



# Kingdee International Software Group

*2020 Interim Results Announcement*

Stock Code: 268.HK

19 August 2020



**Business  
Highlights**



**Cloud Market  
Update**



**Cloud Strategy  
Update**



**CFO Report**



**Appendix**



**Business  
Highlights**



Cloud Market  
Update



Cloud Strategy  
Update



CFO Report

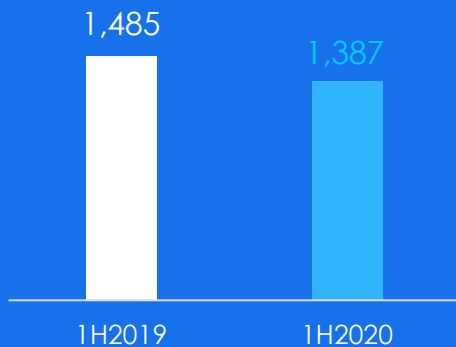


Appendix

# 1H2020 Financial Highlights



### Revenue



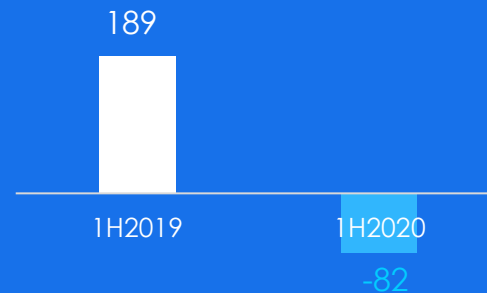
(RMB mn)

### Net Profit to Equity Holders



(RMB mn)

### Operating Cash Flow



(RMB mn)

# Business Growth Driven by Cloud Services



Revenue **+45.1%** YoY

Revenue **-37.0%** YoY

57.5%

42.5%

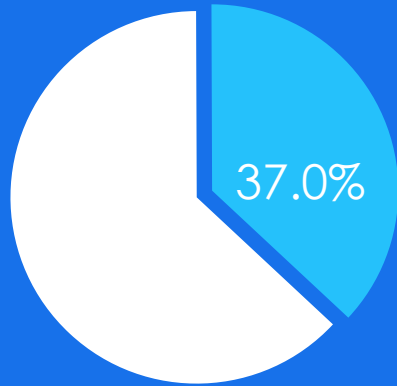
**Cloud Services**

**Management Software**

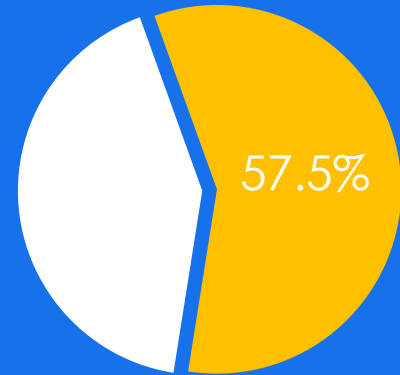
- China's leading Enterprise Cloud Service provider
- Structural opportunities in Enterprise digital transformation and IT localization

- KIS and K/3 Wise close-down for strategic cloud transformation
- EAS affected by COVID-19

# Growth of Cloud Services in 1H2020



Cloud Services in 1H2019



Cloud Services in 1H2020

# Cloud Contract Liabilities (deferred revenue)



(RMB'000)	1H 2020	1H 2019	Change
Revenue: Cloud services	798,376	550,243	45.1%
Contract liabilities: Cloud services (= subscription + others)	711,485	361,491	96.8%
<i>Subscription</i>	551,996	289,611	90.6%
<i>Others</i>	159,519	71,880	121.9%





# Cosmic Overview

中国航信  
TravelSky

国家电投  
SPIC

北方工业  
NORINCO

中车唐山机车车辆有限公司  
CHITANGSHAN CO., LTD.

SFSN

中国兵器装备集团

西王集团  
XIWANG GROUP

奥园

京基智农  
KINGKEY SMART AGRIC

中国移动  
China Mobile

WENS 温氏

MULINSEN  
木林森

SF EXPRESS  
顺丰速运

PEAK

ECO 益客集团  
ECO GROUP

远致投资  
SZ CAPITAL

运通汽车  
WINTOP

中信消费金融有限公司  
CITIC Consumer Finance Co., Ltd.

升华集团  
SHENGHUA GROUP

HBIS GROUP  
河钢集团

中国石油

TONG  
通 | 源 | 石 | 油

中车株洲电力机车有限公司  
CRRC ZHUZHOU LOCOMOTIVE CO., LTD.

C&D 建发集团

新城控股

芒果TV

壹号食品  
广东壹号食品股份有限公司  
Guangdong Yihao Foods'uff Co., Ltd.

金山云

今麦郎

格林嘉森集团  
Green House Group

HUNDUN 恒生电子

ENN 新奥

九州通

OPPEIN 欧派

1H2020:

New & Upsell Clients: **106**

Cosmic New Clients: **78**

Total contract size:

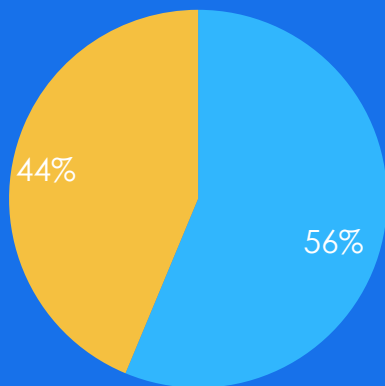
**RMB 150mn**

Average contract size:

**RMB 1.4mn**

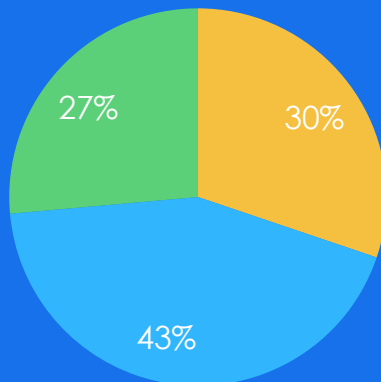
# Cosmic Customer Distribution

### Cloud technology



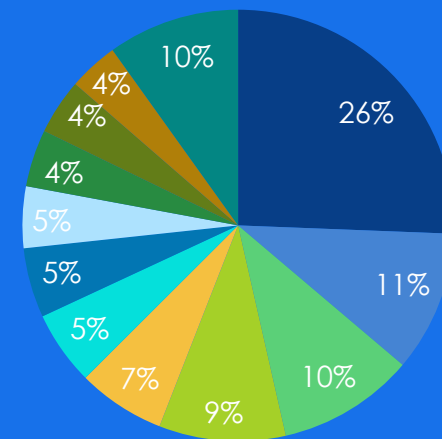
Public Cloud    Hybrid Cloud

### Contract Distribution



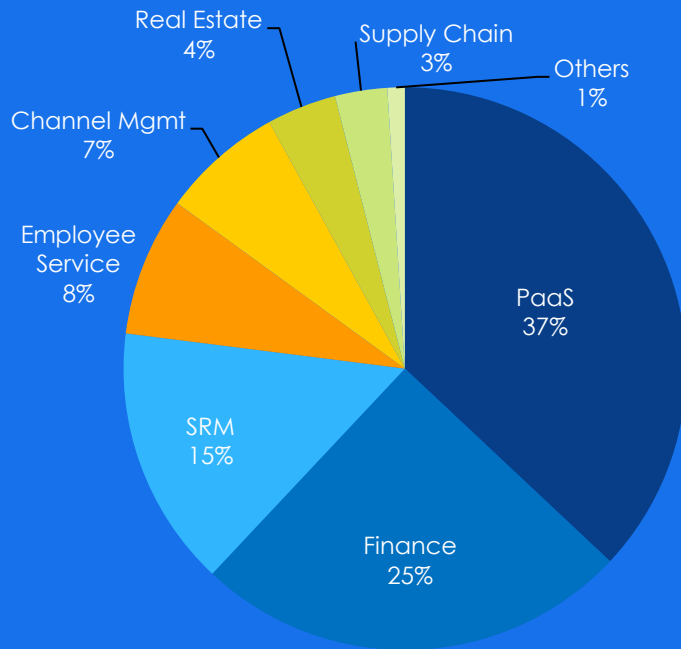
Kingdee New customer  
Kingdee ERP upgrade  
Cosmic upsell

