

*Kingdee*

# Kingdee International

2016 Annual Results Announcement

Stock Code: HK 268

16 March, 2017

# Agenda

## **CEO Report**

2016 business highlights

Future Outlook

## **CFO Financial Review**

2016 financial highlights

Management Software & Cloud business review

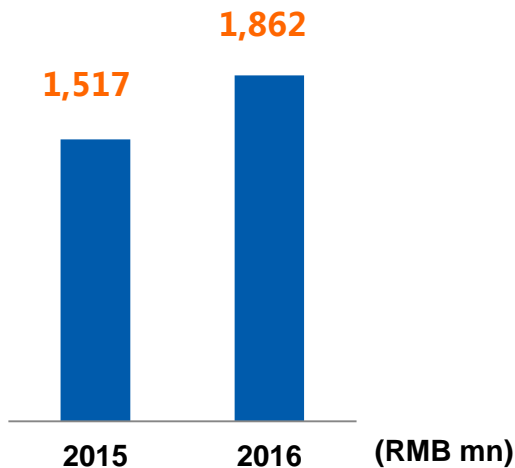
Investment Highlights

Appendix: Financial Results Summary

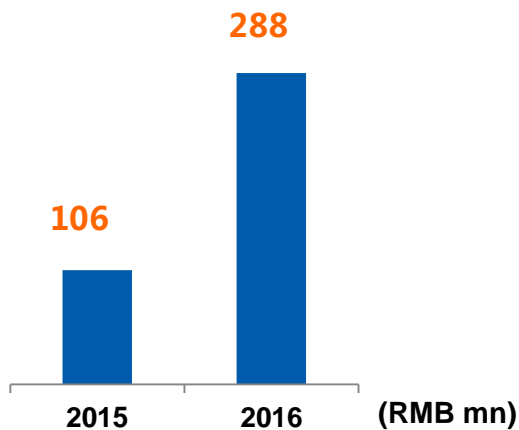
# Sustainable and Profitable Growth



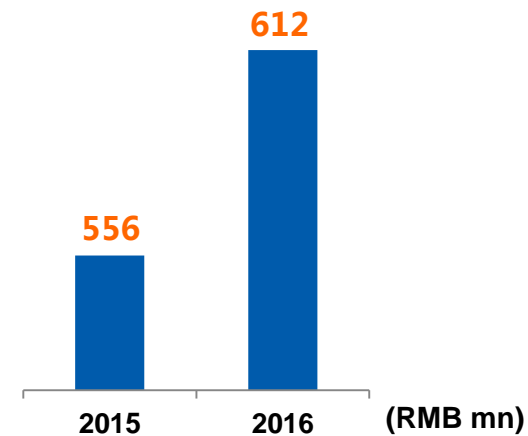
**Revenue**  
**+23% YoY**



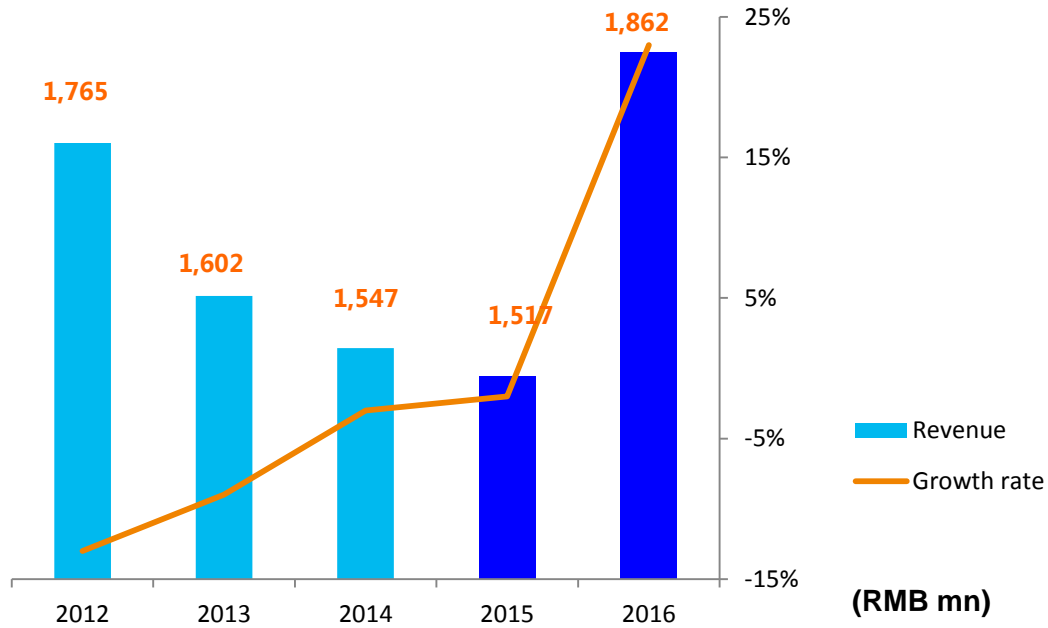
**Net Profit**  
**+173% YoY**



**Net Op. Cash Flow**  
**+10% YoY**

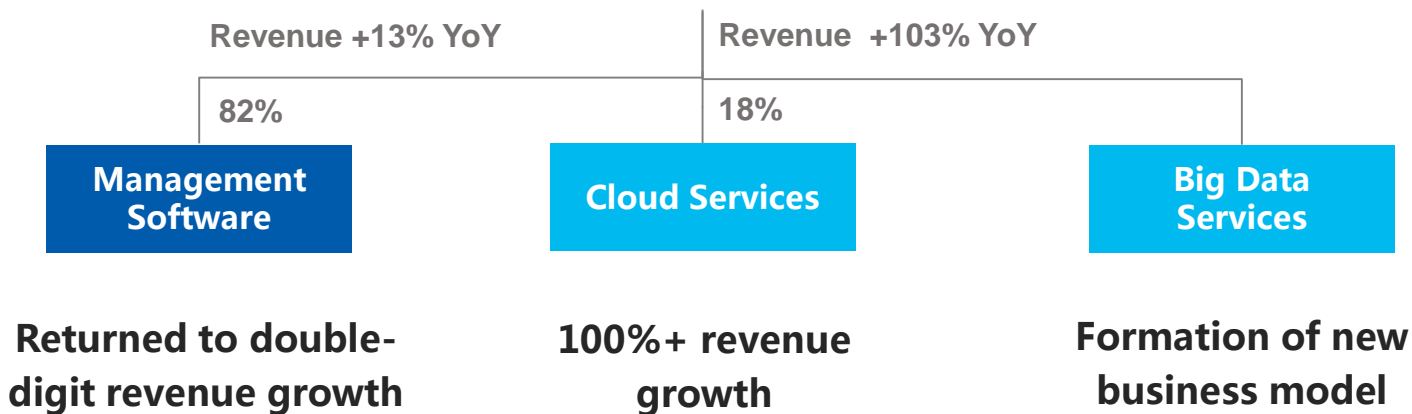


# Fastest Revenue Growth in 5 years\*

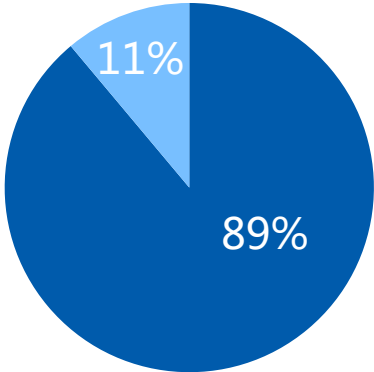


\* 2015&2016 figures presented as continuing operations. Other years includes both continuing and discontinued operations

