

*Automation for Better Life*



# **Hollysys Automation Technologies Ltd.**

*Investors Presentation*

*FY2021Q2*

## Safe Harbor

This presentation may contain forward-looking statements within the meaning of the private securities litigation reform act of 1995. Forward looking statements are statements that are not historical facts. Such forward-looking statements, based upon the current beliefs and expectations of Hollysys' management, are subject to risks and uncertainties, which could cause actual results to differ from the forward looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: business conditions in China; continued compliance with government regulations; legislation or regulatory environments, requirements or changes adversely affecting the businesses in which Hollysys is engaged; cessation or changes in government incentive programs; potential trade barriers affecting international expansion; fluctuations in customer demand; management of transitions to new markets; intensity of competition from or introduction of new and superior products by other providers of automation and control system technology; timing, approval and market acceptance of new product introductions; as well as other relevant risks detailed in Hollysys' filings with the securities and exchange commission. The information set forth herein should be read in light of such risks. Hollysys does not assume any obligation to update the information contained in this presentation or filings.

\* All \$ amounts in this presentation are in USD unless otherwise noted.

# Corporation Overview

## Market Data

- NASDAQ: HOLI
- Approximately 60MM shares outstanding

## History

- Founded in 1993
- The leading provider of automation & control technologies in China

## Operation

- Headquartered in Beijing
- Facilities in Hangzhou and Xi'an
- Worldwide subsidiaries and offices in Singapore, Dubai, Malaysia, India, etc.

## Offerings

- Proprietary technologies and products tailored to Industrial, Rail, Subway and Nuclear Industries

## Headcounts

- 3,500 employees worldwide
- 2,200+ in R&D & Engineering

Note: Headcounts data as of June 30, 2020

# Agenda

**1 Business Overview**

**2 Industrial Automation**

**3 Rail Transportation**

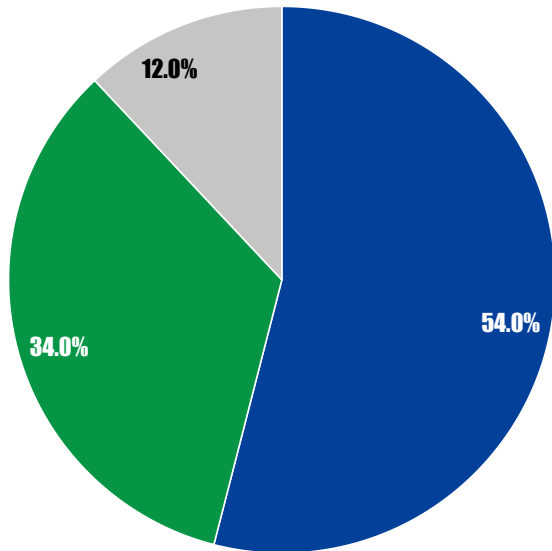
**4 Overseas**

**5 Management & Market Leadership Position**

**6 Financials**

# Business Overview

Revenue Contribution For FY2021H1



■ Industrial Automation  
■ Rail Transportation  
■ M&E Solution



## Industrial Automation:

- Intelligent plant automation solution;
- DCS, PLC, MC, SCADA, MES and etc.



## Rail Transportation:

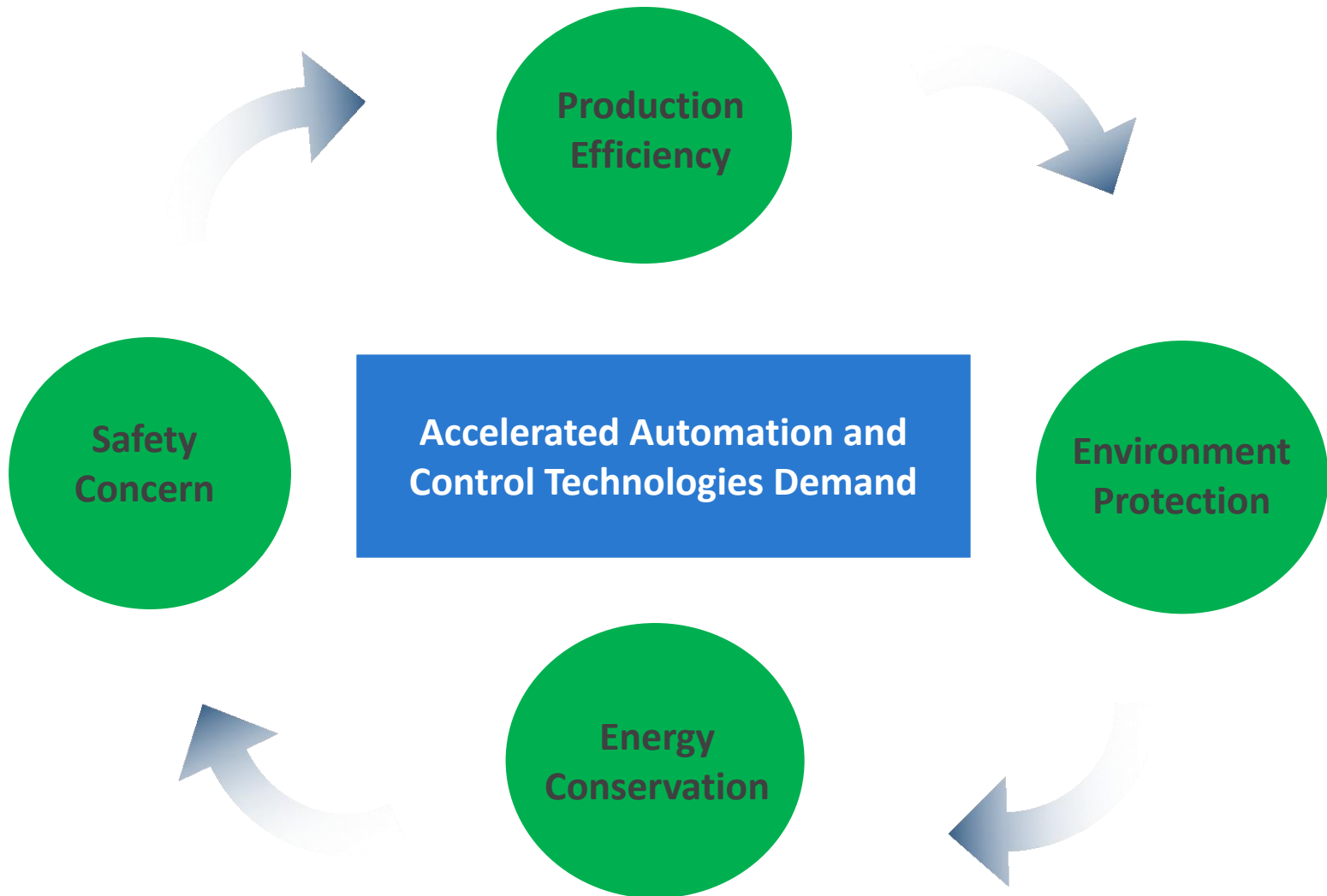
- High-speed rail signaling system: ATP, TCC, and etc.
- Subway SCADA and CBTC



## Mechanical & Electrical Solution and others:

- Design, electrification and engineering service
- Other businesses

# Industrial Automation Growth Drivers



# Industrial Automation – Process Control



## Plant Automation Solution

- **Offering:**

Proprietary technologies in solution, design, manufacture, Integration and installation.

- **Products:**

DCS, Batch, MES (Manufacturing Execution System), AMS (Asset Management System), SIS (Safety Instrumentation System), etc.