### Contract Value by Customer

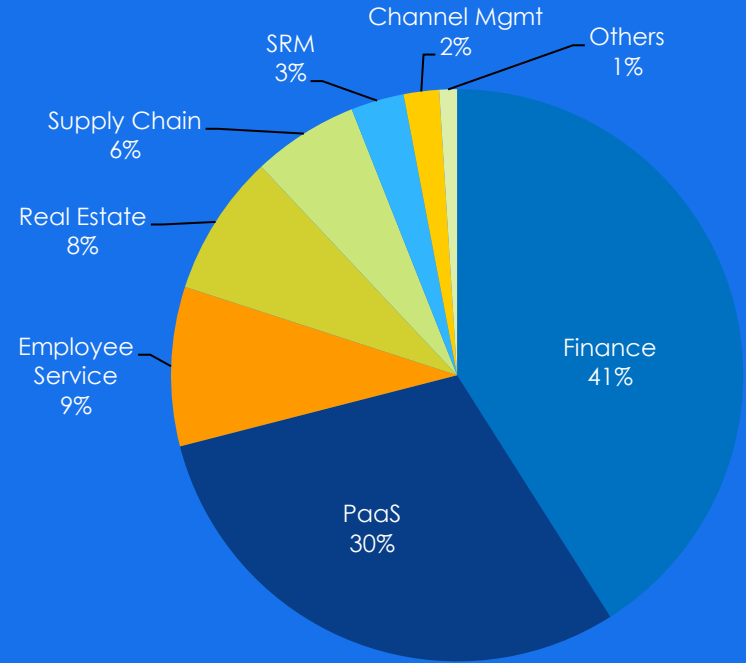


Energy    TMT  
Property & Construction    Conglomerate  
Agriculture    Manufacturing  
Mining    Business service  
Education    Social service  
Financial    Others

# Cosmic Subscription Distribution by Module



2018-2020 1H

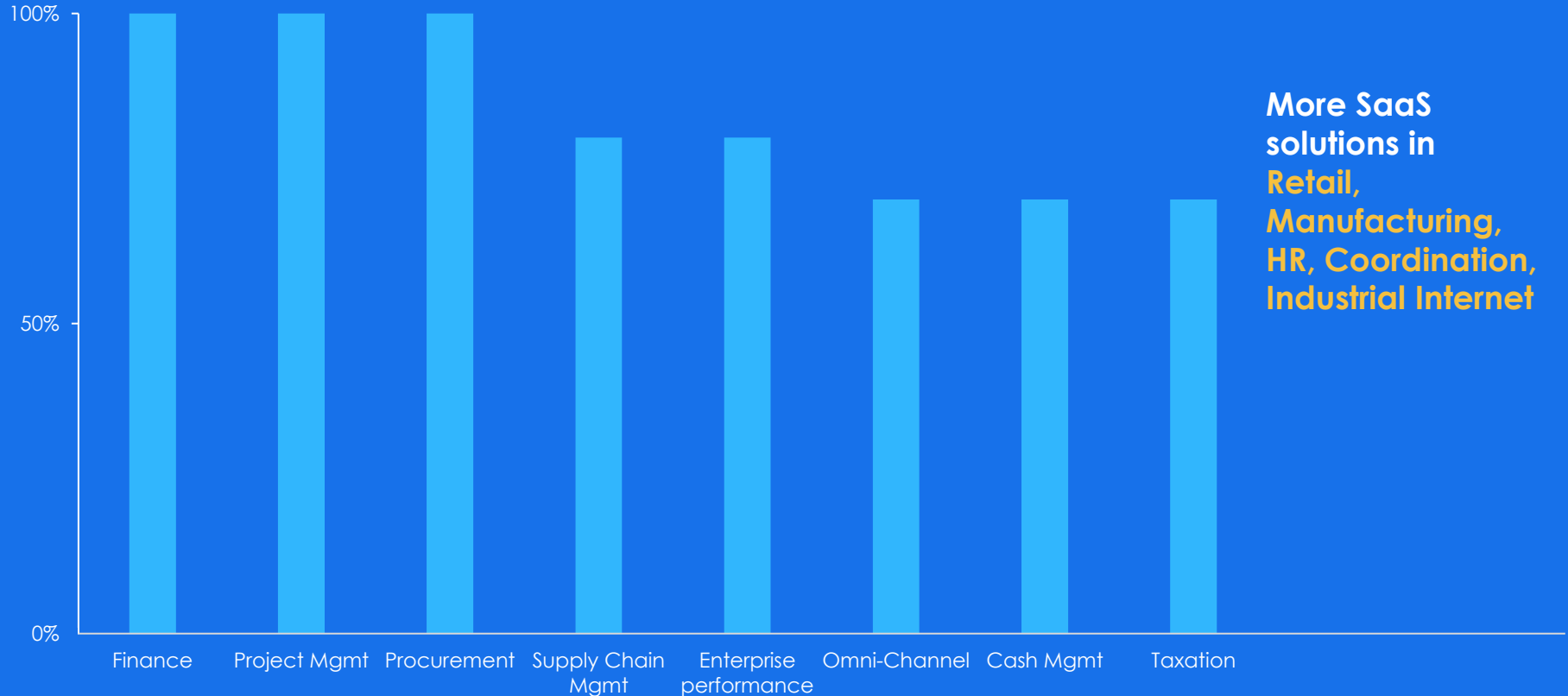


2020 1H

# Cosmic SaaS Development



## Level of Completion



More SaaS solutions in **Retail, Manufacturing, HR, Coordination, Industrial Internet**

# Cosmic PaaS: High productivity PaaS for Enterprises



SaaS

(Enterprise Performance, Financial, Capital, Human, Collaborative, Project, Channel, Supplier Collaboration, Supply Chain, Manufacturing, Industry) Cloud.

## Kingdee Cloud Cosmic SaaS + PaaS Core Services

Selected in Global High Productivity SaaS Supplier Directory by Gartner

High productivity PaaS level (Qualified domain, Enterprise application)

APPLICATION DEVELOPMENT SERVICE (ADaaS)  
Visual modeling IDE  
Personalized Customization  
Application management center  
Developer community

OPERATING SERVICE (OSaaS)  
Collaboration model  
Process model  
Permission model...

INTEGRATION SERVICE (ISaaS)  
Business form  
Process integration  
API service

ACCOUNT SERVICE (ASaaS)  
Account service  
Organization service  
Instant messaging

ANALYTICS SERVICE (ANaaS)  
Embedded analysis  
Corporate portrait  
User portrait

INTEGRATED AI SERVICE (AIaaS)  
Invoice identification  
Voice interaction  
NLP platform  
Machine learning

High control PaaS level

COMPUTING SERVICE  
Virtual machine (VM)  
Container Service (CaaS)  
No server (IPaaS, Serverless)

OPERATING SYSTEM  
Windows  
Linux  
Unix

DATABASE (DBaaS)  
RDS  
ECS  
EIP

RESOURCE MANAGEMENT  
Resource arrangement  
Resource monitoring  
Resource recovery

MIDDLEWARE  
MQ  
Kafka  
Zookeeper

TOOLS  
High code development kit  
Code hosting  
Big data suite  
IoT...

## IaaS + PaaS by

## HUAWEI Cloud, AWS, ALIBABA Cloud, TENCENT Cloud

IaaS level

STORAGE SERVICE  
Object storage, file storage, hybrid storage

COMPUTING RESOURCE  
CLOUD SERVER, BARE METAL SERVER, GPU

INTERNET SERVICE  
VPN, VPC, Nat Gateway, public net IP, CDN, SLB Load balancing...

OTHER SERVICE ...

## 1 Low-code Development

Selected into Gartner's Global High-Productivity PaaS vendor list



Coding amount reduced by **90%**

Development efficiency improve by **500%**

## 2 Localization Efforts

Full Stack development + Open Source, to support 100% local solution



**Chips**

Hisilicon, Loongson, Phytium



**Database**

Huawei Gauss DB, Dameng DB



**System integration**

Tai chi, Inspur, Chinasoft, Huadi, Thunisoft, DHC, Tsinghua Unigroup, etc.