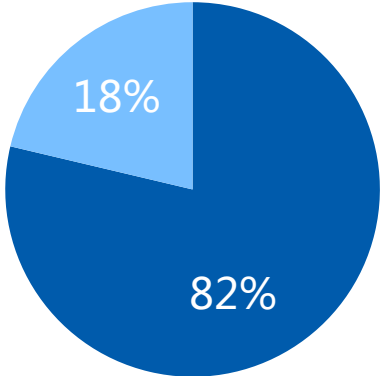
# 2016 Business Highlights



# Cloud Driving Accelerating Revenue Growth



**2015**



**2016**

- Management Software
- Cloud Services

# Product Transition Strategy

Kingdee

Management  
Software



Kingdee  
Cloud

管易云  
Guanyi

车商悦

金蝶云ERP  
Kingdee  
Cloud ERP

云之家

精斗云  
Jingdou Cloud

Kingdee Cloud Platform

Cloud.Kingdee.com

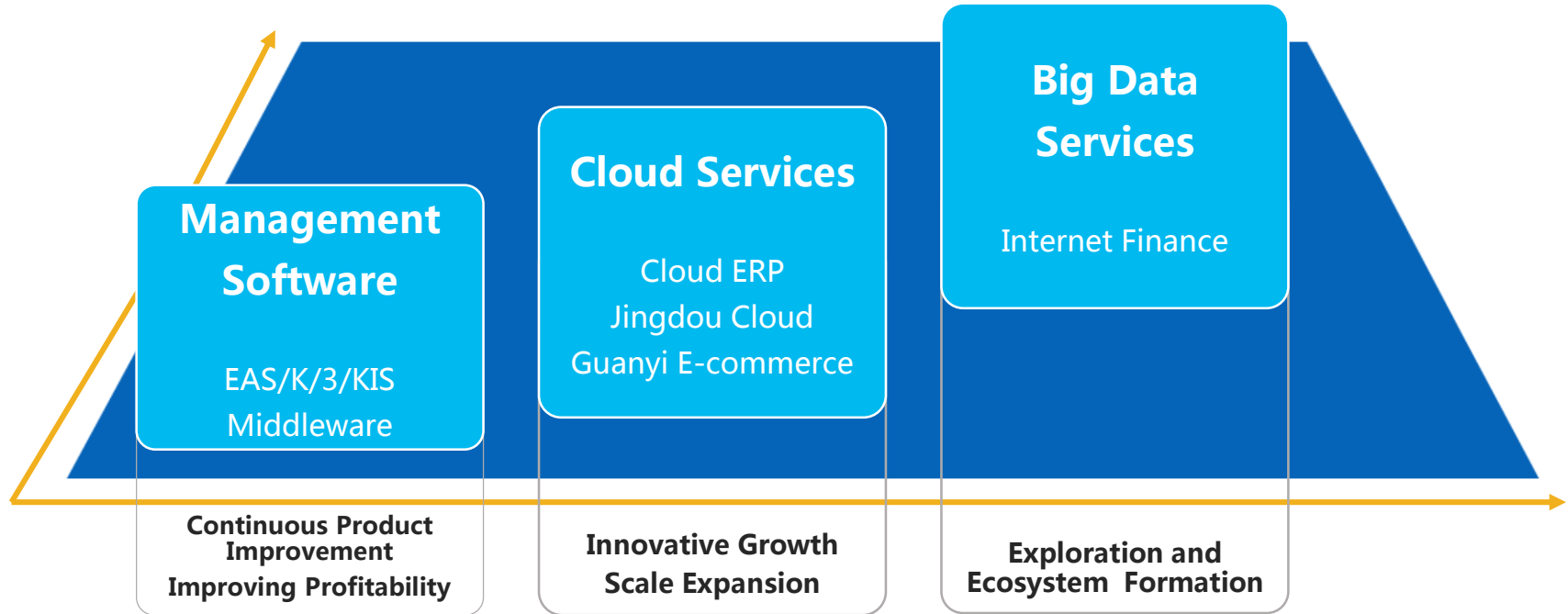
Apusic

固若长城 睿比世界

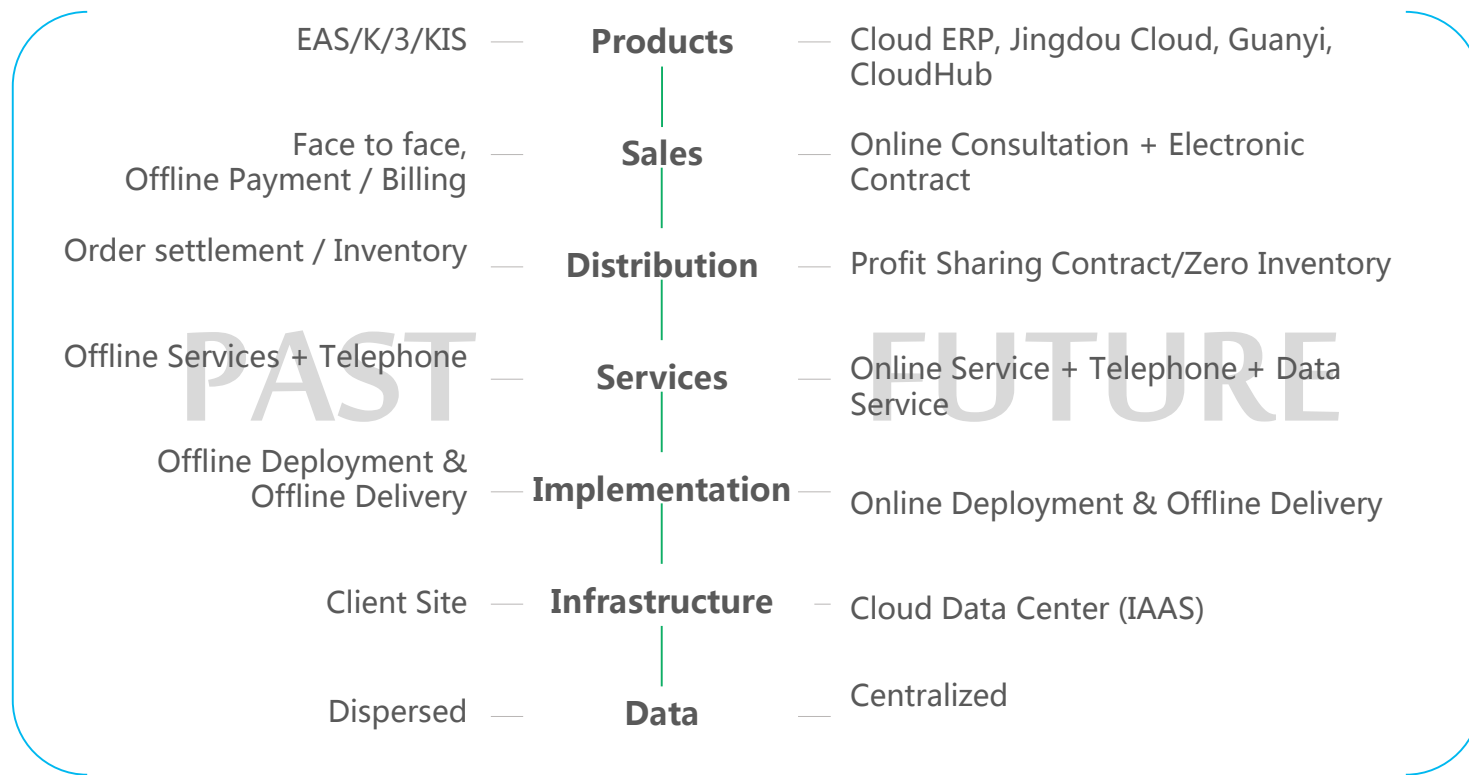
# Future Outlook



# Business Growth Strategy

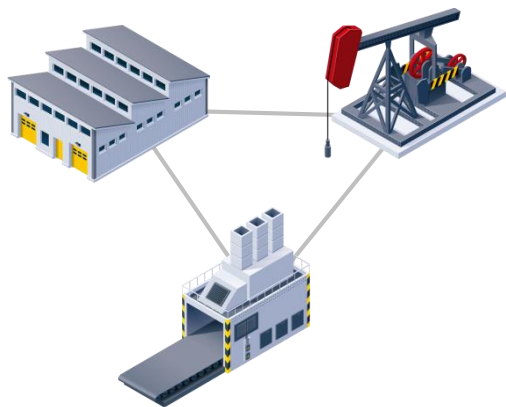


# Business Model Transformation



# Assisting Customers with Digital Transformation

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ERP systems connect human, financial and supply chain resources, and integrates the production, distribution and marketing & sales of an enterprise.



Cloud ERP not only connects within the enterprise, but also external parties to build an enterprise ecosystem.