- **Track record:**

More than 30,000 projects completed.

- **Clients:**

17,000+ customers, including SOEs, Multinationals, and SMEs.

- **Competitors:**

ABB, Siemens, Emerson, Honeywell, Supcon

# Distributed Control System

## Supervision

Eyes



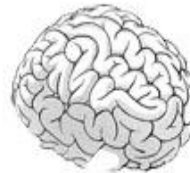
**Instrumentation**

On-Site

Electronic  
Signal

## Control

Brain



**DCS**



Control  
Room

Electronic  
Signal

## Execution

Hands

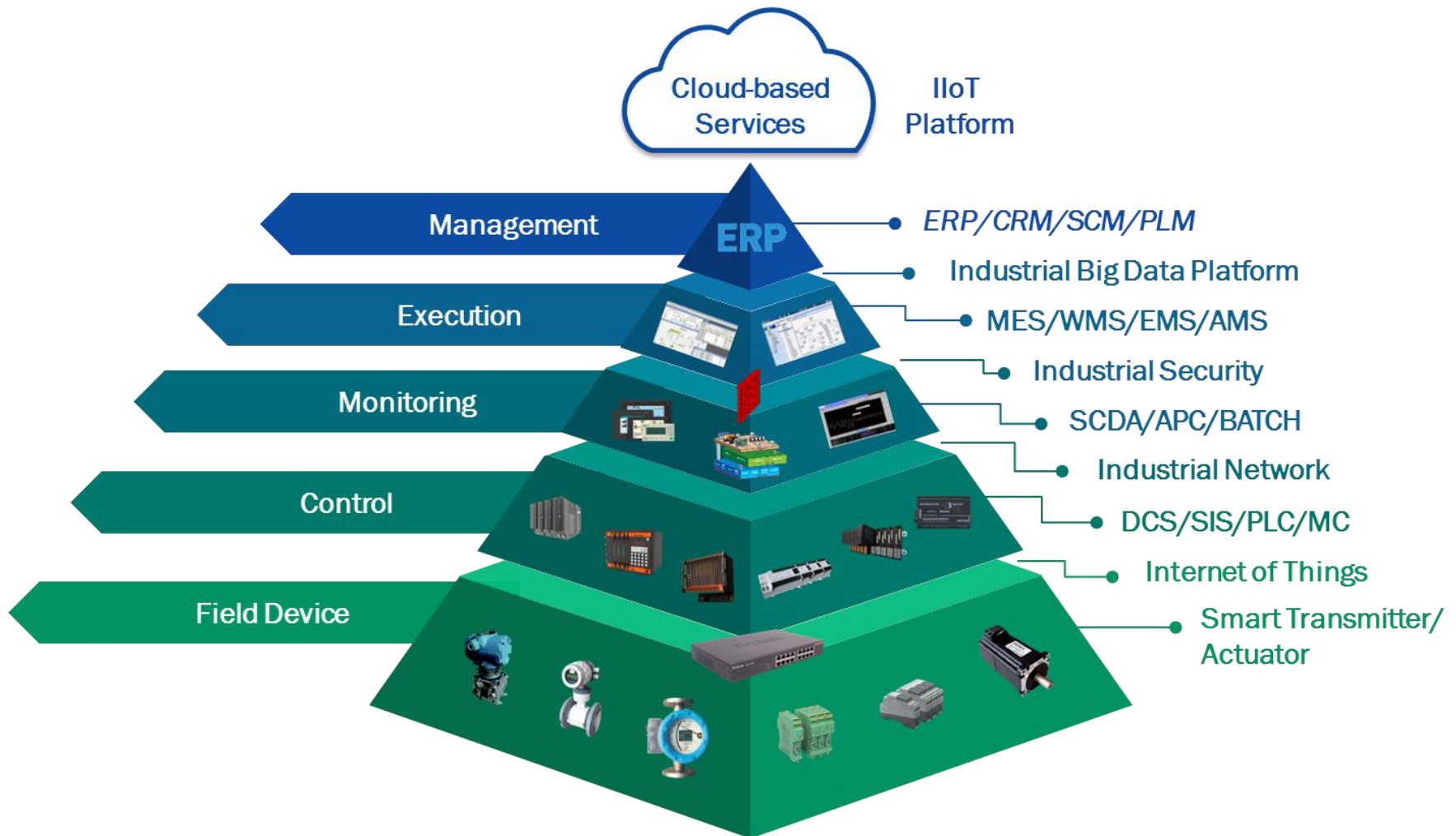


**Actuator**

On-Site



# Industrial Total Solution



# Industrial Automation - Discrete Control

## PLC, MC and SCADA

### City Transportation and Sewage Treatment



- Supply intergrate solution of city transportation and sewage treatment, including SCADA, LE PLC, LK PLC etc.
- Major player
- Plenty of successful completed projects

### Coal Mining



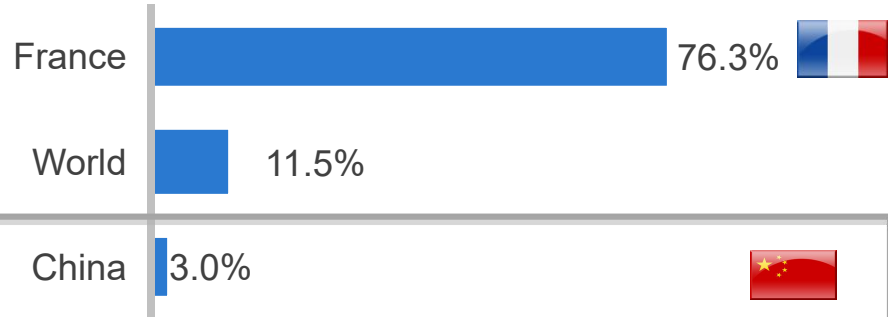
- Provide control application in coal mining industry, as well as intrinsic safety device
- JV with Shenhua Group

### Machine Control

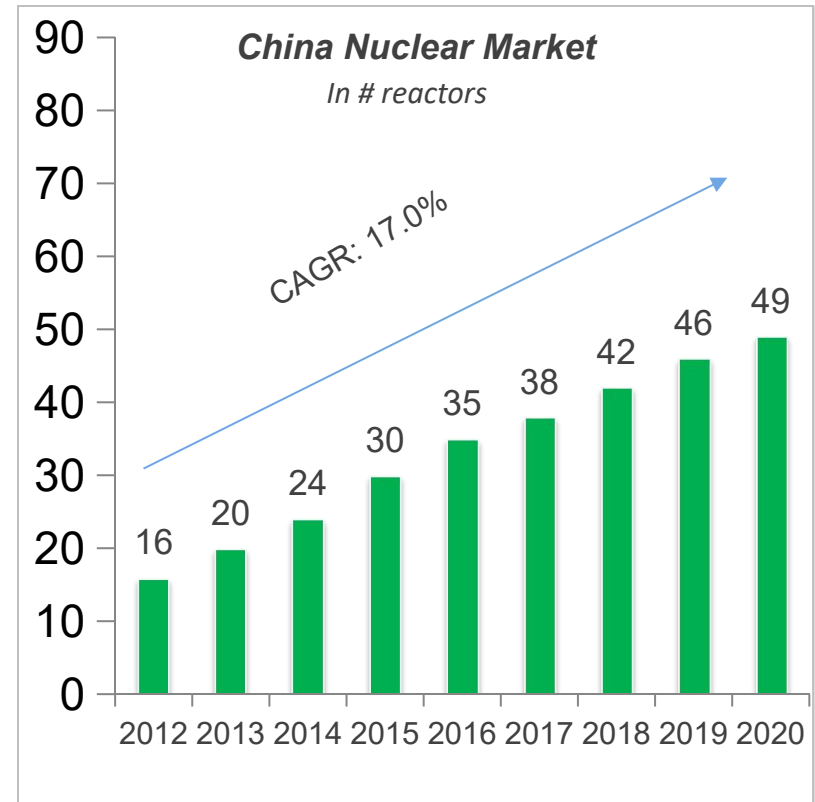


- MC1000 motion coordinator and LK/LE PLC control servo or stepper motors, up to 32 Axes.
- Build-in Industry Ethernet : EtherCAT, RTEX, Ethernet/IP
- Safety: IEC61508 SIL2 Certification
- Security: Achillies Level 1 Certification