**OS**

Huawei Euler OS, NeoKylin OS, Kylin OS



**Server**

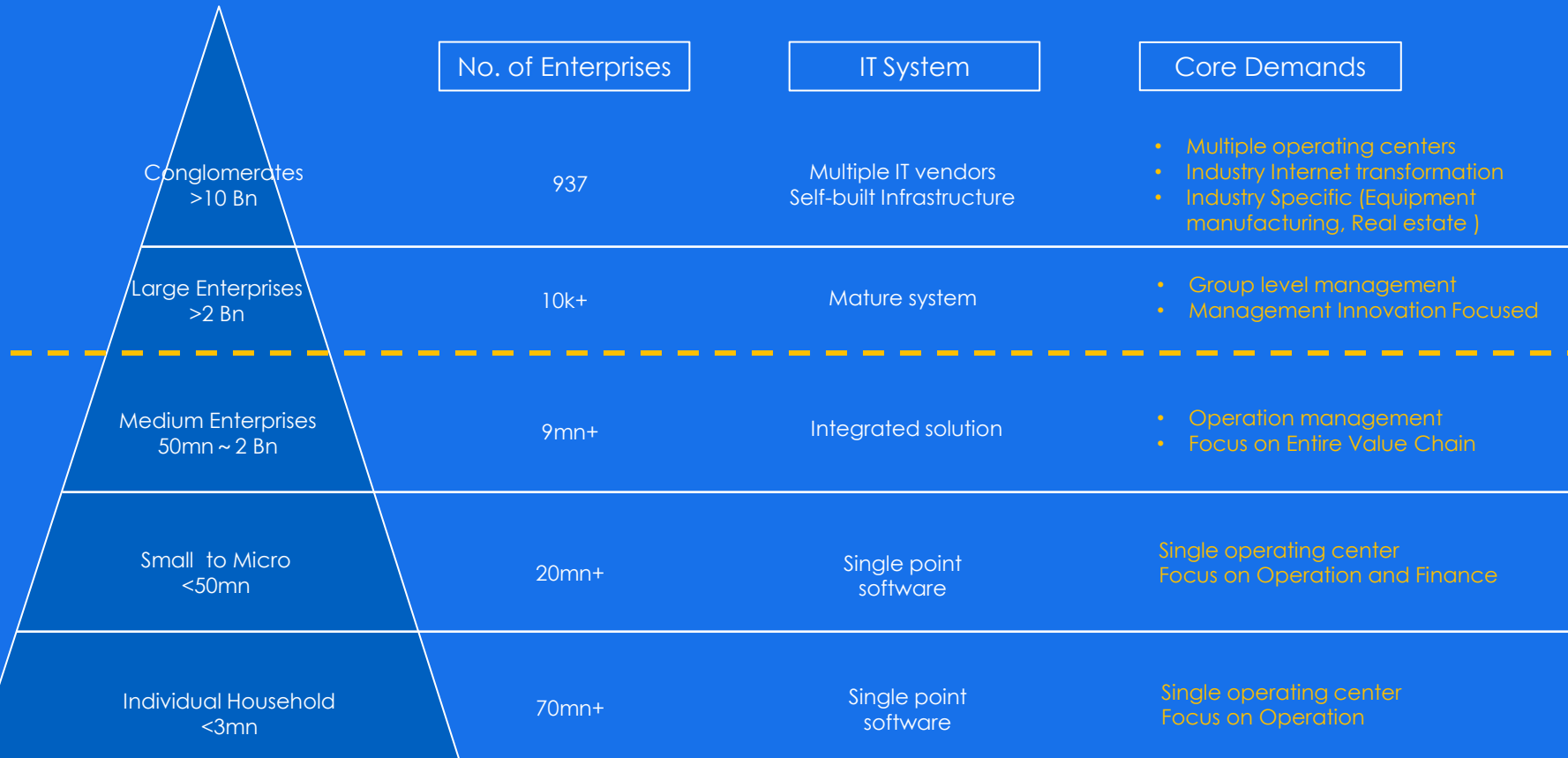
Huawei Taishan, Inspur, Great Wall, Sugon