# Operation Transformation: Complete O2O Loop



# 5 Key Tasks of Kingdee for the Next Four Years

**Kingdee**



**Core business innovation & growth**



**Rapid growth of Three Cloud businesses**



**Completing the closed loops of O2O and E2E**



**Accelerating R&D of the next generation of Cloud products**

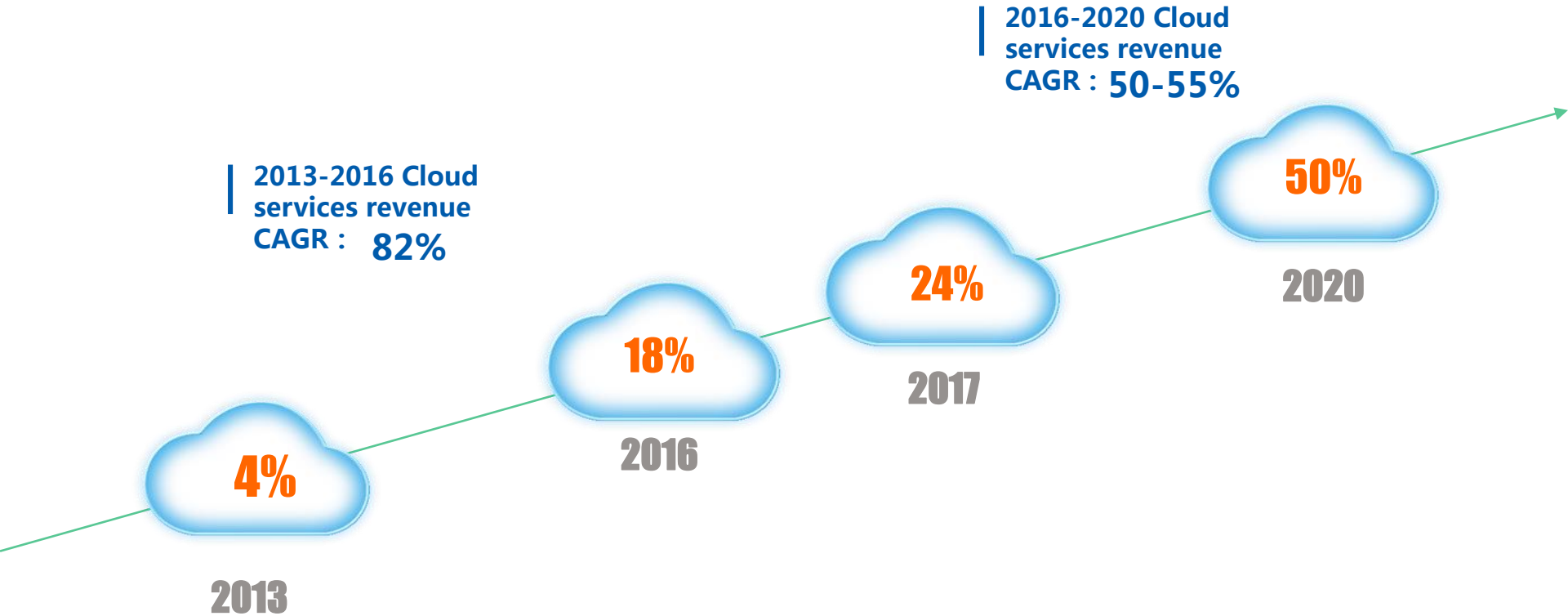


**Realizing the value of Big Data & business-model breakthrough**

# To Become the Leader in Enterprise Cloud Services



Cloud revenue contribution



# Agenda

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Management Software & Cloud business review

Investment Highlights

Appendix: Financial Results Summary

# 2016 Financial Highlights



Profitable Management Software growth & Fast growing Cloud business





# Management Software Business Review



Return to double-digit revenue growth

## Management Software

KIS

K/3

EAS

Implementation

Maintenance

+12% YoY

-3% YoY

+16% YoY

+10% YoY

+23% YoY

### Solid demand from large enterprise customers

EAS revenue +16% YoY on strong demand from large enterprises

Distribution channel impact on K/3 Wise continued to mitigate

KIS revenue +12% YoY due to solid SME demand

Slight pressure on operating margins due to higher R&D spend and new share compensation scheme

