



Kingdee International Software Group

2019 Interim Results Announcement

Stock Code: 268.HK

14 August 2019



**Business
Highlights**



**Cloud Market
Update**



**Cloud Strategy
Update**



CFO Report



Appendix



**Business
Highlights**



Cloud Market
Update



Cloud Strategy
Update



CFO Report

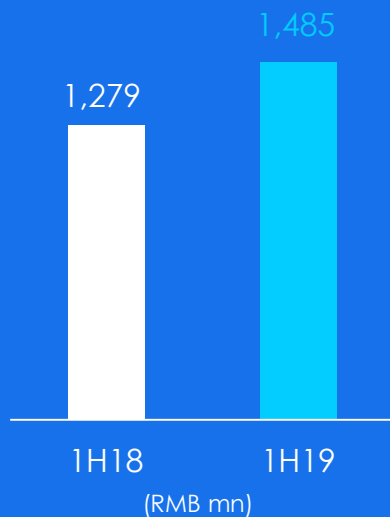


Appendix

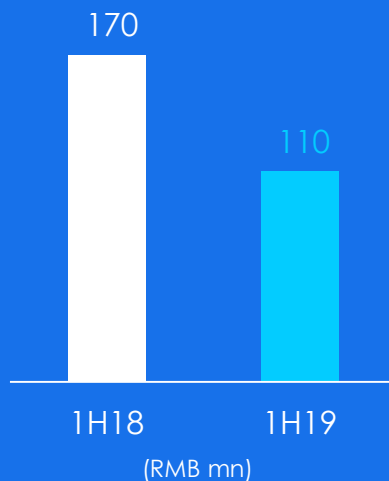
2019 1H Business Highlights



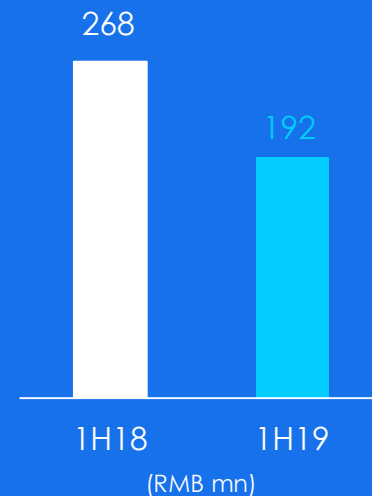
+16.1% YoY
Revenue



-35.4% YoY
Net Profit to Equity Holders



-28.4% YoY
Operating Cash Flow

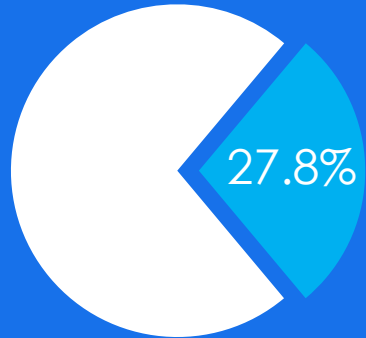


Business Growth Driven by Cloud Services

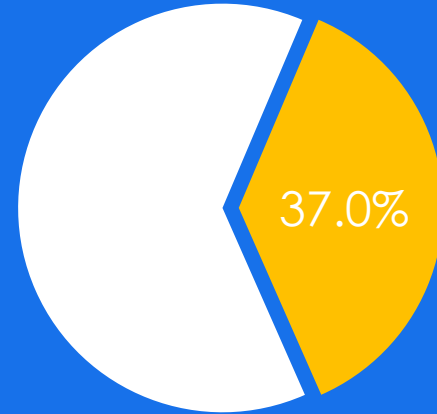
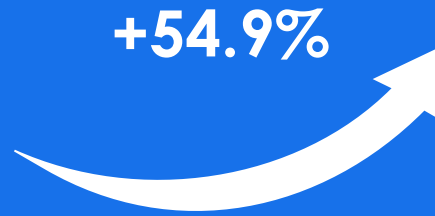


*Included in cloud services consists of internet finance big data service income amounting to RMB15 million