# Industrial Automation – Nuclear Power Control



	Nuclear Electricity (TWh)	Total Electricity (TWh)	Nuclear Utilization (%)
France	419	549	76.3%
World	2,441	21,226	11.5 %
China	161.2	5,373	3.0 %



(As of March, 2021. Source: World Nuclear Association, IAEA)

# Nuclear Power – Business Overview

## Offerings

- Proven proprietary nuclear power plant control systems and reactor protection system.
- Engineering design, procurement, integration, installation, support, and specialized services for the safe, reliable, and economical operation of the nuclear power plant

## Market Position

- The only proven domestic company to supply control systems to nuclear power automation market in China
- J/V with the China's largest nuclear station operator: China General Nuclear Power Group (CGNPG)

## Projects

- Qin Shan I/II/III, Da Yawan, Ling Ao, Tian Wan, Hong Yanhe, Ning De, Yang Jiang, Fang Cheng Gang, etc.

## Competitors

- SIEMENS/AREVA/INVENSYS

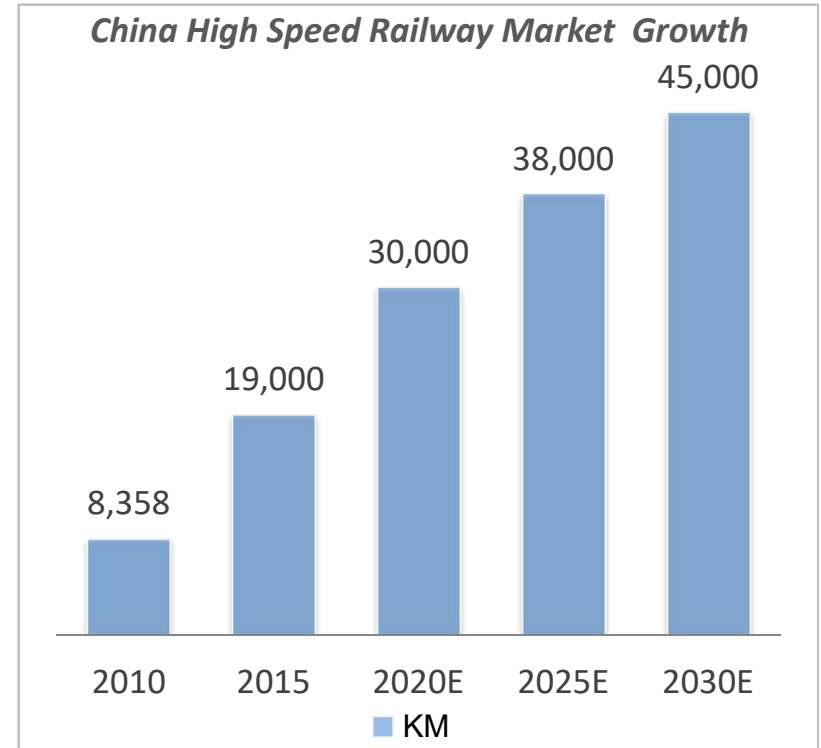
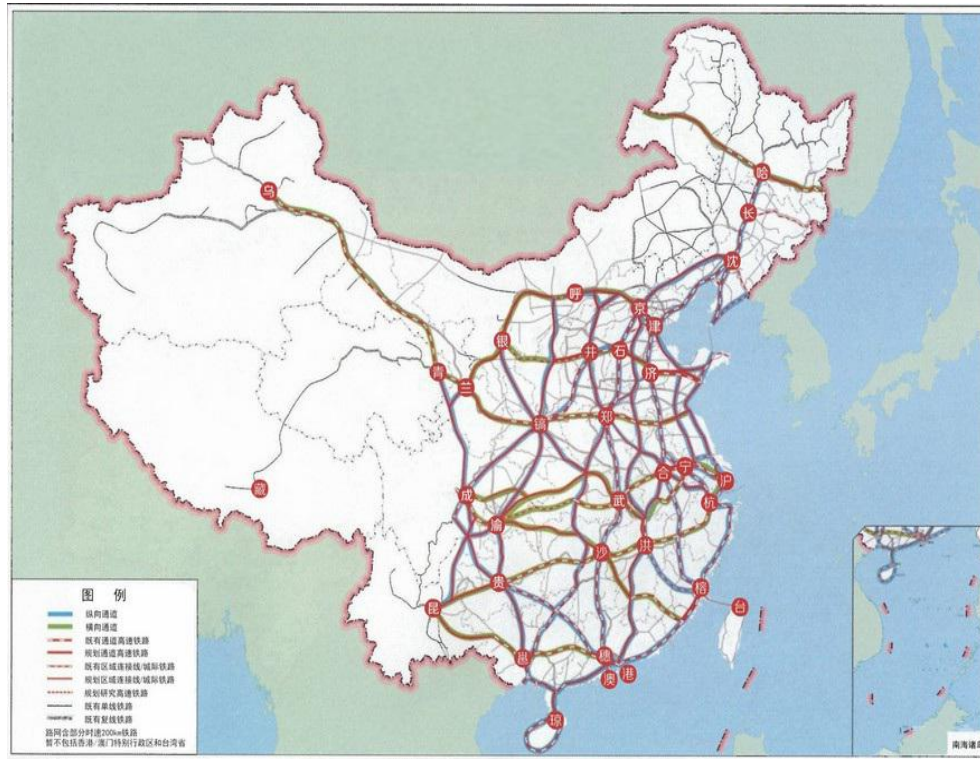
# Industrial Automation – Competitive Advantages

Items	HOLI	Multis	Local
Brand Name	★★	★★★★	★
Pricing	★★★★	★	★★★★
Service	★★★★	★★	★
Customization	★★★★	★	★★
Quality	★★★★	★★★★	★★