Operating cash flow continued double-digit YoY growth

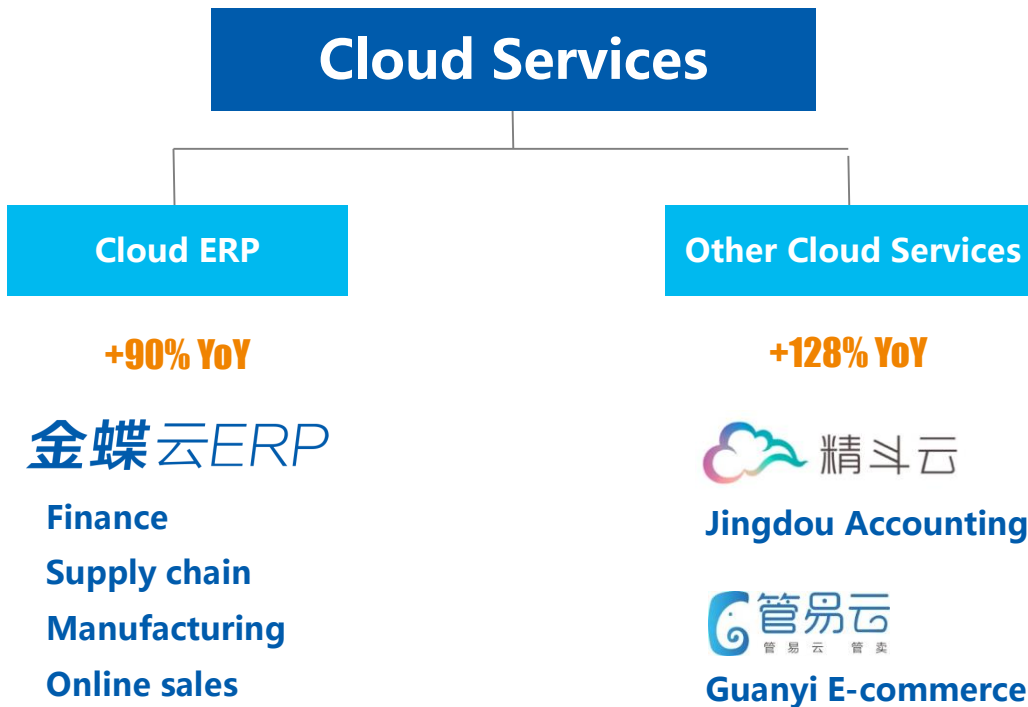
### Services maintained growth momentum driven by large customers

Maintenance revenue saw solid recovery in 2016 driven by large enterprise demand

Implementation saw solid growth

# Cloud Business Review

Refocusing resources on core businesses



# Cloud ERP Highlights

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## 金蝶云ERP

No. 1 Cloud ERP in China

Over 2,500 Cloud ERP customers

Total Cloud ERP revenue +90% YoY

New customers included Tencent, Coca Cola, Jaguar Land Rover, and Huawei



# Jingdou Accounting Highlights

Kingdee



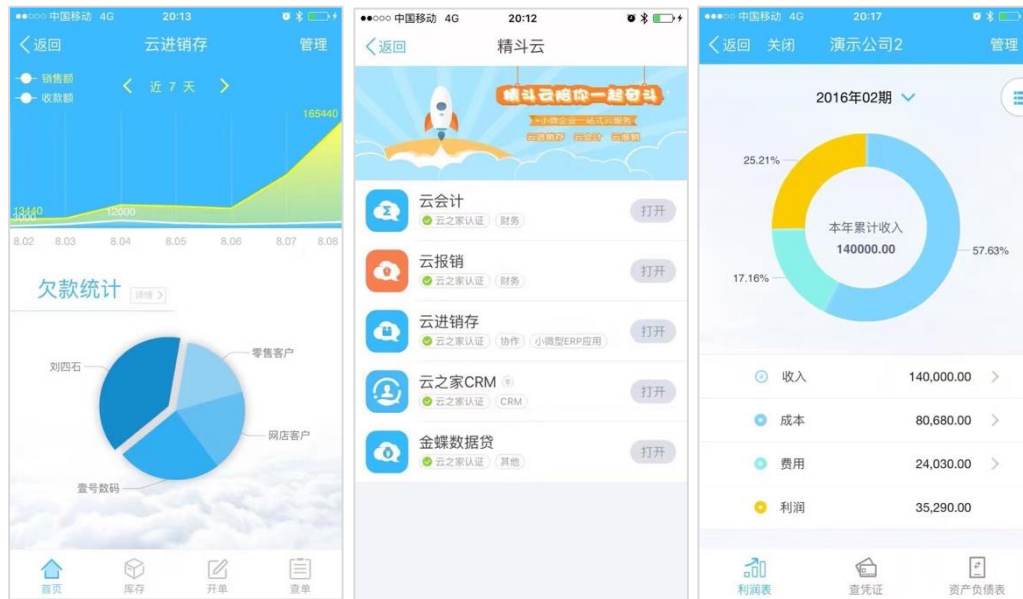
小微企业一站式云服务平台

No. 1 Accounting Cloud in China

Over 85,000 paying users +31% YoY

Retention rate of paying users over 75%

Jingdou Cloud revenue +39% YoY



# Guanyi E-commerce Highlights



No. 1 E-commerce Cloud in China

Over 5,000 paying customers +38% YoY

Retention rate of paying users over 90%



# Financial Highlights (Continuing Operations)



<i>(RMB' 000)</i>	2016	2015	Change
<b>Revenue</b>	<b>1,862,207</b>	<b>1,516,773</b>	<b>22.8%</b>
Cost of Sales	-347,961	-290,156	19.9%
<b>Gross Margin</b>	<b>81.3%</b>	<b>80.9%</b>	<b>0.4pts</b>
<b>Total Operating Expenses</b>	<b>-1,563,646</b>	<b>-1,164,610</b>	<b>34.3%</b>
Other Income & Gains	298,300	279,427	6.8%
Profit/loss from Discontinued Operations	73,734	-111,921	NM
<b>Earning Before Interests &amp; Tax</b>	<b>305,021</b>	<b>227,298</b>	<b>34.2%</b>
<b>EBIT Margins</b>	<b>16.4%</b>	<b>15.0%</b>	<b>+1.4pts</b>
Finance Costs– net	-22,012	-59,522	-63.0%
Tax Expenses	5,945	-62,259	NM
<b>Net Profit – equity holders</b>	<b>288,230</b>	<b>105,766</b>	<b>172.5%</b>
Net Profit Margin	15.5%	7.0%	+8.5pts
<b>Diluted EPS(cents)</b>	<b>9.74</b>	<b>3.60</b>	<b>170.6%</b>
Revaluation Gains on Properties	-33,879	-17,582	92.7%
Stock-Based Compensation	59,327	42,528	39.5%
Profit/loss from Discontinued Operations	-73,734	111,921	NM
<b>Non-GAAP Net Profit</b>	<b>239,944</b>	<b>242,633</b>	<b>-1.1%</b>
Non-GAAP EPS(cents)	8.31	8.77	-5.2%
<b>Net Operating Cash Flow</b>	<b>612,093</b>	<b>556,440</b>	<b>10.0%</b>

