>	5,760	6,665	16%
<i>Ebitda Margin (%)</i>	26	29	
<i>Earnings per share</i>	0.006	0.009	
Consolidated Balance sheet data	Audited Dec 2020	Reviewed March 31, 2021	
Current assets	161,452	128,419	-20%
<b>Total Assets</b>	<b>309,084</b>	<b>269,697</b>	<b>-13%</b>
Current liabilities	110,509	69,430	-37%
<b>Total Liabilities</b>	<b>167,651</b>	<b>125,842</b>	<b>-25%</b>
<b>Total Equity</b>	<b>141,433</b>	<b>143,856</b>	<b>2%</b>
Current ratio (x)	1.5	1.9	
D/E ratio	1.02	0.69	

## Financial / operating performance commentary

First quarter of 2021 financial results were higher than 2020 despite of COVID 2019 Pandemic.

- Consolidated sales of US\$22.7 Mn, is 2% higher compared to US\$22.3 Mn in 2020.
- GP margin is higher at 29% compared to 28% of Q1 2020
- Net comprehensive income was US\$3.6Mn, 50% higher than 2020
- EBITDA of US\$ 6.7Mn was 16% higher compared to US\$ 5.8Mn in 2020.

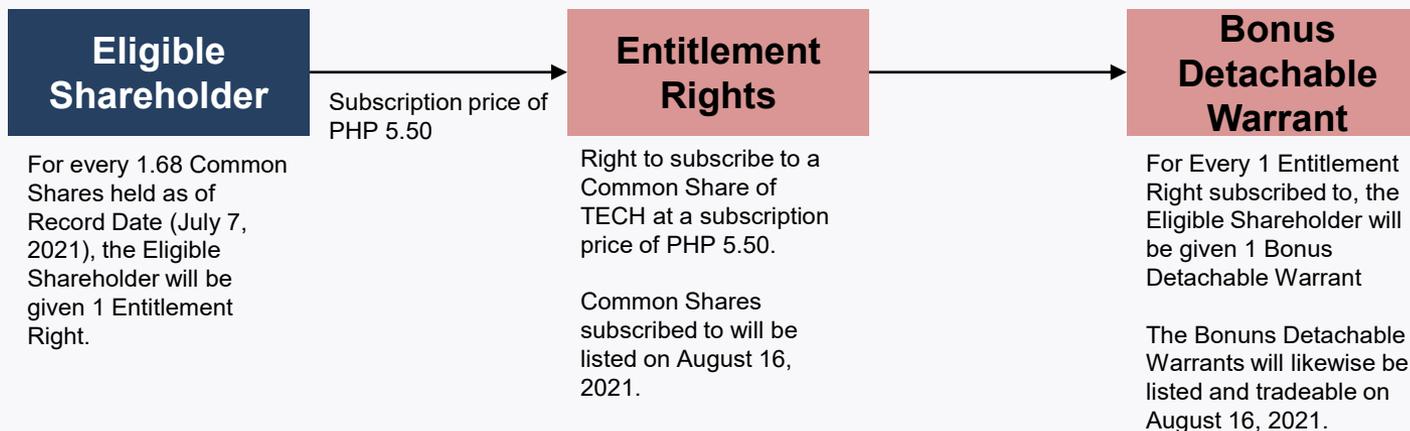
# Thank you!

## Q&A

# Frequently Asked Questions (FAQs)

## What are Detachable Warrants?

A warrant is a type of security that entitles the holder to subscribe to a company's shares in the future, exercisable within one (1) to five (5) years from its issuance. Meanwhile, a detachable warrant is one that may be "detached" or sold separately (in the secondary market) from the security it may have originally been issued with



Note 1: Equivalent to 5,952.38 but has been rounded down to the nearest whole number/integer.

# Frequently Asked Questions (FAQs)

## **When will the Bonus Detachable Warrants be received?**

The Bonus Detachable Warrants will be issued and will be tradable on the same Listing Date as the SRO shares. The Listing Date is expected to be on or around August 16, 2021.

## **Can I only subscribe to the Bonus Detachable Warrants?**

No. One must participate in the Rights Offer and avail of the Entitlement Rights in order to be given a Bonus Detachable Warrant.

## **How and when can I exercise my Bonus Detachable Warrants?**

Bonus Detachable Warrants may be exercised within the first two (2) trading days of each month beginning on the 12th month until the 36th month from Issue Date.

In order for the Warrantholder to exercise the rights under the Warrant, the Warrantholder is required, subject to compliance with applicable laws and regulations, to complete, sign and deliver an Application to purchase form, surrender and endorse the Warrant Certificate, and tender the full Exercise Price to the Warrant Registrar.

Assuming the listing date of August 16, 2021 of the Bonus Detachable Warrants and the Common Shares, the Exercise Period will commence by August 1 and August 2 of 2022 (Assuming these are trading days).

# Other Frequently Asked Questions (FAQs)

## **What is a Stock Rights Offer?**

Stock Rights Offer (“SRO”) is a form of equity capital raising for a company wherein existing shareholders as of the record date are given the first opportunity to purchase newly issued shares in proportion to the existing shareholders’ original shareholding, prior to offering the same to other investors. The ex-date is the first day when the prospective investor is no longer entitled to exercise the right to participate in the SRO.

## **Why does the Company need to raise capital? And how much is it raising?**

The net proceeds from the Rights Offer will be used by the Company to primarily finance the working capital of Quintel USA, Inc., Cirtek Electronics Corp. and Cirtek Advanced Technologies and Solutions, Inc., as well as to refinance the existing debt/payout short-term obligations of Cirtek Electronics Corp.

The Company expects to raise Php1,371,933,596 in gross proceeds or Php1,353,121,096 in net proceeds from the Rights Offer.

## **When will the SRO Shares be received?**

The SRO Shares will be issued and will be tradable on Listing Date. The Listing Date is expected to be on or around August 16, 2021.