## Advantages of Hollysys

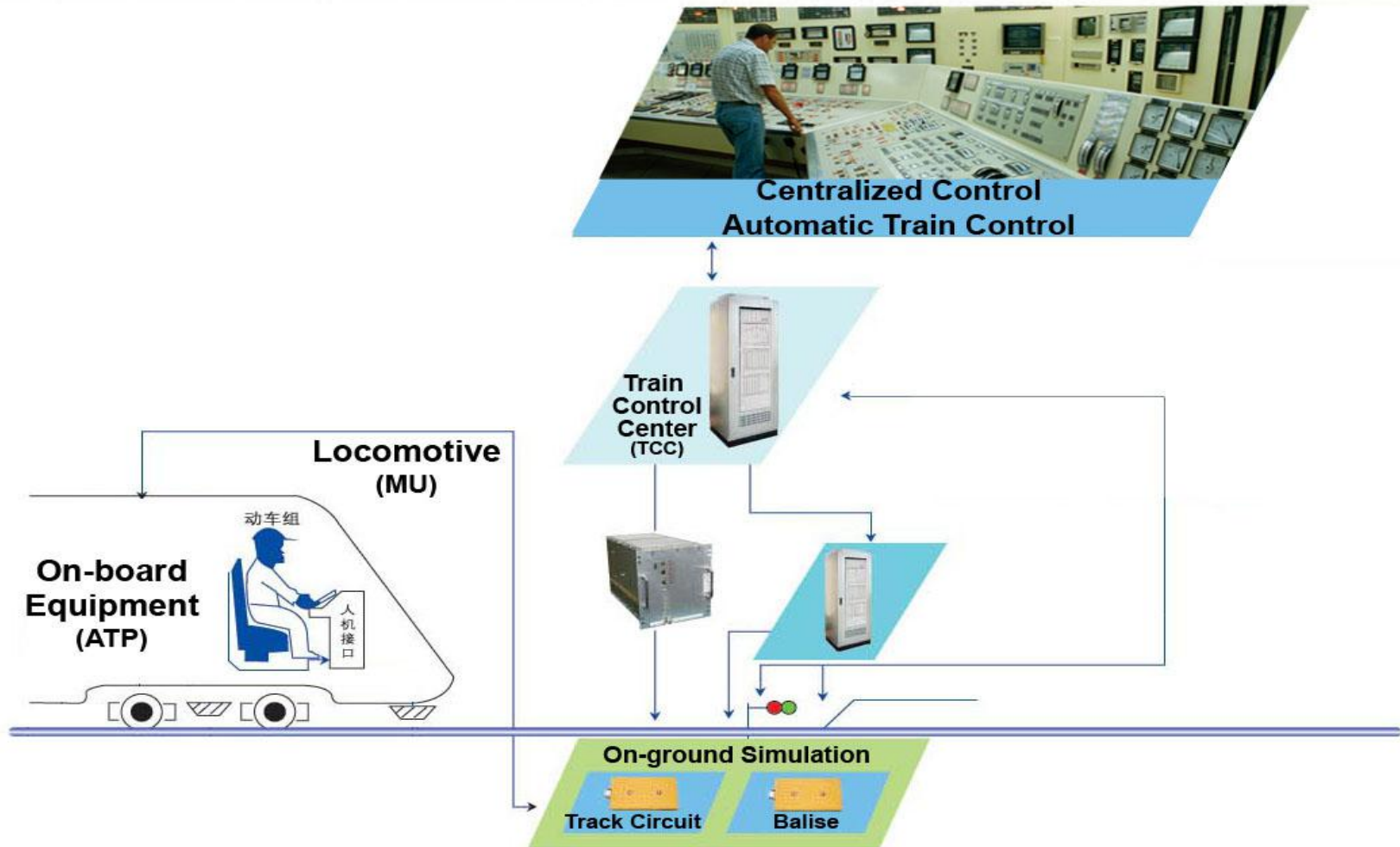
- Industry leading brand name recognition through more than 20 years' operation.
- Continuous investment in R&D to deliver advanced technology.
- Extensive service network in more than 60 industrial cities across China, focusing on service and long-term client relationship.
- Cost structure advantage enables Hollysys deliver pricing competitive solution and products.

# High-speed Rail Market of China



(As of July, 2016. Source: National Development and Reform Commission)

# High-speed Rail – Signaling System





# High-speed Rail – Business Overview

## High-speed Rail Signaling System



- **HSR signaling products:** ATP , TCC, LEU and etc.

- **In China:**

- **Market Position:**

- ✓ 1 of the only 3 approved providers in 300-350km/h segment;
    - ✓ 1 of the only 3 approved providers in 200-250km/h segment,

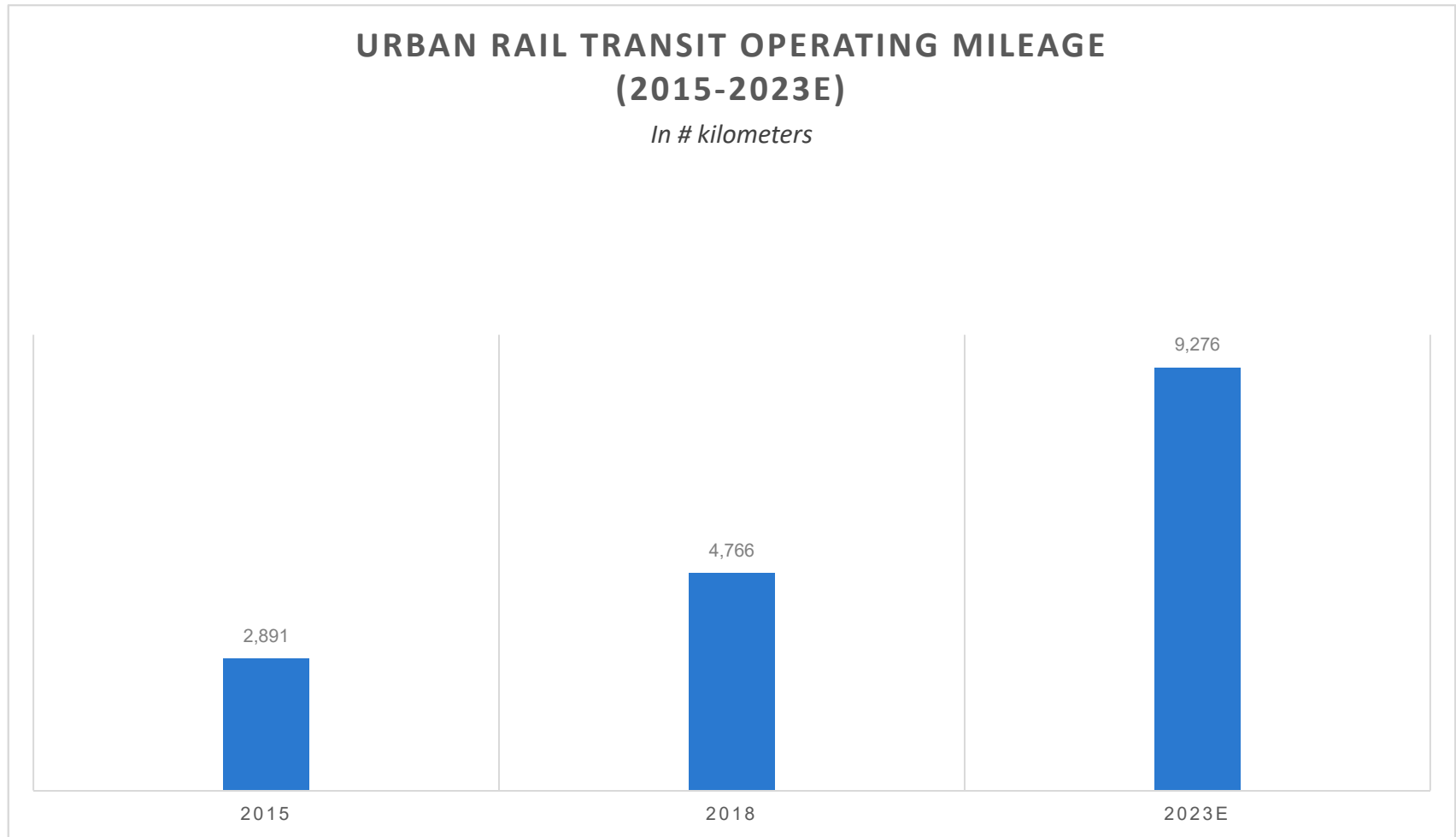
**Competitors:** China Railway Signal & Communication Corp (CRSC), Academy of Railway Science, Zhuzhou CRRC

- **Overseas:**

- **Market Position:** First international contract win from Hong Kong MTR for HongKong-Shenzhen High-speed rail line
  - **Competitors:** Bombardier, Siemens, Ansaldo, Hitachi.