Note: The Group believes that providing non-GAAP financial measures is helpful to investors that compare our financial performance with most of the comparable companies listed in the United States, which also provides non-GAAP financial measures

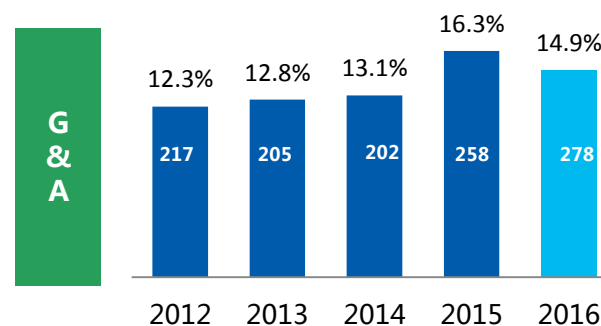
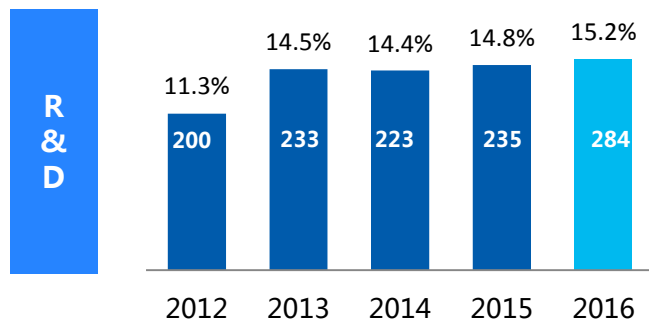
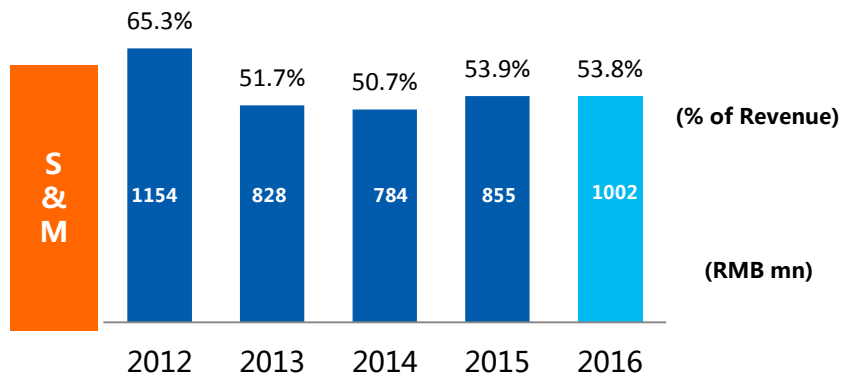
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<b>Gross Margin</b>	<b>81.6%</b>	<b>81.5%</b>	<b>+0.1pts</b>
<b>Total Operating Expenses</b>	<b>-1,651,950</b>	<b>-1,347,172</b>	<b>22.6%</b>
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Gain from Disposal of Discontinued Operations	138,785	-	NM
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Non-GAAP EPS(cents)	6.06	4.72	28.2%

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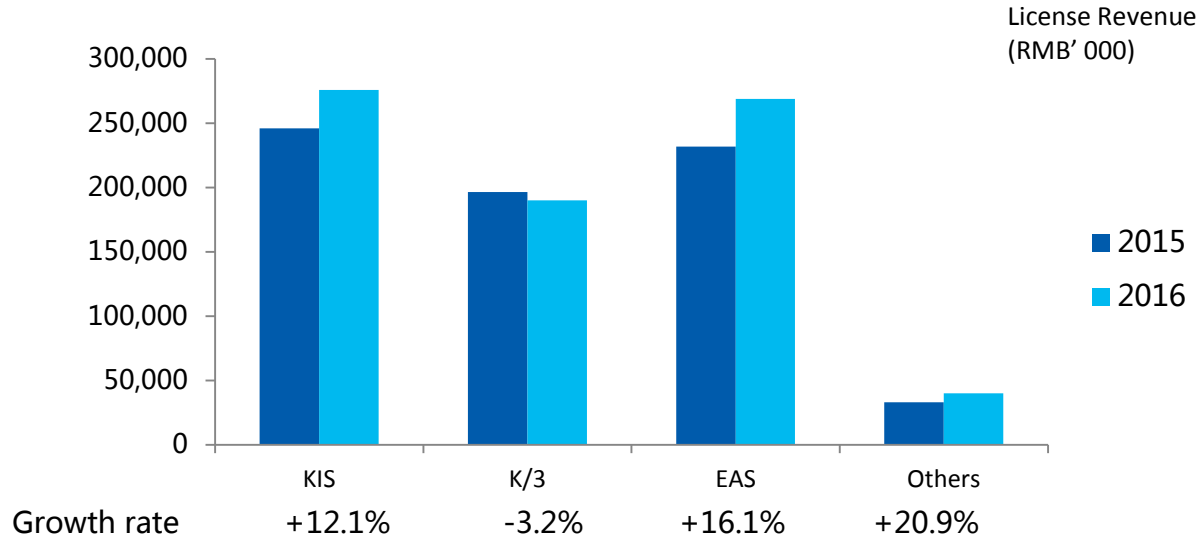
# Operating Expense Breakdown\*