## 3 Enterprise cloud computing

Container + Micro-service, Elastic computing

Applied over 150 patents

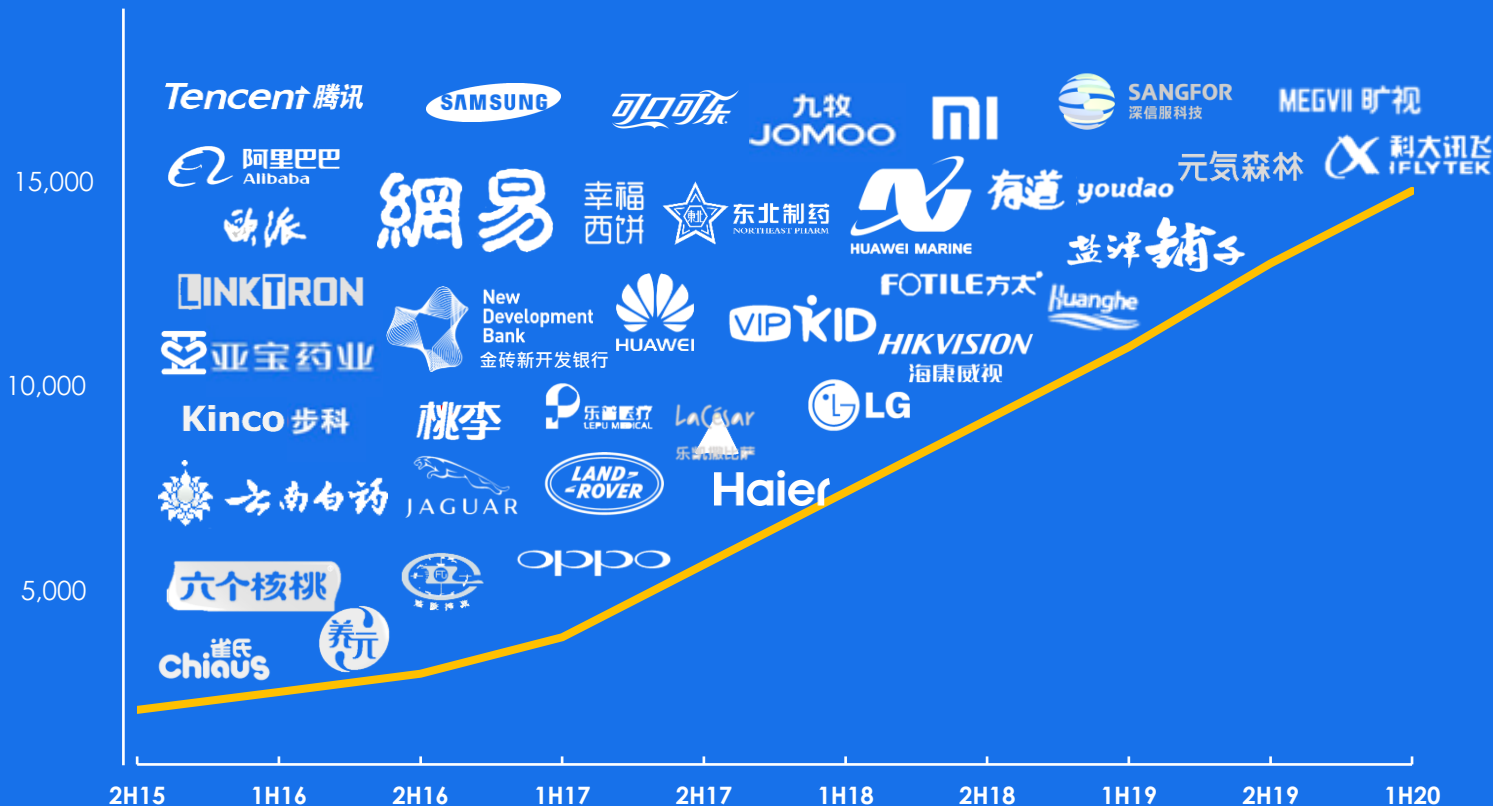
# Cosmic's addressable market



 **Kingdee** *Cloud Galaxy*

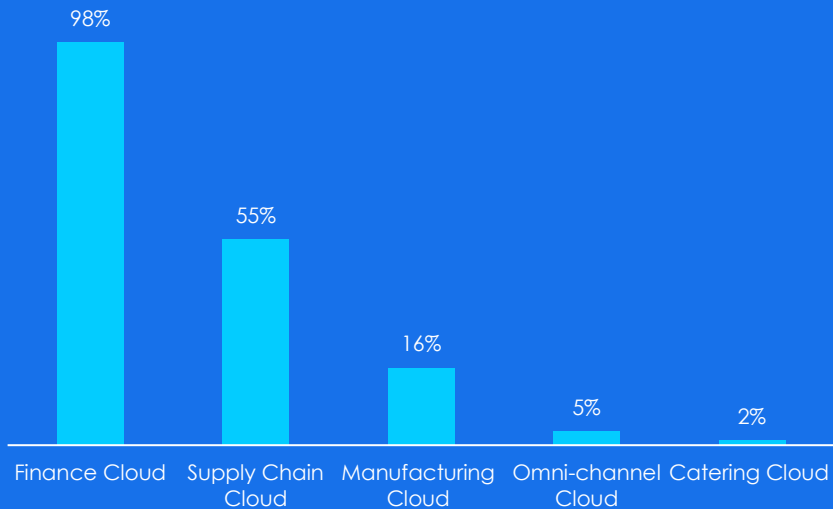


# Galaxy Overview



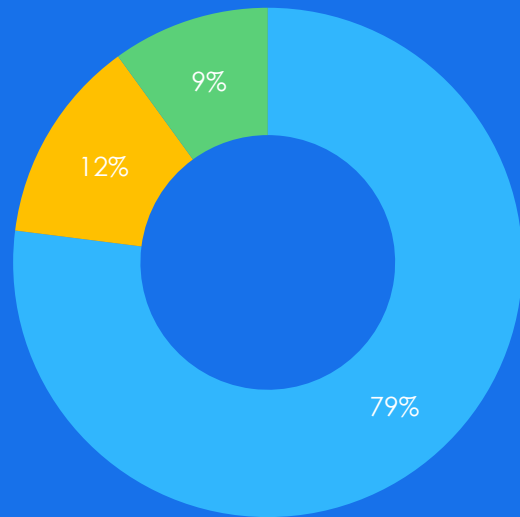
> 15,700 customers, >37% YoY Customer Growth, 90% of new customers