# China Subway Market



Source: CAMET, Frost & Sullivan

# Subway Automation – Business Overview

## Signaling System



### ■ Clients:

China and international subway construction authorities

### ■ Market position:

One of the key proprietary subway signaling system provider

### ■ Competitors:

Siemens, Alstom, Thales

## SCADA



### ■ Clients:

Beijing, Shenzhen, Guangzhou, Hong Kong MTR

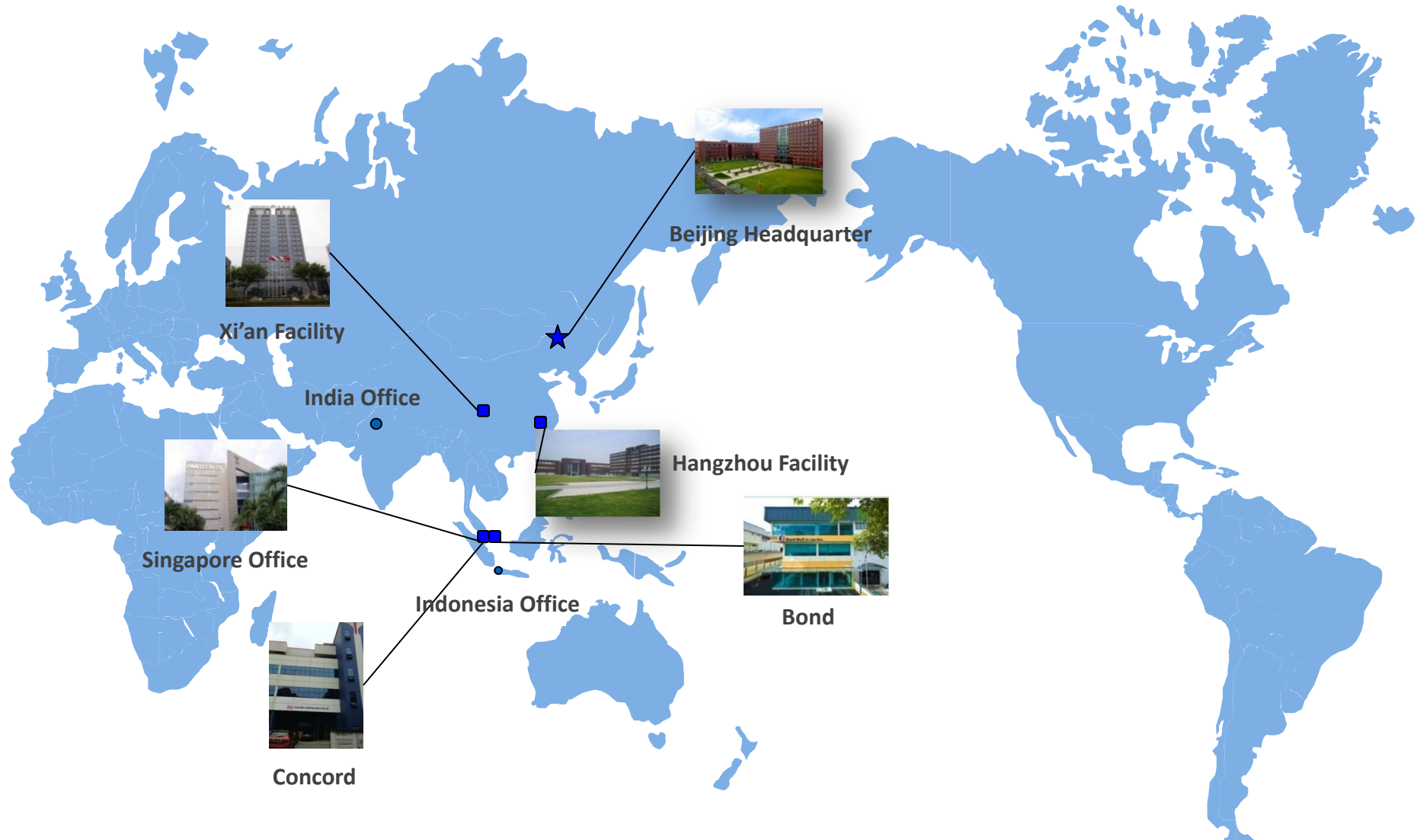
### ■ Market position:

The leading SCADA (Supervisory Control and Data Acquisition) system supplier

### ■ Competitor:

Nanjing Automation Research Institute (NARI)

# Internationalization Presence



# Hollysys Management Team

Name	Title	Previous Experience
<b>Mr. Colin Sung</b>	<i>CEO</i>	<ul style="list-style-type: none"> <li>➤ Previously served as the Director of the Board and Chairman of the Audit Committee of Board of Directors of the Company since February 2008.</li> <li>➤ MBA degree from American InterContinental University in 2004.</li> <li>➤ Mr. Sung is a Certified Public Accountant and Chartered Global Management Accountant</li> </ul>
<b>Mr. Steven Wang</b>	<i>CFO</i>	<ul style="list-style-type: none"> <li>➤ Previously as Chief Financial Officer and Vice President of Xinhua Lian Investment Co., Ltd.</li> <li>➤ Previous experience at various managerial positions at Globe Specialty Metals Inc. and Zoomlion Heavy Industry Science &amp; Technology Co.,Ltd.</li> <li>➤ MBA degree in Finance from the Wharton School, the University of Pennsylvania.</li> </ul>

# Market Leadership Position

- 17,000+ customers
- 30,000 projects
- customer base
- Industry leading automation and control brand name

- JV with China General Nuclear Power Holding Corp
- JV with Shen Hua Group
- Successful integration of rail team
- Acquisition of Concord and Bond



- Early entry to high-speed rail
- Early entry to nuclear
- Re-focusing in industrial automation
- Increasing R&D investment

- Wide range of core technologies
- Various industry expert solutions
- 2,200+ R&D & Engineers