Growth of Cloud Services in 2019 1H



Cloud Services in 2018 1H



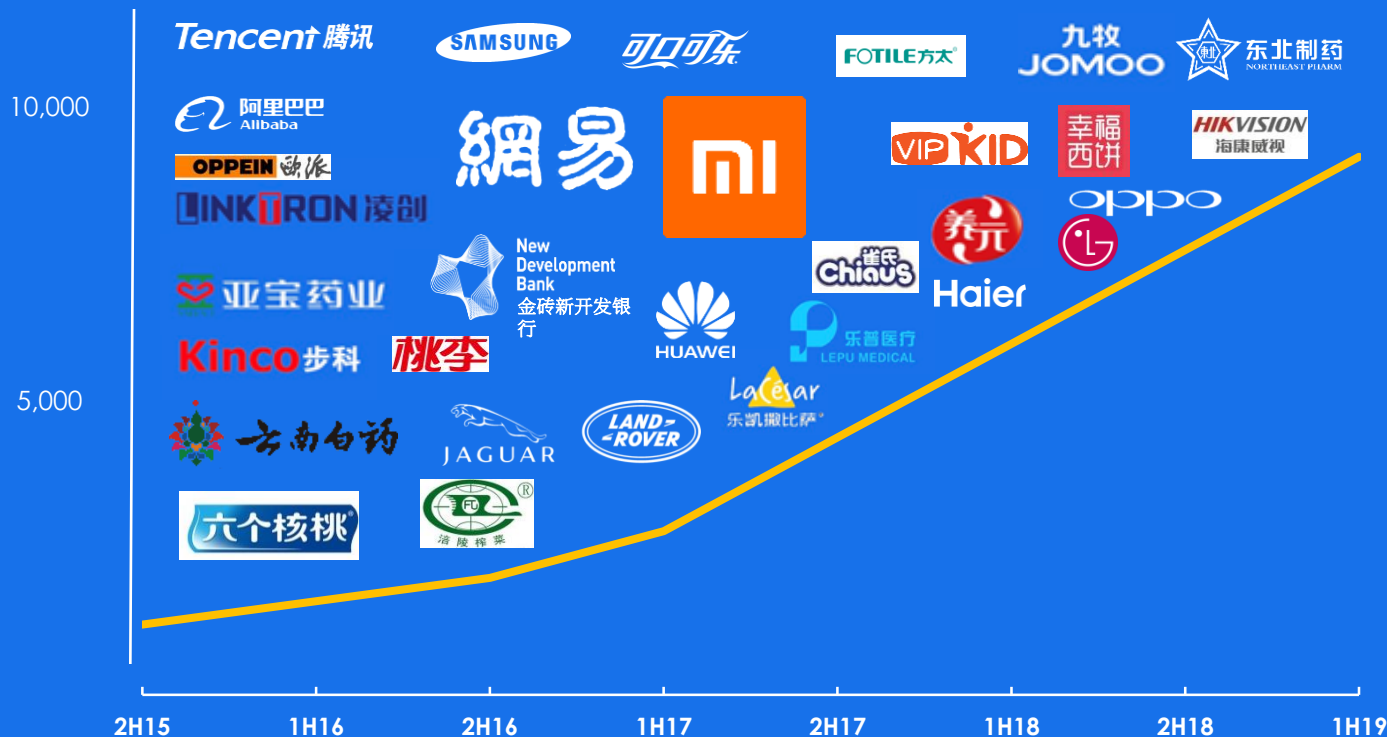
Cloud Services in 2019 1H



Leading the Digital Transformation of Enterprises

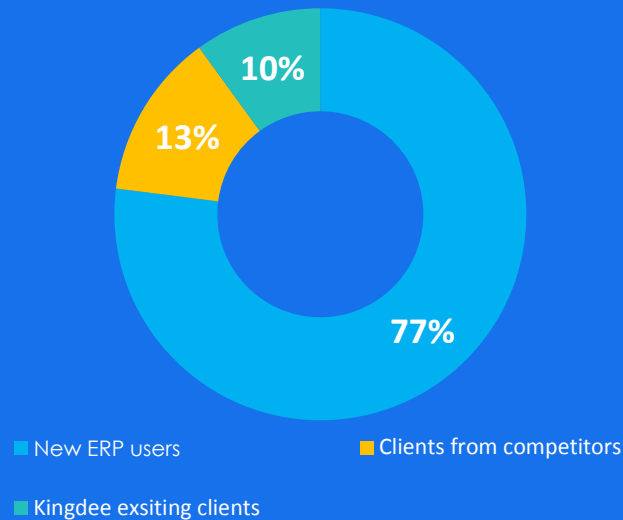
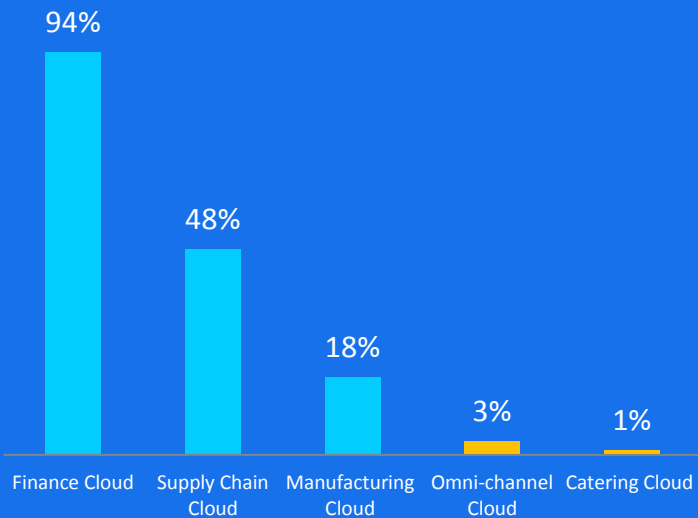