# Galaxy Customer Analysis



**33%**  
of customers have 2+ solutions

**18%**  
of customers have 3+ solutions

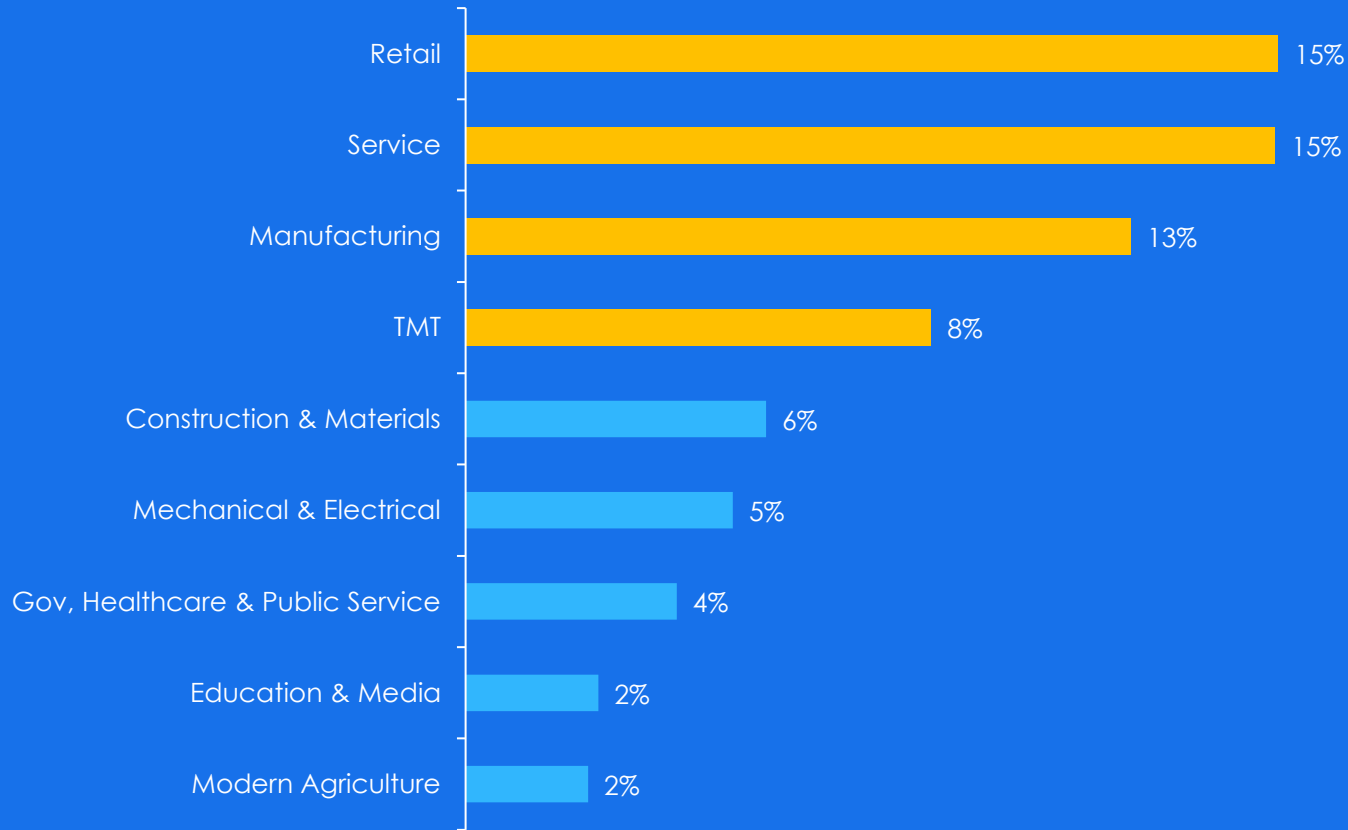


Client new to ERP

Client from competitors

Kingdee existing client

# Galaxy Customers by Sector



**30%**  
Revenue  
Growth

**37%**  
Customer  
Growth

**87%**  
Dollar Retention  
Rate

# Galaxy's 18 industry solutions



Food



Electronics



Technology



Bakery



Home  
Decoration



Service



Consumer  
Electronics



Industrial  
Mechanical



Catering



Household  
Appliance



Construction



Pharmaceuti  
cals



Instruments  
& Meters



Auto Parts



Online  
Education



Tourism



Chemical



Cosmetics

 **Kingdee** Cloud Jingdou

# Jingdou Overview



**48%**

Revenue  
Growth

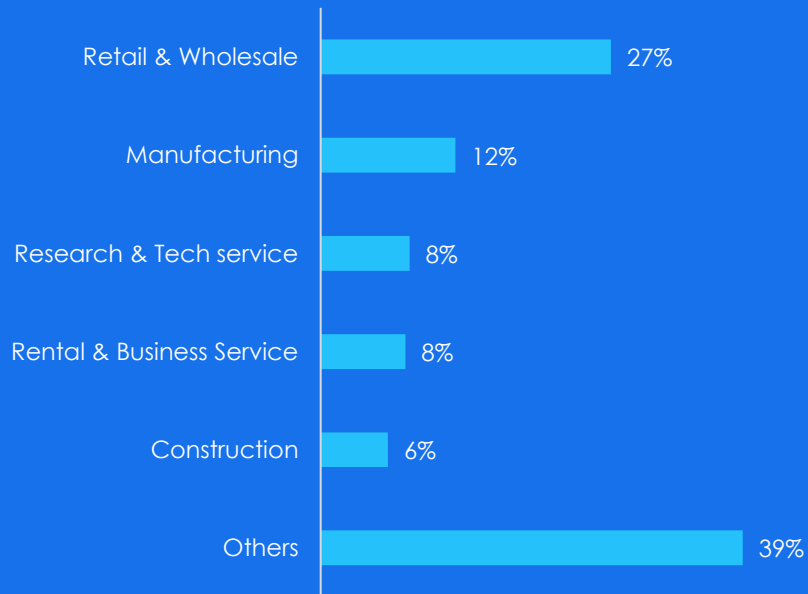
**>137,000**

Paying  
Customers

**72%**

Dollar Retention  
Rate

## Jingdou customer mix





Business  
Highlights



**Cloud Market  
Update**



Cloud Strategy  
Update

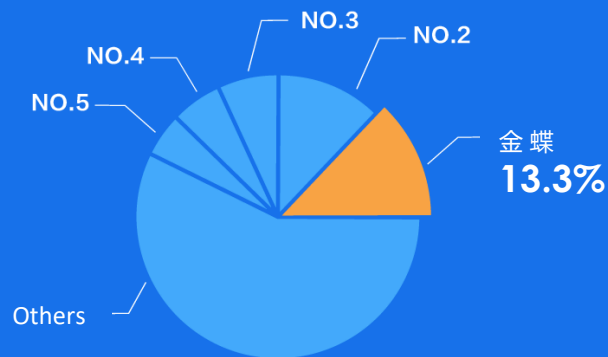


CFO Report



Appendix

# Market Leader in China's Enterprise SaaS Market



PRC Enterprise ERM SaaS Market  
in 2019



PRC Finance Cloud  
Market in 2019



\* Source: 《Enterprise Application SaaS Tracker for PRC , 2019 IDC. Inc. 》

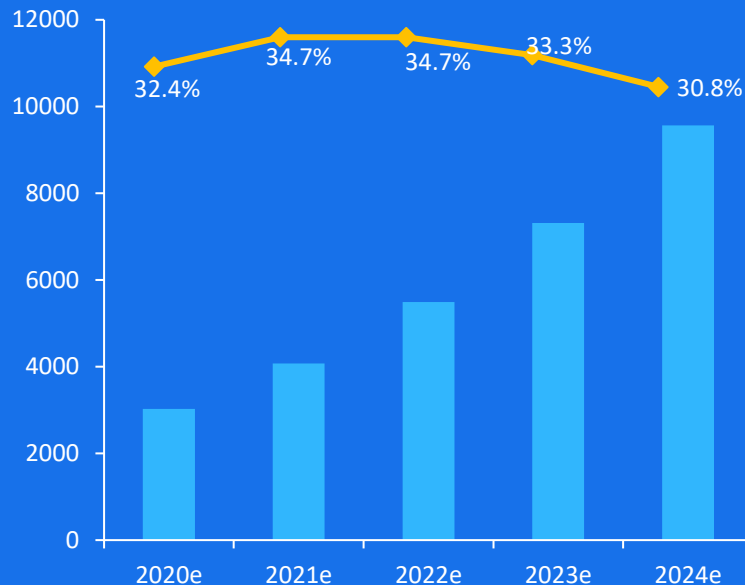


## EA SaaS market CAGR in 2019-2024: **33%**

Considering the impact of COVID-19, IDC has lowered the CAGR for the next five years, especially in 2020. But the growth rate will be recover from 2022.

- Focus on **aPaaS**
- Build **Industrial Internet** and **Ecosystem**.

PRC EA SaaS Market Forecast, 2019-2024(\$ M)





Business  
Highlights



Cloud Market  
Update



**Cloud Strategy  
Update**



CFO Report

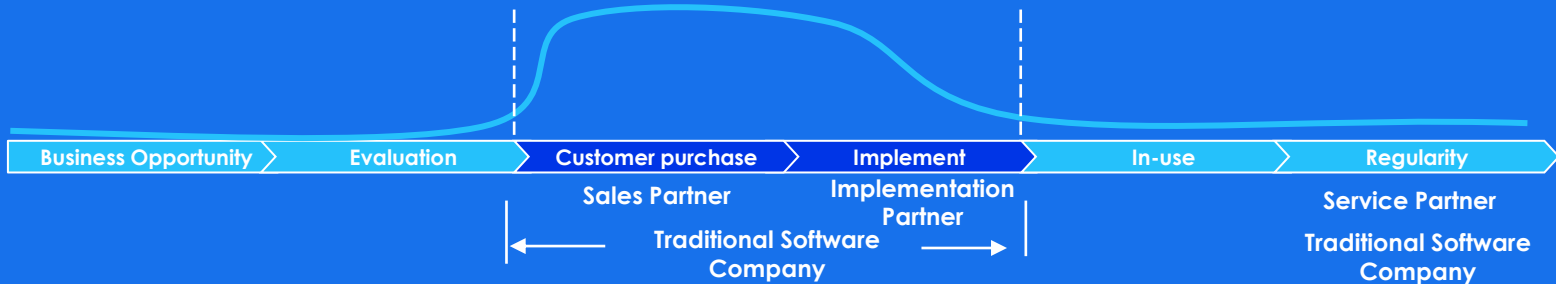


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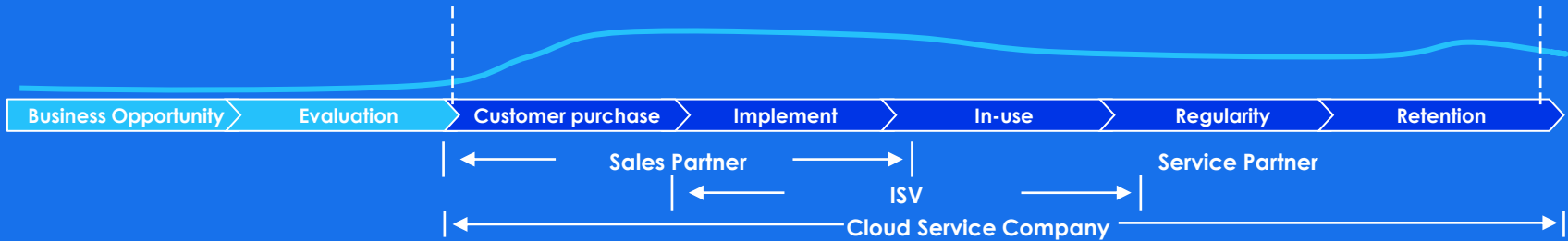
# From Value 'Hunter' to 'Farmer'



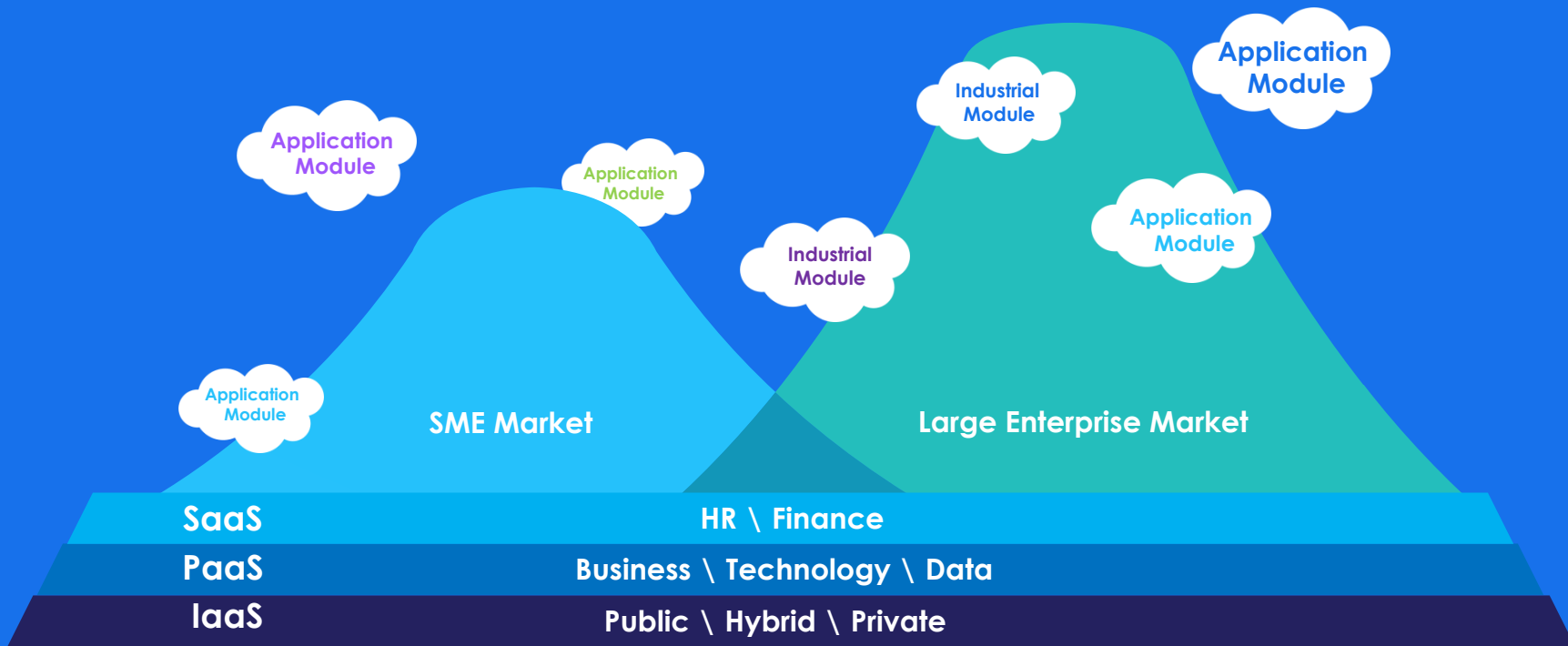
## Traditional ERP Business: One-off sales, Product-focused