# State of the Art Production Line

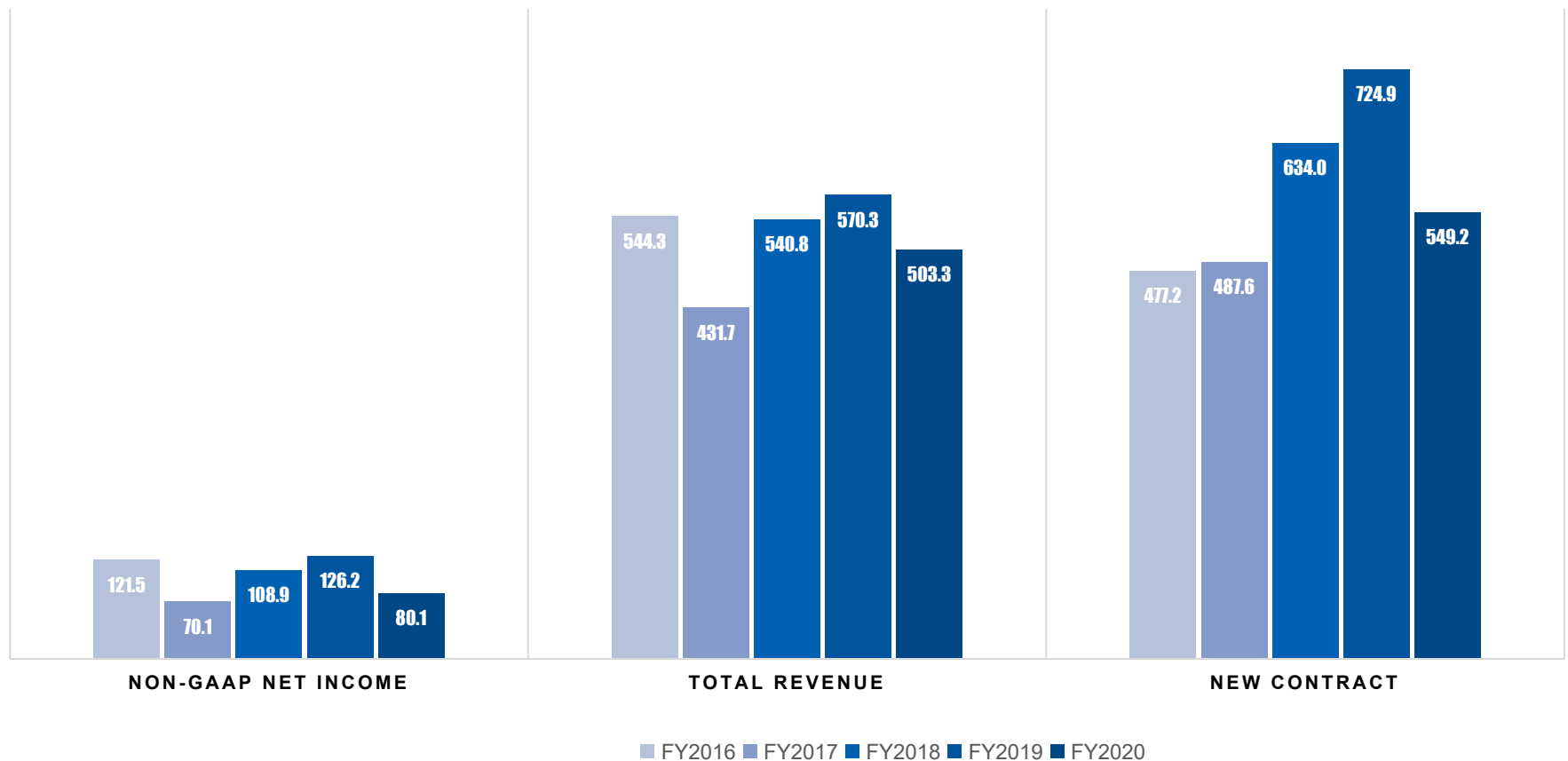
## In-house Production



- State of the art production line
- Almost fully automated production process
- Multiple rounds of precise testing
- Flexible and efficient in house production for different demand

# FINANCIAL SUMMARY

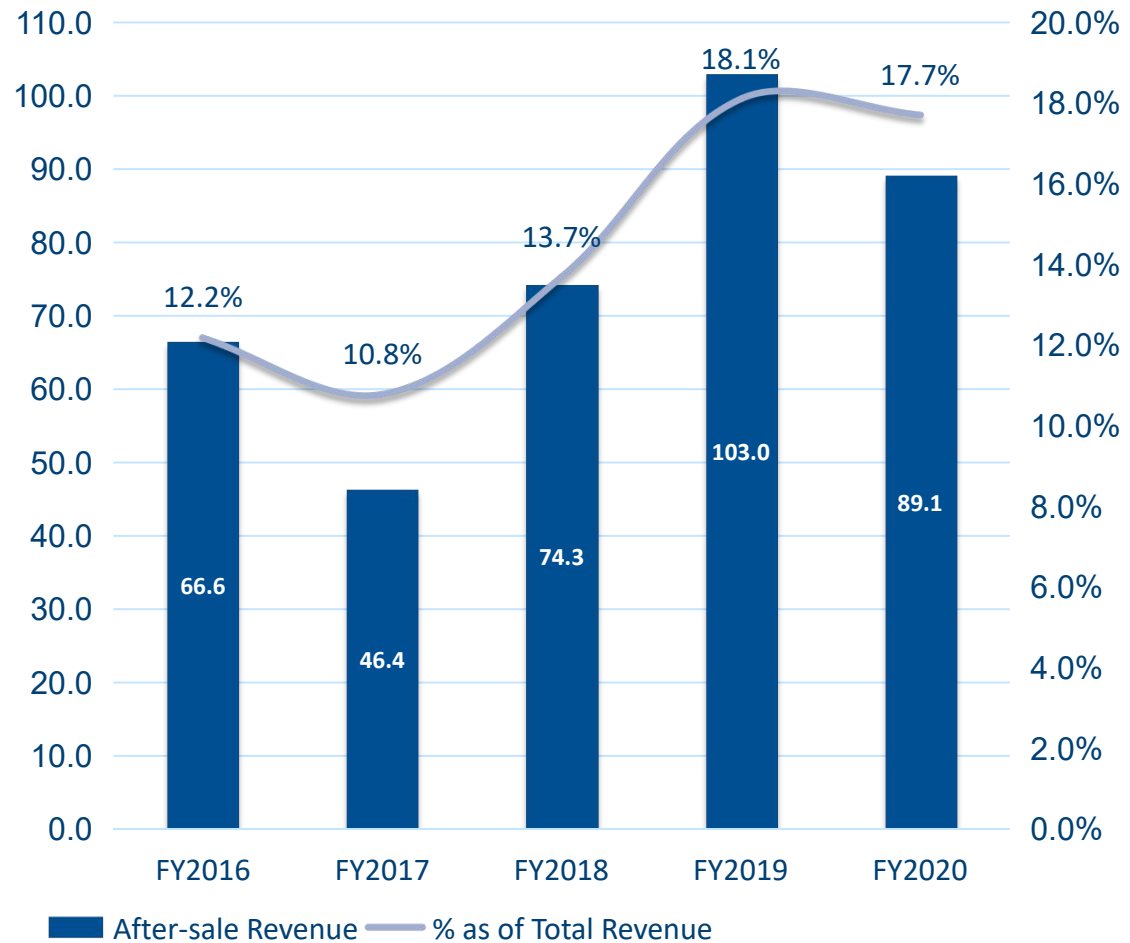
IN US\$ MILLION



## National Spread Service Network, Professional & High Quality Service

### *After-sale Revenue*

*In US\$ million*



Note: After-sale revenue is calculated as product sales revenue plus service rendered revenue.