Preferred Choices of the Enterprises



> 11,500 customers, >50% YoY Customer Growth, 90% of new customers

Kingdee Cloud Galaxy Analysis

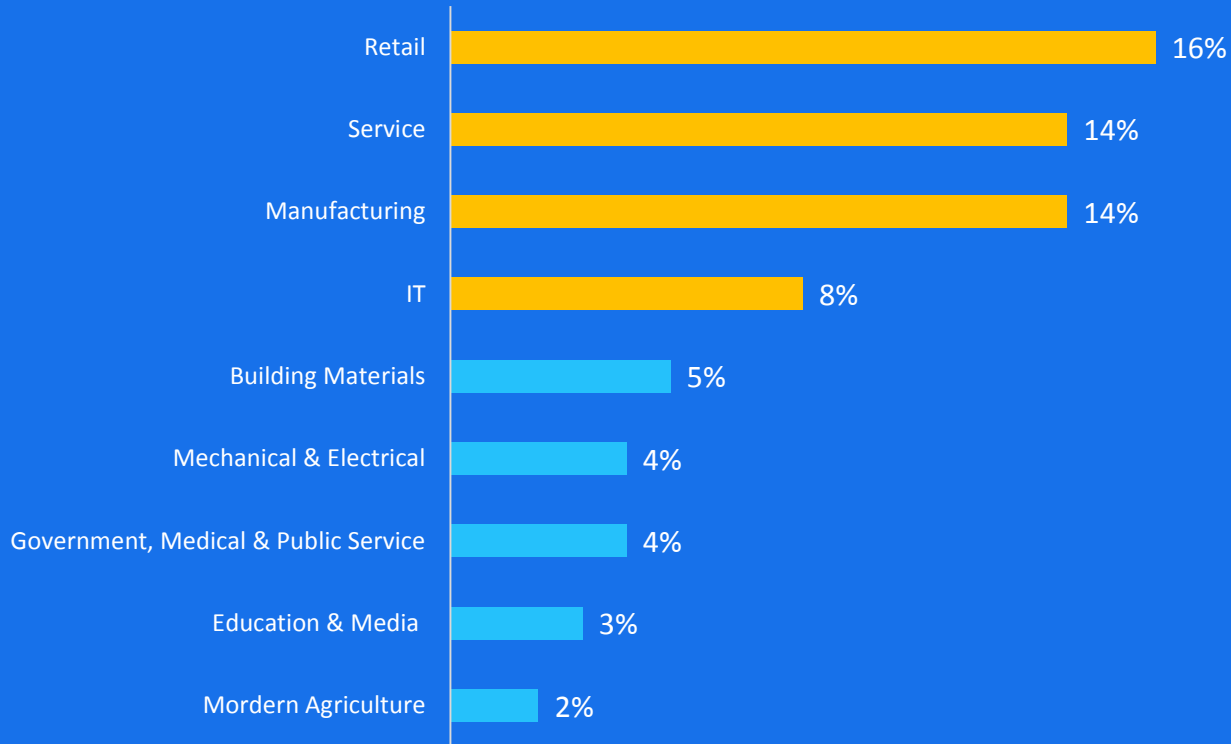


48%
of customers have
2+ solutions

21%
of customers have
3+ solutions

82%
of top 100 customers
have 3+ solutions

The Most Comprehensive Cloud Solutions



51%
Revenue
Growth

53%
Customer
Growth

90%
Dollar Retention
Rate





Three Innovative Technologies

- Flexibility
- Distributed architecture
- Micro-services
- Modularized services
- Multi-tenants

- Preset model
- Modelling
- Customized Cloud services

- Automated bookkeeping
- Speech recognition
- Image recognition
- Deep learning

**Cloud Native
Technology Architecture**

**Original Dynamic
Domain Model**

**Corporate
AI Platform**

Enterprises Upgrading to Cosmic



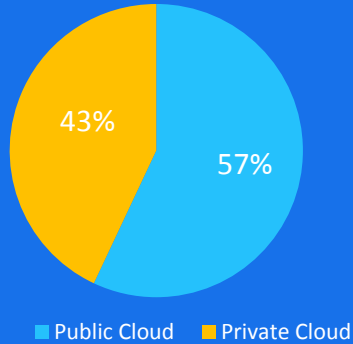
2018: **15** Clients

2019 1H: **28** new clients

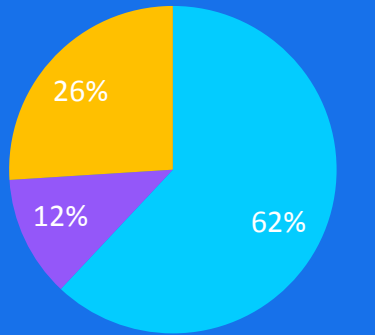
Total contract size in 2019