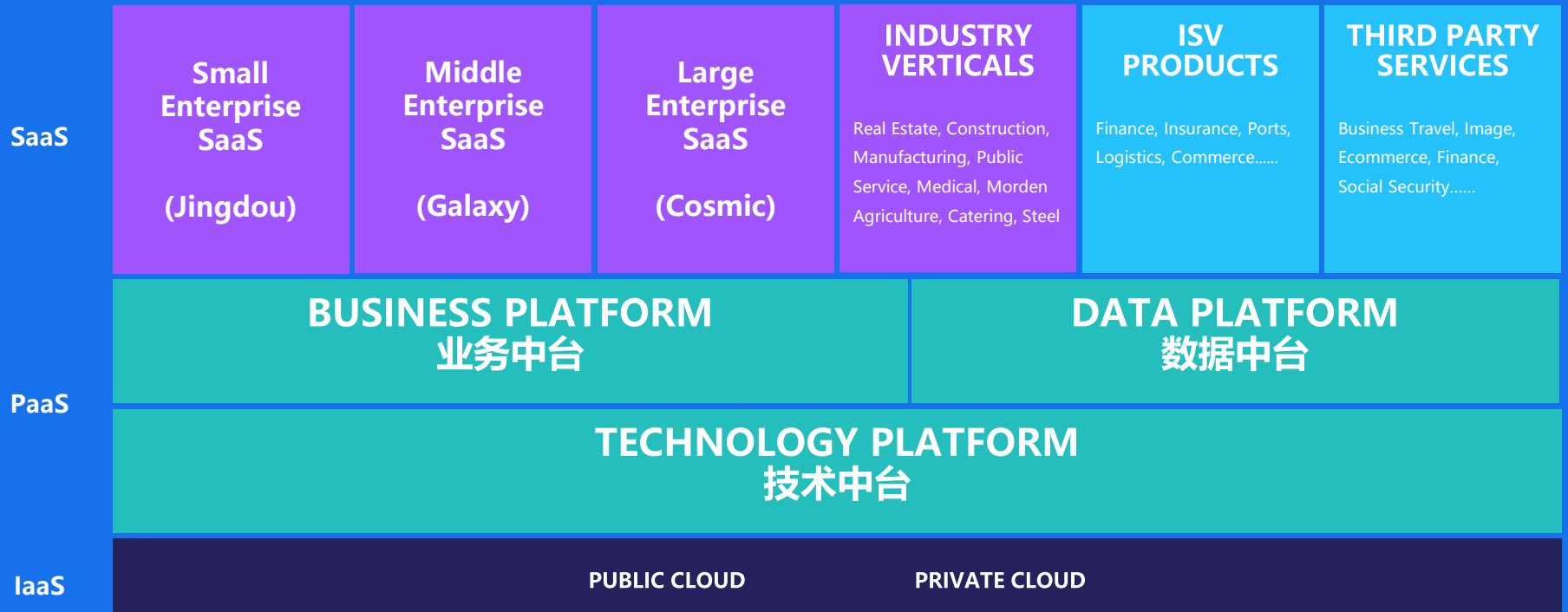
## Cloud Service Business: Long-Term Value, Customer-centered, Ecosystem



# Platform + Finance & HR + Ecosystem



# One Platform to Support Industry & Ecosystem Applications



# Open Ecosystem Platform for ISV



## Applications



APP&API Market  
应用市场



Packages  
应用包管理



Code Audit  
代码审计



CI/CD  
持续集成与持续交付



License  
ISV许可

## Core capabilities



Customization  
行业&客户&用户定制



Building Block  
企业模型组件



Workflow  
企业流程模型



Chatbot  
对话机器人



Embedded AI  
嵌入式AI



Light Analysis  
轻分析



Mobile&Social  
移动&社交

## Tools



CloudIDE  
云开发



Light IDE  
轻量级开发



KDSript  
脚本开发



Html5  
轻应用



Workflow  
工作流设计



BOTP  
业务流设计



APIs&Events



UnitTest  
单元测试



SDK

## Infrastructure



Muti-Tenant  
多租户



Metadata  
元数据



Microservices  
微服务



Docker  
容器



Distribution  
分布式



Security  
安全

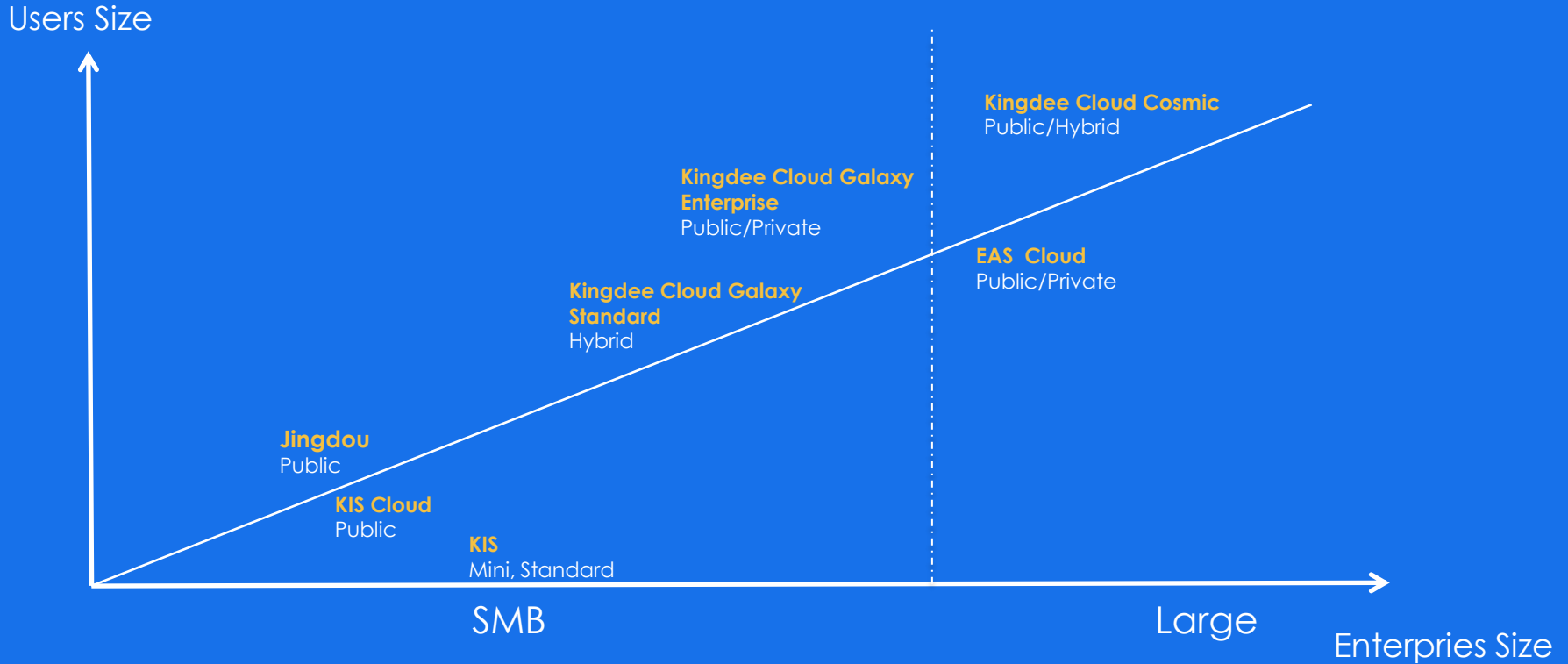


Block chain  
区块链



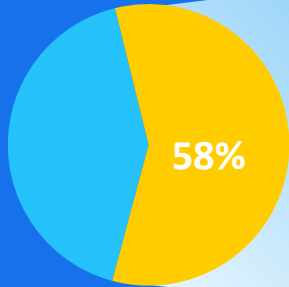
Performance &  
Availability  
性能&可靠性

# Product Strategy

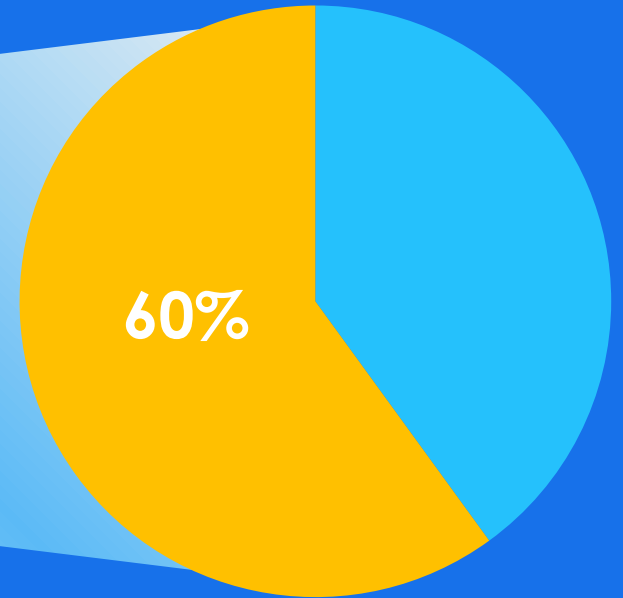


# 2020 Target

¥ 1.4bn Total  
Revenue(1H2020)