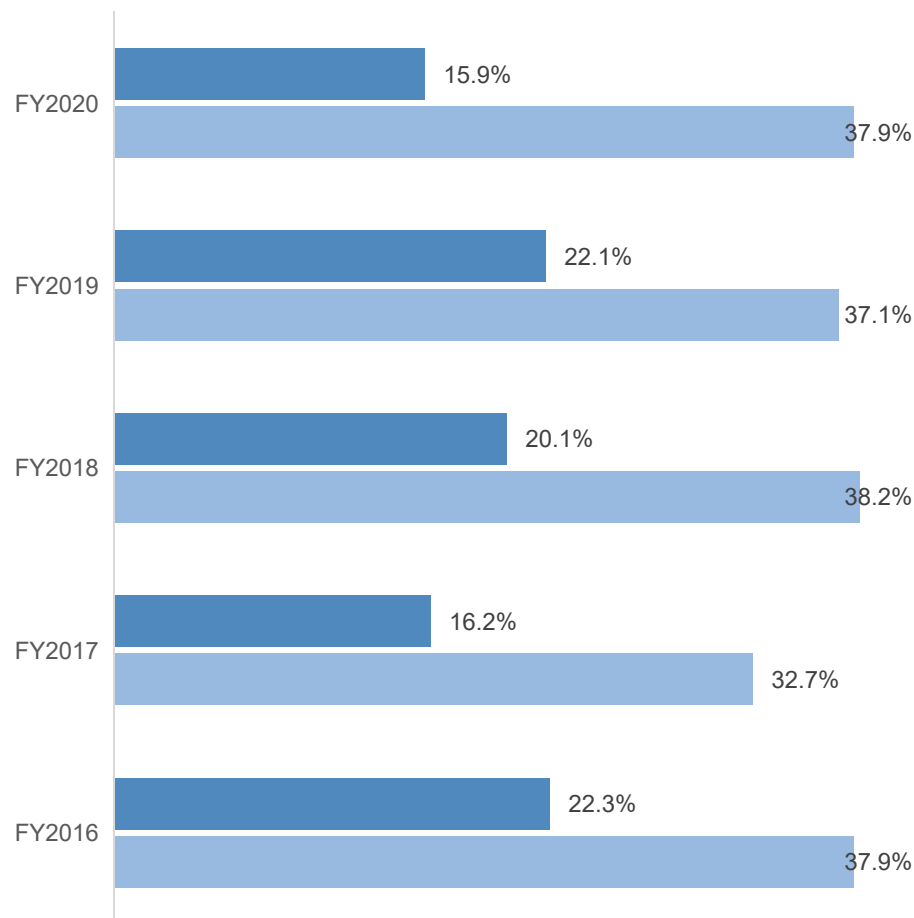


## Gross Margin & Net Margin Performance

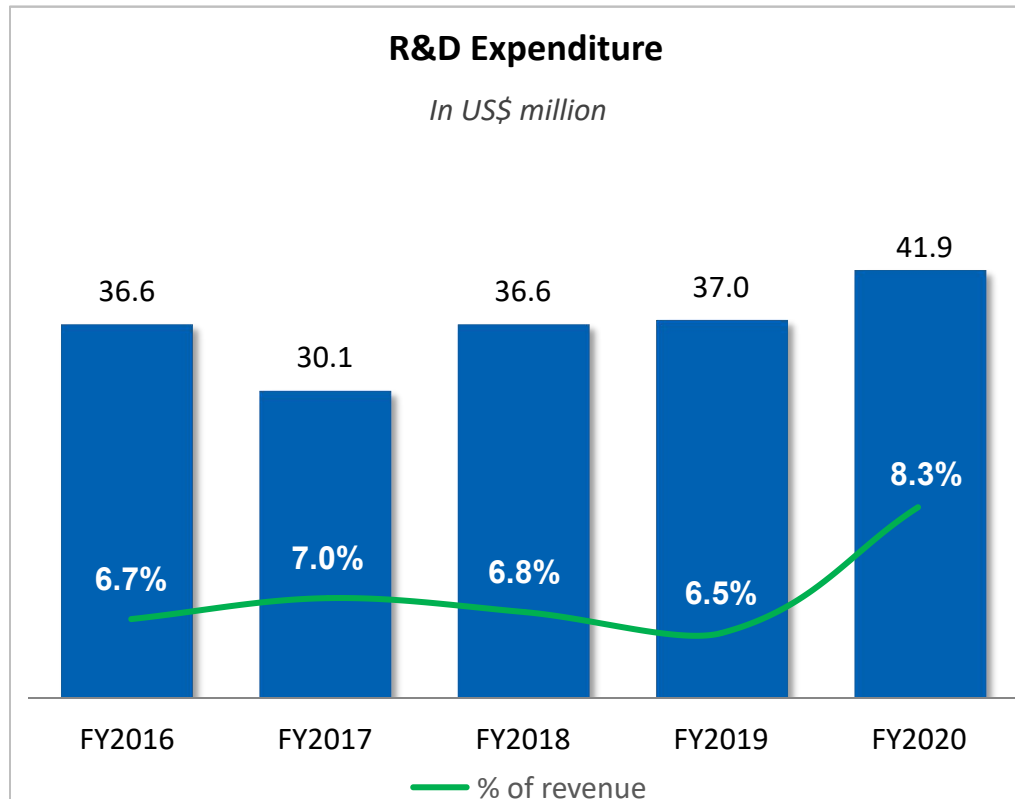
### Gross Margin of Each Business Sector

<b>Industrial Automation</b>	Total Solution	35% - 40%
	Nuclear	60% - 75%
<b>Rail Transportation</b>	High-speed Rail Signaling	40% - 50%
	Subway SCADA	15% - 20%
<b>M&amp;E Solution and others</b>	Design, electrification, installation	10%- 15%

### Non GAAP Gross Margin & Net Margin



# Heavy R&D Investment to Continuously Deliver Leading Technologies



## New Products Development



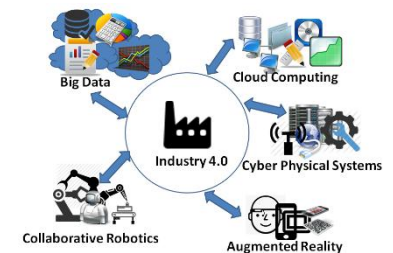
**Subway Signaling**



**Motion Control**



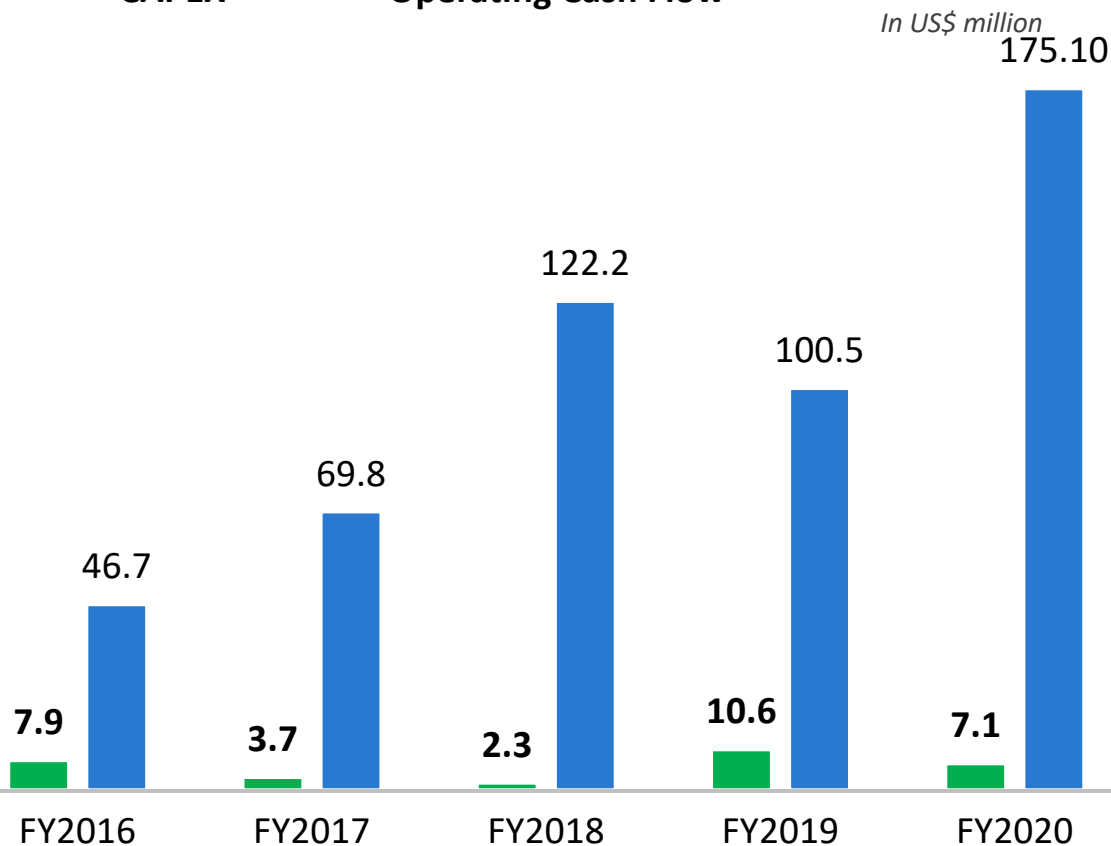
**Energy Conservation  
Environment Protection**