1H **HKD33mn**

Average contract size
HKD1.2 mn

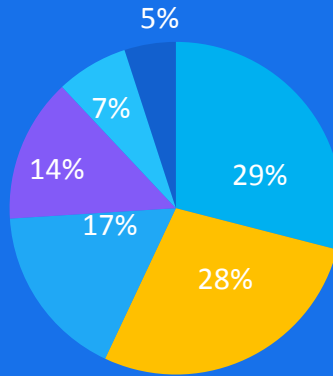
Cosmic Clients Analysis



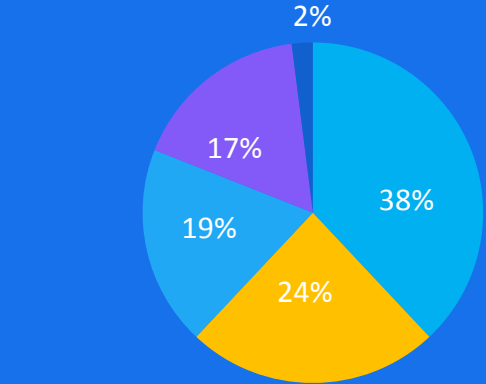
Public Cloud Private Cloud



EAS K/3 Competitors



Finance Cloud Platform Cloud Marketing Cloud
 Procurement Cloud RealEstate Cloud Others



Projects Delivered Developing Period
 Implementation Period Blueprint Period
 Testing Period

New Platform : Support Internal and External Ecosystem



Front-end product series

Kingdee Cloud galaxy	Kingdee Cloud cosmic	VERTICALS Real estate ,manufacturing , government, modern agriculture, catering, steel, new retail	ISV PRODUCT Finance, insurance, port, logistics, trade	THIRD PARTY SERVICE Business, Image, E commerce, Finance , Social security
Growth enterprise business	Conglomerates	Industry business		API Service
HORIZONTAL APPLICATION				
Finance Tax Consolidated Statement Cash management Budget Management Supply Chain Manufacturing Marketing HR OA Project Management ...				