\* 2016 figures presented as continuing operations. Other years includes both continuing and discontinued operations



# Management Software License Revenue Breakdown by Product

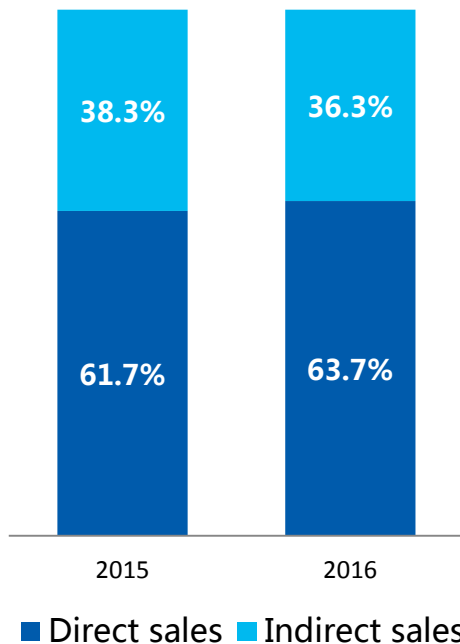


**KIS:** KIS licensing revenue was up 12% driven by solid SME demand growth.

**K/3:** K/3 revenue stabilized as impact from distribution channel shift mitigated

**EAS:** Strong demand from large customers drove double-digit YoY growth

# Management Software Revenues by Sales



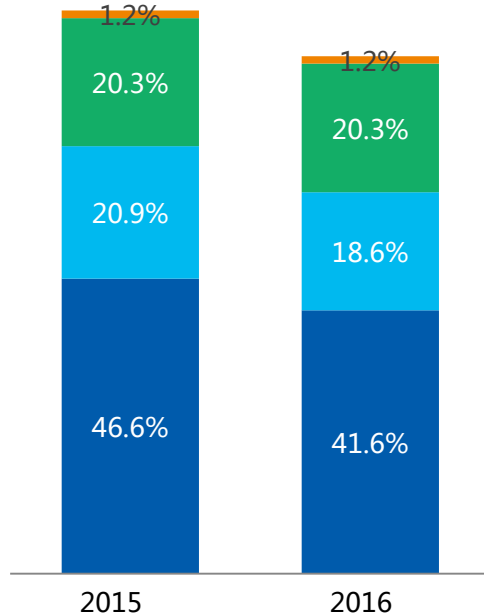
## Solid EAS Drove Direct Sales Growth

Indirect sales was driven by double-digit YoY KIS revenue growth, offset by sales channel impact from K/3

Strong EAS growth drove higher contribution from direct sales

	2016 (RMB' 000)	% of Management Software Revenue	2015 (RMB' 000)	% of Management Software Revenue	% Change
Direct Sales	968,555	63.7%	832,727	61.7%	16.3%
Indirect Sales	552,828	36.3%	516,013	38.3%	7.1%
<b>Total</b>	<b>1,521,383</b>	<b>100.00%</b>	<b>1,348,739</b>	<b>100.00%</b>	<b>12.8%</b>

# Management Software Revenues Breakdown by Segments



■ Software license 
 ■ Implementation 
 ■ Maintenance 
 ■ Others

## Growth from both licenses and services

Solid YoY license revenue growth driven by double-digit growth from KIS and EAS license sales, offset slightly by mitigating impact of sales channel transition for K/3 Maintenance saw strong growth due to rebound in EAS service contracts

	2016 (RMB'000)	% of Total Revenue	2015 (RMB'000)	% of Total Revenue	% Change
<b>Sales of software license</b>	774,442	41.6%	706,830	46.6%	9.6%
<b>Services</b>					
Implementation	346,718	18.6%	316,774	20.9%	9.5%
Maintenance	378,477	20.3%	307,302	20.3%	23.2%
<b>Others</b>	21,746	1.2%	17,833	1.2%	21.9%
<b>Total ERP Revenues</b>	<b>1,521,383</b>	<b>81.7%</b>	<b>1,348,739</b>	<b>88.9%</b>	<b>12.8%</b>

## Cloud momentum accelerated as management software business returned to double-digit growth

Cloud revenue grew 103% YoY in 2016 and made up 18% of total revenue on continuing operations basis

Cloud ERP revenue made up over 10% of revenue, up 90% YoY

Traditional ERP business returned to double-digit YoY revenue growth driven by solid growth in both software licenses and maintenance

## Disposal of non-core cloud businesses paves path for profitable growth

Transaction allows the company to focus on growing its core ERP and Cloud ERP products

The disposal will alleviate future pressure on operating margins

## Financially Strong

Cash and cash equivalents of RMB2 billion provides ample buffer against economic volatility

Continued operating cash improvement allows the company to invest in high growth areas such as Cloud ERP and related products

Company remains open to opportunities to return value to shareholders through programs such as share repurchases

Prudently evaluating strategic investment opportunities to further drive growth and supplement existing businesses

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Appendix: Financial Results Summary