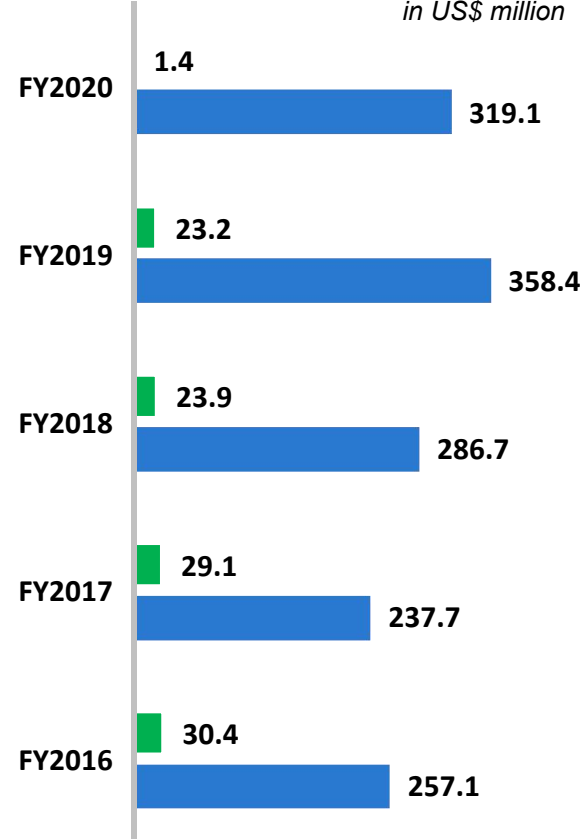
**Industrial Internet of  
Things (IIOT)**

## Sufficient Cash On-hand & Solid Operating Cash Flow Performance

■ CAPEX ■ Operating Cash Flow



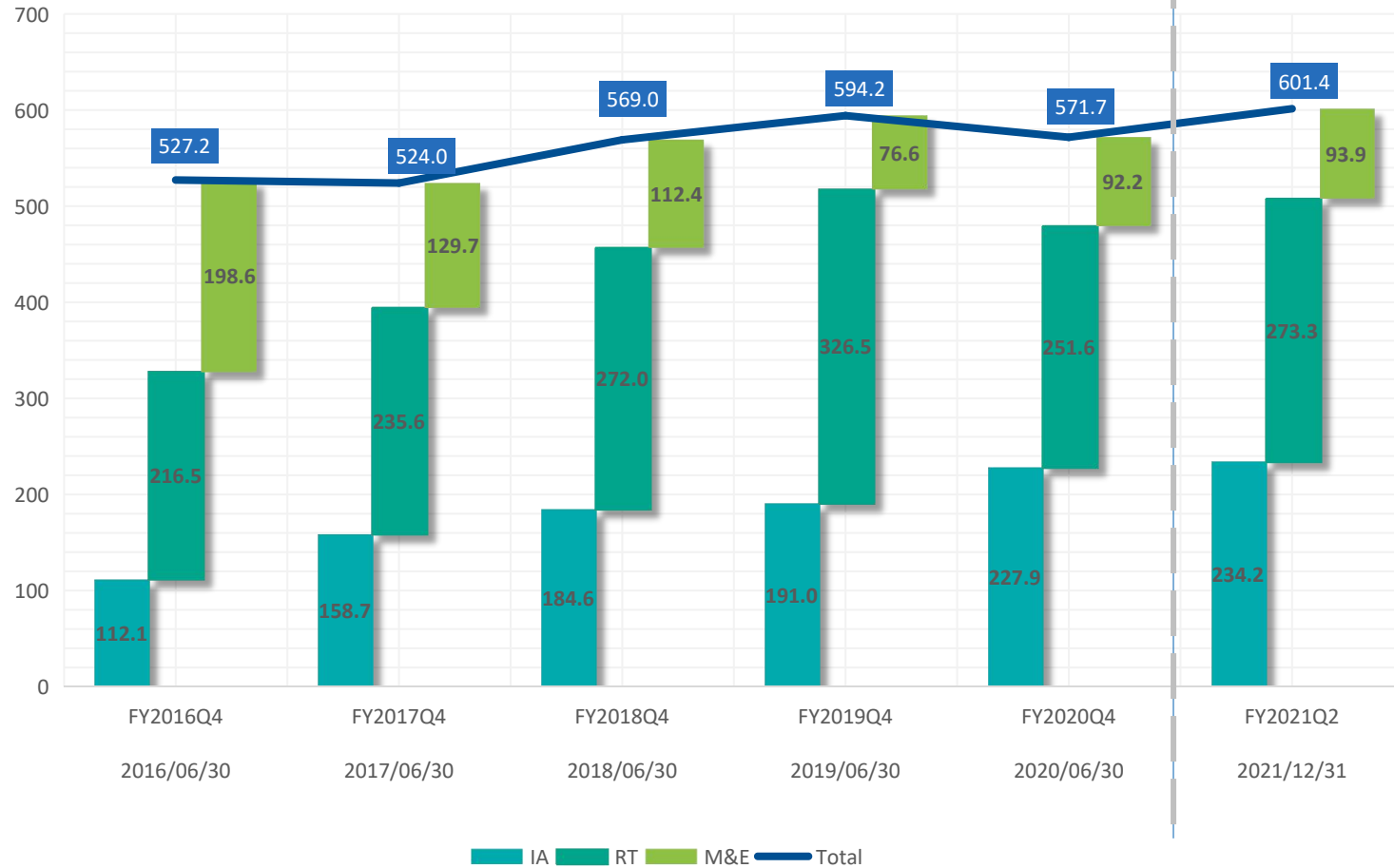
■ Debt ■ Cash  
*in US\$ million*



Note: CAPEX compiled from items in cash flow statement including purchase of and proceeds from disposal of PP&E, and prepaid land leases.  
Cash refers to cash and cash equivalents + current and non current restricted cash.

# Backlog Performance

In US\$ million



# Automation for Better Work , Life and Environment

**Striving to be a world leading automation and control system provider**

## Macro Enviroment

- Demographic Change, shortage of labor
- Environmental protection
- Urbanization Process of China
- Customer's buying behavior change



## Strategy

- Automation solutions to offset labor cost increase
- Dedicated customized solutions for energy conservation and efficiency improvment
- Leading position in China's high-speed rail and subway automation control market
- Customer- centric approach, enlarge service team and enhance service capabilities

## *Automation for Better Life*

**Contact Information:**  
Investor Relations  
(8610) 5898-1386  
[investors@hollysys.com](mailto:investors@hollysys.com)