Middle-end Sharing service

BUSINESS						DATA			
Basic services User Client Supplier Goods....	Finance Audit Accounting Account service Invoice tax Cost Balance of account Banking payment		Supply chain Order service Inventory service Inventory accounting Credit and price	HR Enrollment resignation Labor Contract Proof of handling Social security and compensation...	OA Process center Announcement center Knowledge center Instant messaging	Project Management Project definition WBS Project Plan Project accounting	Data management Data modeling Data scheduling (Indicator,Metadata) management	Basic data user client product supplier project...	Domain data Financial, Order, Transaction, Product, Office collaboration data
Shared operations center (Goal , quality , resource , process , knowledge , performance) management									
TECHNOLOGY									
Application development service (ADS)						Operational service (KCOS)		Operation and maintenance service (KMS)	
Social service (Cloud-hub)		Big data service(KBDS)		Artificial intelligence service (BRP)		Internet of Things service (IoT)			
Blockchain service(KBCS)									
Cloud basic technology service(KWS)									

Backstage cloud infrastructure



New Platform : Hgh 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 (iPaaS) Visual Personalized extension Application management center Developer community	MODELING SERVICE Operational model Collaboration model Process model Permission model...	SERVICE (iPaaS) Basic information Business form Process integration API service	SERVICE mobile platform Account service Organization service Instant messaging	SERVICE Thematic analysis Embedded analysis Corporate portrait User portrait	EMBEDDED SERVICE Invoice identification Voice interaction NLP platform Machine learning
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High control PaaS level

COMPUTING SERVICE Virtual machine (VM) Container Service (CaaS) No server (fPaaS, Serverless)	OPERATING SYSTEM Windows Linux Unix	DATABASE (iPaaS) RDS Redis HBase ...	RESOURCE MANAGEMENT Resource arrangement Resource monitoring Resource delivery ...	MIDDLEWARE MQ Kafka Zookeeper	OTHER High code development kit Code hosting Big data suite AI, IoT
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IaaS + PaaS by HUAWAI 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 ...
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Cosmic VS Peers



Cosmic	Peers
Cloud Native Technology Architecture	Traditional Monolithic Architecture
Supreme UE	Not very friendly
Flexibility	Standardization
Multi-tenants	Single-tenant
Easy to customize	Expensive to customize
Connect to Cloud-Hub	No social platform