¥ 3.4-3.8bn Total  
Revenue(2020)

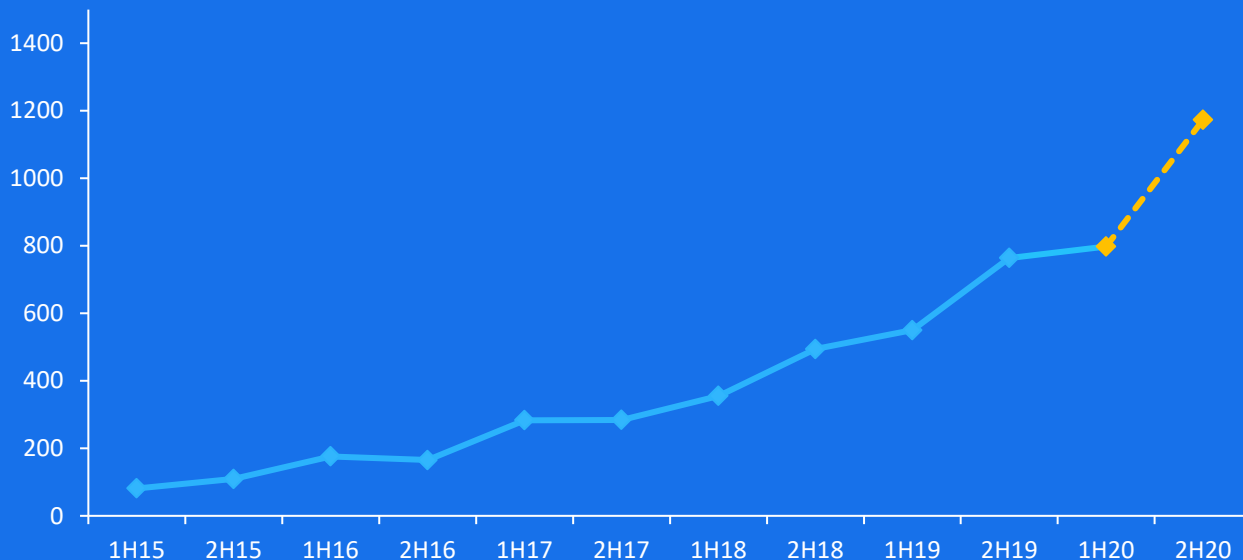




# Cloud Services Revenue Guidance



RMB mn



**Guidance:**  
**2020 Cloud**  
**services revenue**  
**up by 50%+ y-o-y**



Business  
Highlights



Cloud Market  
Update



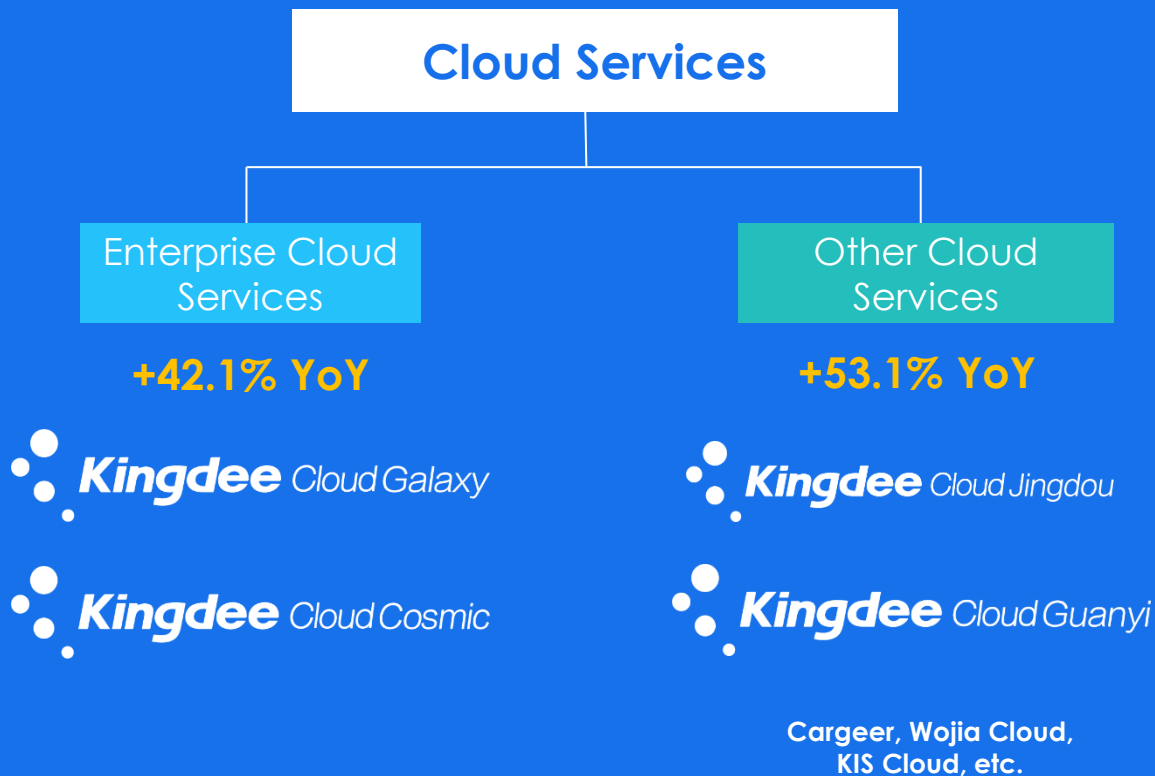
Cloud Strategy  
Update



**CFO Report**



Appendix



# Kingdee Cloud Cosmic Highlights



+310%

Revenue Growth YoY

140+

SaaS modules



106

Cosmic New & Upsell  
Customers

78

Cosmic New  
Customers

# Kingdee Cloud Galaxy Highlights



30%

YoY Revenue Growth

82%

Customer Retention Rate



>15,700

Customers

87%

Dollar Retention Rate

# Kingdee Jingdou & Guanyi Cloud Highlights



Paying Customers

Dollar Retention Rate

 **Kingdee** Cloud Jingdou

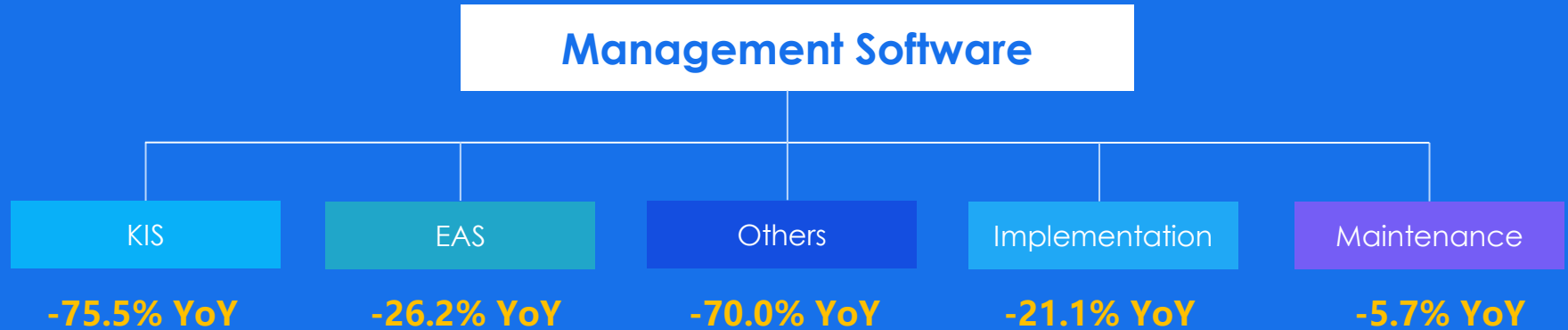
>137,000

72%

 **Kingdee** Cloud Guanyi

>6,100

84%



- KIS and K/3 Wise license revenue decreased significantly due to product close-down for Kingdee's strategic cloud transformation.
- EAS license revenue and Implementation revenue declined due to COVID-19 pandemic.