# Investment Highlights



## **A Leader in enterprise resource planning (ERP) and enterprise Cloud service in China**

Market leader with over 6 million ERP and Cloud customers in China

Help companies of all sizes manage their businesses for more than 20 years

A growing ecosystem of over 2,000 partners in China

## **Favorable long-term growth drivers in key market segments**

ERP, CRM, Accounting, HR, Ecommerce, Enterprise Internet Services

Cloud-based finance and ERP products for companies of all sizes

Technological change and customer demand provide source of sustainable future growth

## **Market-leading Cloud & mobile Internet services and product roadmap**

Industry leading partners including JD.com and Amazon Web Services

Broad range of horizontal and industry vertical solutions

Continuous innovations with new functionalities and new products

## **Solid foundation for success**

Tremendous cross-selling opportunities in existing customer base

Focus on growing recurring revenues from subscription, maintenance and support

Significant opportunity for operating leverage

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# Total Revenue by Segments (Continuing Operations)



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- Sales of software license	774,442	41.6%	706,830	46.6%	9.6%
- Implementation	346,718	18.6%	316,774	20.9%	9.5%
- Maintenance	378,477	20.3%	307,302	20.3%	23.2%
- Others	21,746	1.2%	17,833	1.2%	21.9%
Cloud services business	<b>340,824</b>	<b>18.3%</b>	<b>168,034</b>	<b>11.1%</b>	<b>102.8%</b>
<b>Total</b>	<b>1,862,207</b>	<b>100.0%</b>	<b>1,516,773</b>	<b>100.0%</b>	<b>22.8%</b>

# Software License by Segments (Continuing Operations)



<i>(RMB' 000)</i>	2016	% of Total Revenue	2015	% of Total Revenue	Change
KIS	275,679	14.8%	245,853	16.2%	12.1%
K/3	189,964	10.2%	196,337	12.9%	-3.2%
EAS	268,943	14.5%	231,663	15.3%	16.1%
Others	39,856	2.1%	32,977	2.2%	20.9%
<b>Total software license turnover</b>	<b>774,442</b>	<b>41.6%</b>	<b>706,830</b>	<b>46.6%</b>	<b>9.6%</b>

# Total Revenue by Sales Channel (Continuing Operations)



<i>(RMB' 000)</i>	2016	% of Total Revenue	2015	% of Total Revenue	Change
Management Software business	<b>1,521,383</b>	<b>81.7%</b>	<b>1,348,739</b>	<b>88.9%</b>	<b>12.8%</b>
- Direct sales	221,613	11.9%	190,817	12.6%	16.1%
- Indirect sales	552,828	29.7%	516,013	34.0%	7.1%
- Services	725,195	38.9%	624,076	41.2%	16.2%
- Implementation	346,718	18.6%	316,774	20.9%	9.5%
- Maintenance	378,477	20.3%	307,302	20.3%	23.2%
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# Other Gains (Continuing Operations)



<i>(RMB' 000)</i>	2016	2015	Change
VAT refund	147,447	149,256	-1.2%
Government contracts	45,582	43,424	5.0%
Rental income - net	70,597	68,126	3.6%
Re-measurement of the contingent consideration for business combinations	3,990	2,339	70.6%
Others	-3,195	-1,300	145.8%
<b>Total</b>	<b>264,421</b>	<b>261,845</b>	<b>1.0%</b>
VAT % of Total Revenue	7.9%	9.8%	

# Selling & Marketing Expenses (Continuing Operations)



<i>(RMB' 000)</i>	2016	2015	Change
Advertising and marketing	72,190	34,402	109.8%
Sales promotion	95,633	72,231	32.4%
Salary of sales persons	580,990	451,631	28.6%
Project cooperation & outsourcing fees	163,283	125,657	29.9%
Traveling	29,458	23,193	27.0%
Fixed costs	53,438	52,098	2.6%
Others	7,403	7,047	5.0%
<b>Total</b>	<b>1,002,395</b>	<b>766,259</b>	<b>30.8%</b>
<b>S&amp;M % of Total Revenue</b>	<b>53.8%</b>	<b>50.5%</b>	<b>+3.3pts</b>

# R&D & Administrative Expenses (Continuing Operations)



<i>(RMB' 000)</i>	2016	2015	Change
Salaries and staff welfare – G&A	314,652	212,651	48.0%
Option expense	59,327	42,528	39.5%
Professional service fee	27,445	11,048	148.4%
Traveling	16,532	8,008	106.4%
Meeting expenses	5,578	2,370	135.4%
Provision for doubtful debts	26,653	62,088	-57.1%
Fixed costs	108,780	58,498	86.0%
Others	2,284	1,160	96.9%
<b>Total</b>	<b>561,251</b>	<b>398,351</b>	<b>40.9%</b>
<b>Including R&amp;D expense</b>	<b>283,603</b>	<b>196,368</b>	<b>44.4%</b>
<b>R&amp;D &amp; Admin. % of Total Revenue</b>	<b>30.1%</b>	<b>26.3%</b>	<b>+3.8pts</b>

# Balance Sheet Overview (Continuing Operations)



<i>(RMB' 000)</i>	31 Dec. 2016	31 Dec. 2015	Change
Trade and other receivables	315,241	277,875	13.4%
Cash at bank and in hand	2,087,145	2,174,100	-4.0%
Total assets	5,977,314	5,503,457	8.6%
Current assets	2,956,719	3,073,959	-3.8%
Borrowings	1,496,271	1,456,518	2.7%
Trade and other payables	453,873	357,390	27.0%
Total equity	3,536,166	3,246,718	8.9%



Kingdee

感謝

ありがとう

Thanks

ขอบคุณ

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谢谢

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