Business
Highlights



**Cloud Market
Update**



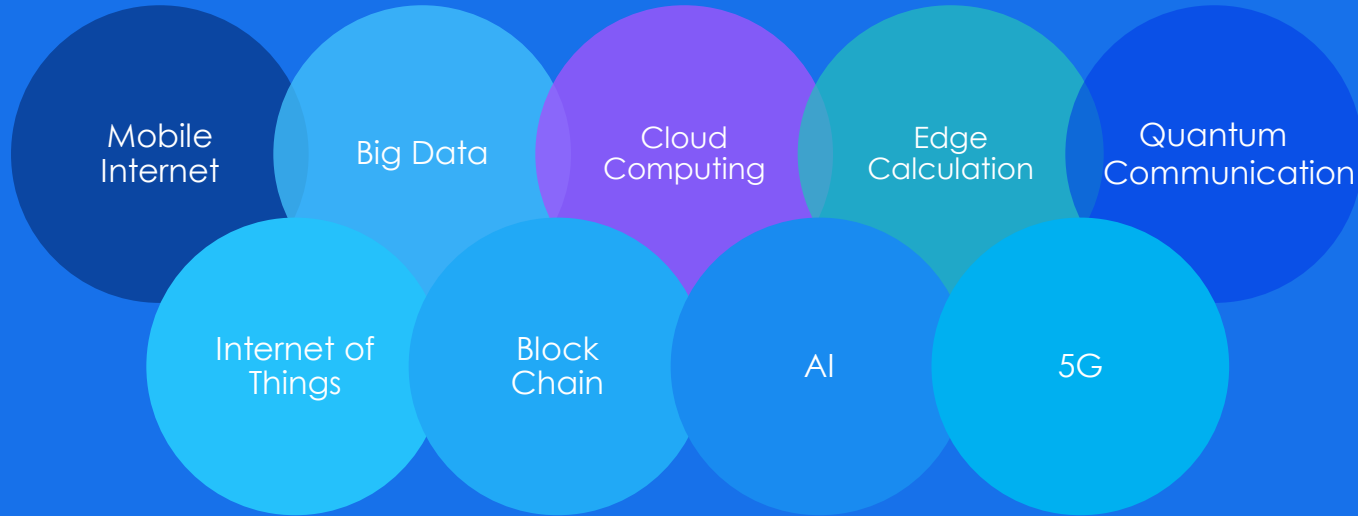
Cloud Strategy
Update



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New Technologies Bring us a
New Digital World

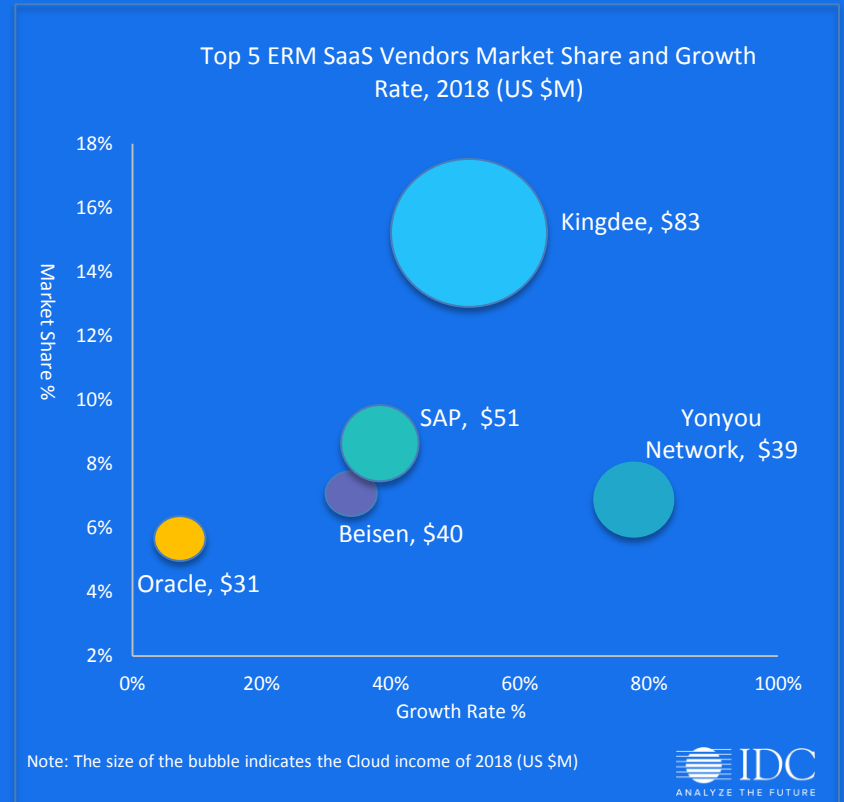
Market Leader in China's Enterprise SaaS Market