# Financial Overview



(RMB'000)	1H 2020	1H 2019	Change
Revenue	1,387,445	1,485,156	-6.6%
Cost of Sales	-362,797	-304,727	19.1%
Gross Margin	73.9%	79.5%	-5.6pts
Total Operating Expenses	-1,429,230	-1,198,483	19.3%
Other Income & Gains	151,020	141,976	6.4%
Operating Profit	-253,562	123,922	NA
Operating Margin	-18.3%	8.3%	NA
Finance Costs– net	4,633	5,437	-14.8%
Tax Expenses	9,181	-8,243	NA
Net Profit – equity holders	-224,025	109,640	NA
Net Profit Margin	-16.1%	7.4%	NA
Diluted EPS(cents)	-6.87	3.30	NA
Stock-based compensation	89,714	44,869	99.9%
Tax effects and adjustments*	11,214	5,609	99.9%
Non-GAAP Net Profit	-145,525	148,900	NA
Non-GAAP EPS(cents)	-4.46	4.62	NA

Note: The Group believes that providing non-GAAP financial measures may prove useful to investors and enable investors to evaluate financial results in the same way management does

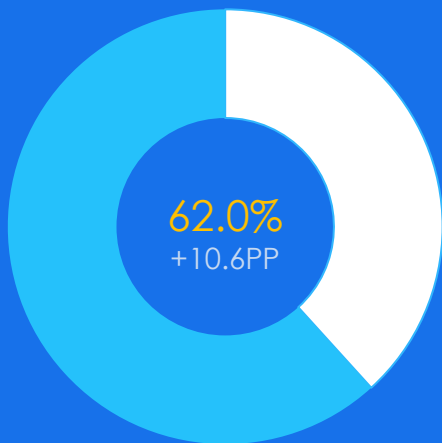
\* Note: non-GAAP tax provisions uses a long-term projected tax rate of 12.5%



# Operating Expenses Breakdown

## S&M

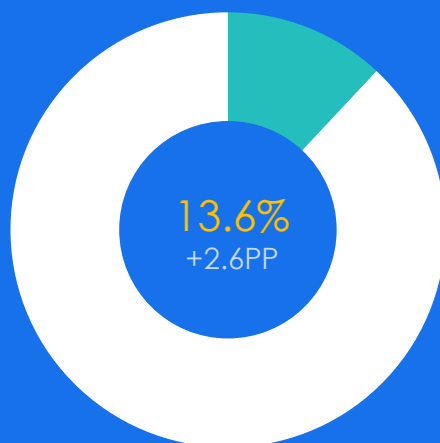
as a % of total revenue



RMB 860mn

## G&A

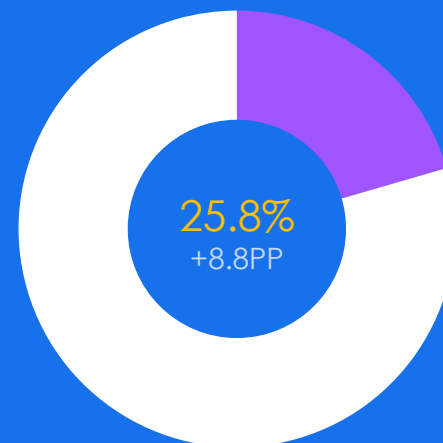
as a % of total revenue



RMB 189mn

## R&D

as a % of total revenue



RMB 358mn

# Investment Highlights

## Market Leader in Enterprise Cloud Services in China

- Leader in SaaS ERP and SaaS financial products in China
- Significant leadership in services offerings and product maturity vs. competitors

## Market-leading Cloud Ecosystem with Industry-leading Partners

- Industry-leading IaaS partners including JD, Amazon AWS, Huawei, Alibaba and Tencent
- Focus on Platform + Finance & HR + Ecosystem
- Technology roadmap geared towards open-source and platform services

## Kingdee to begin all-product cloud transformation in 2020

- Kingdee Cloud Cosmic: continue investing in product development, PaaS, ecosystem and ISVs
- K/3 Wise and KIS: migrating existing customers to cloud services instead of new customer acquisition
- Having built industry leading enterprise-grade SaaS service, Kingdee is confident to generate healthy cash flow and long-term profitability.

## China's Software Market Remains Healthy

- Medium and large enterprises viewing software as a core part of business model and to control cost
- Small and micro-sized companies increasingly adopting software to increase efficiency
- IT localization amid trade frictions

## Well-positioned as a Consolidator in the Cloud Services Market

- Tremendous cross-selling opportunities in existing customer base
- Company has Rmb2.9bn+ in cash and equivalent assets



Business  
Highlights



Cloud Market  
Update



Cloud Strategy  
Update



CFO Report



**Appendix**

# Total Revenue by Segments



(RMB'000)	1H 2020	% of Total Revenue	1H 2019	% of Total Revenue	Change
Management Software business	589,069	42.5%	934,913	63.0%	-37.0%
- Sales of software license	206,479	14.9%	493,208	33.2%	-58.1%
- Implementation	173,607	12.5%	220,088	14.8%	-21.1%
- Maintenance	203,752	14.7%	216,133	14.6%	-5.7%
- Others	5,231	0.4%	5,484	0.4%	-4.6%
Cloud services business	798,376	57.5%	550,243	37.0%	45.1%
Total	1,387,445	100.0%	1,485,156	100.0%	-6.6%

# Software License by Segments



(RMB'000)	1H 2020	% of Total Revenue	1H 2019	% of Total Revenue	Change
EAS Cloud	117,892	8.5%	159,746	10.8%	-26.2%
KIS	51,031	3.7%	208,370	14.0%	-75.5%
Others	37,556	2.7%	125,092	8.4%	-70.0%
Total software license turnover	206,479	14.9%	493,208	33.2%	-58.1%

# Other Gains



(RMB'000)	1H 2020	1H 2019	Change
VAT refund	52,540	80,468	-34.7%
Government projects	15,289	22,767	-32.8%
Rental income - net	38,634	36,902	4.7%
Others	44,557	1,839	2322.9%
Total	151,020	141,976	6.4%
VAT % of Total Revenue	3.8%	5.4%	

# Selling & Marketing Expenses



(RMB'000)	1H 2020	1H 2019	Change
Advertising and marketing	130,023	137,824	-5.7%
Sales promotion	73,798	57,384	28.6%
Salaries and staff welfare	441,623	372,367	18.6%
Project cooperation and outsourcing service fee	146,954	126,469	16.2%
Travelling expenses	23,622	25,739	-8.2%
Fixed costs	34,578	33,540	3.1%
Others	9,472	9,371	1.1%
Total	860,070	762,694	12.8%
S&M % of Total Revenue	62.0%	51.4%	+10.6pts

# R&D Expenses



(RMB'000)	1H 2020	1H 2019	Change
Salaries and staff welfare	344,589	308,258	11.8%
Option & restricted stock expense	25,219	10,127	149.0%
Fixed costs	15,693	16,589	-5.4%
Travelling costs	3,116	3,458	-9.9%
Others	1,138	1,118	1.8%
Total R&D costs	389,755	339,550	14.8%
Less: development costs capitalised	-243,397	-262,530	-7.3%
Add: amortisation	212,038	175,435	20.9%
Total R&D Expenses	358,396	252,455	42.0%
R&D Expenses / Total Revenue	25.8%	17.0%	+8.8pts



# Administrative Expenses



(RMB'000)	1H 2020	1H 2019	Change
Salaries and staff welfare	116,294	106,199	9.5%
Option & restricted stock expenses	39,599	25,624	54.5%
Professional service fees	10,893	9,450	15.3%
Travelling costs	2,192	2,415	-9.2%
Meeting expenses	1,029	1,224	-15.9%
Fixed costs	13,947	14,159	-1.5%
Others	5,249	4,368	20.2%
Total	189,203	163,439	15.8%
Admin. % of Total Revenue	13.6%	11.0%	+2.6pts

# Balance Sheet Overview



(RMB'000)	30 Jun. 2020	31 Dec. 2019	Change
Trade and other receivables	320,580	330,153	-2.9%
Cash at bank and in hand	2,867,684	3,273,577	-12.4%
Total assets	8,308,372	8,420,153	-1.3%
Current assets	4,020,218	4,241,447	-5.2%
Borrowings	234,000	199,625	17.2%
Trade and other payables	587,752	684,624	-14.1%
Total equity	5,920,245	6,145,671	-3.7%



感謝  
ขอบคุณ

ありがとう

Thanks

谢谢