Maintained leading position since 2016

#1 in SaaS ERM Market ~15.2%

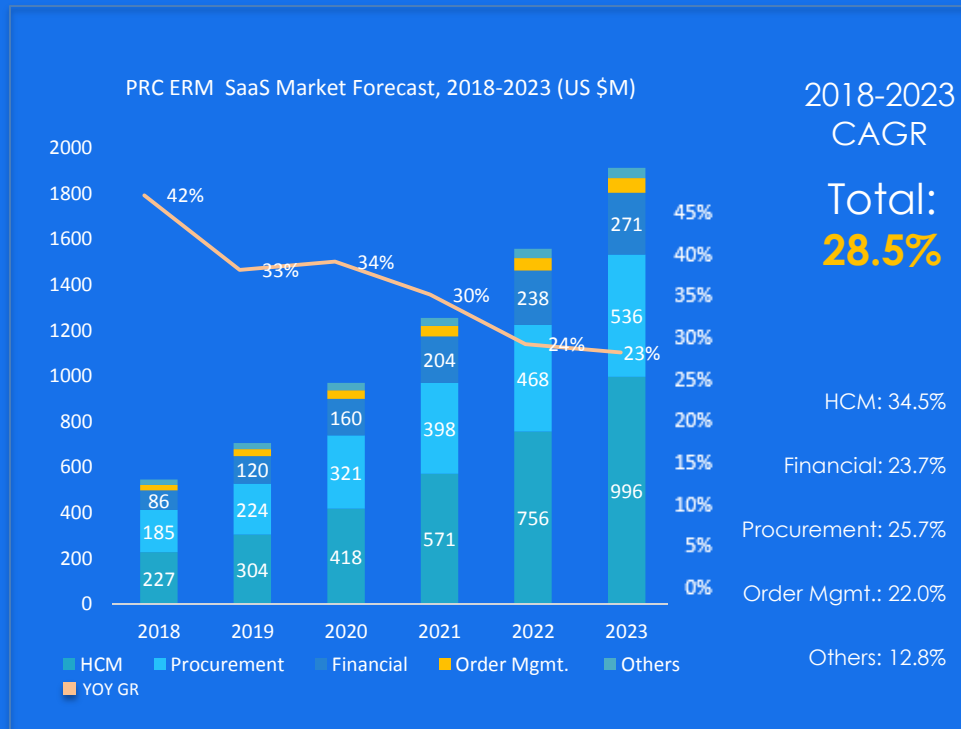
#1 in Finance Cloud Market ~34.0%



Trend of ERM SaaS Market of China

ERM SaaS market CAGR in 2018-2023: **28.5%**

- Build Ecosystem through PaaS
- More start-up SaaS vendors
- Local SaaS vendors increase value-added customer experience
- SaaS market will continue to acquire M&A to improve product line



International Business

Kingdee Cloud Galaxy
8 Languages
46 Countries and Regions





25 Cities

17 Provinces

Strategic partner of the Ministry of Industry and Information Technology for promoting cloud services for one million enterprises

云腾中国

已入选上云目录

暨政府合作市场开展



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5 Key Aspects of the Group's Strategy

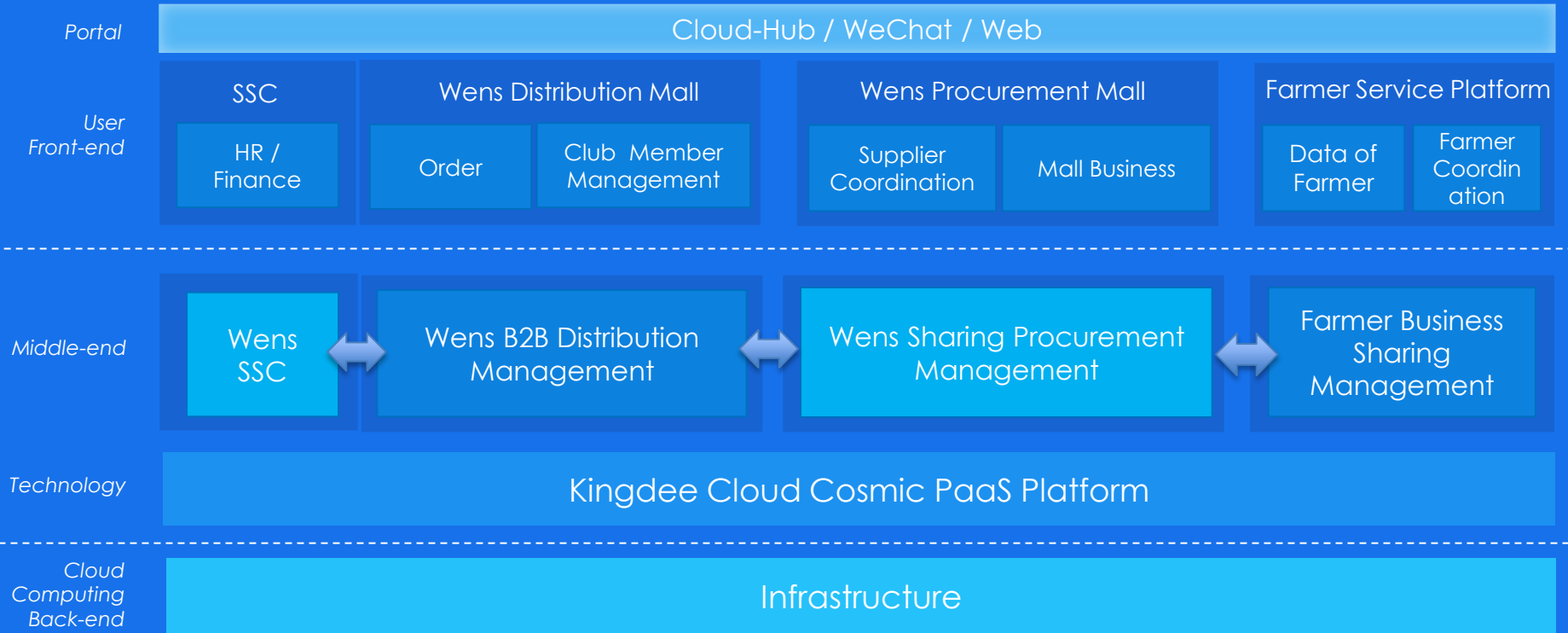
Key 1: Kingdee Strategy 3.0



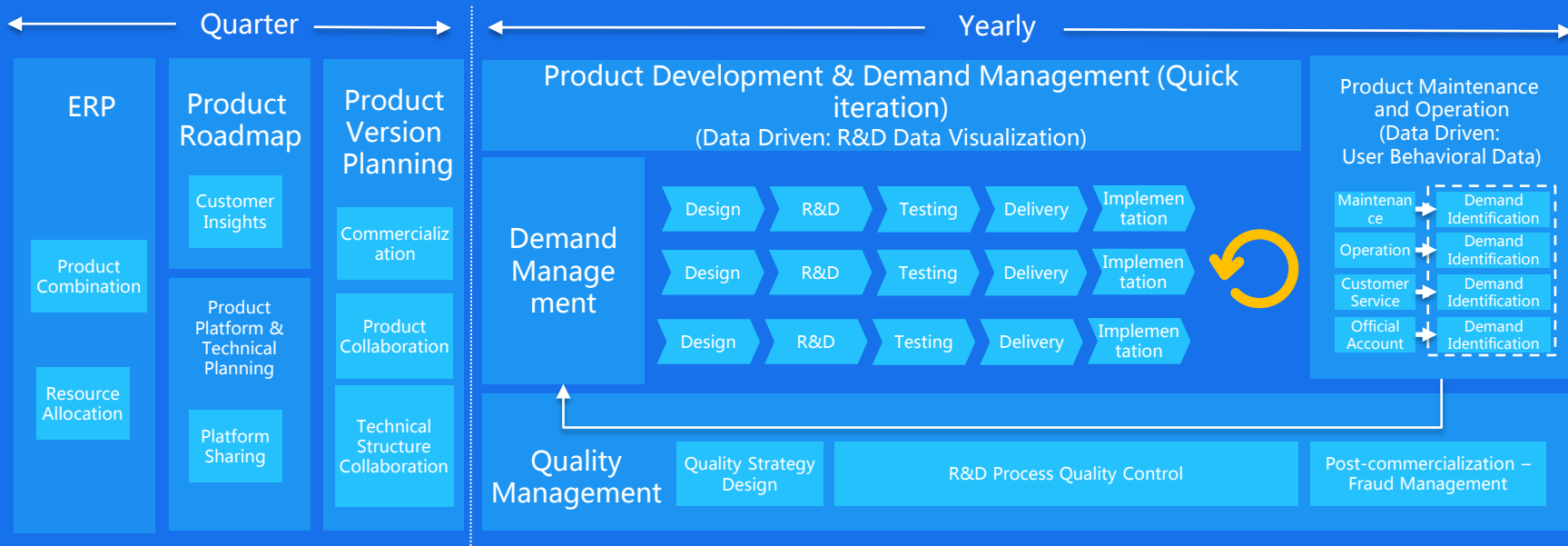
Reach out to our customers and
Power their Success



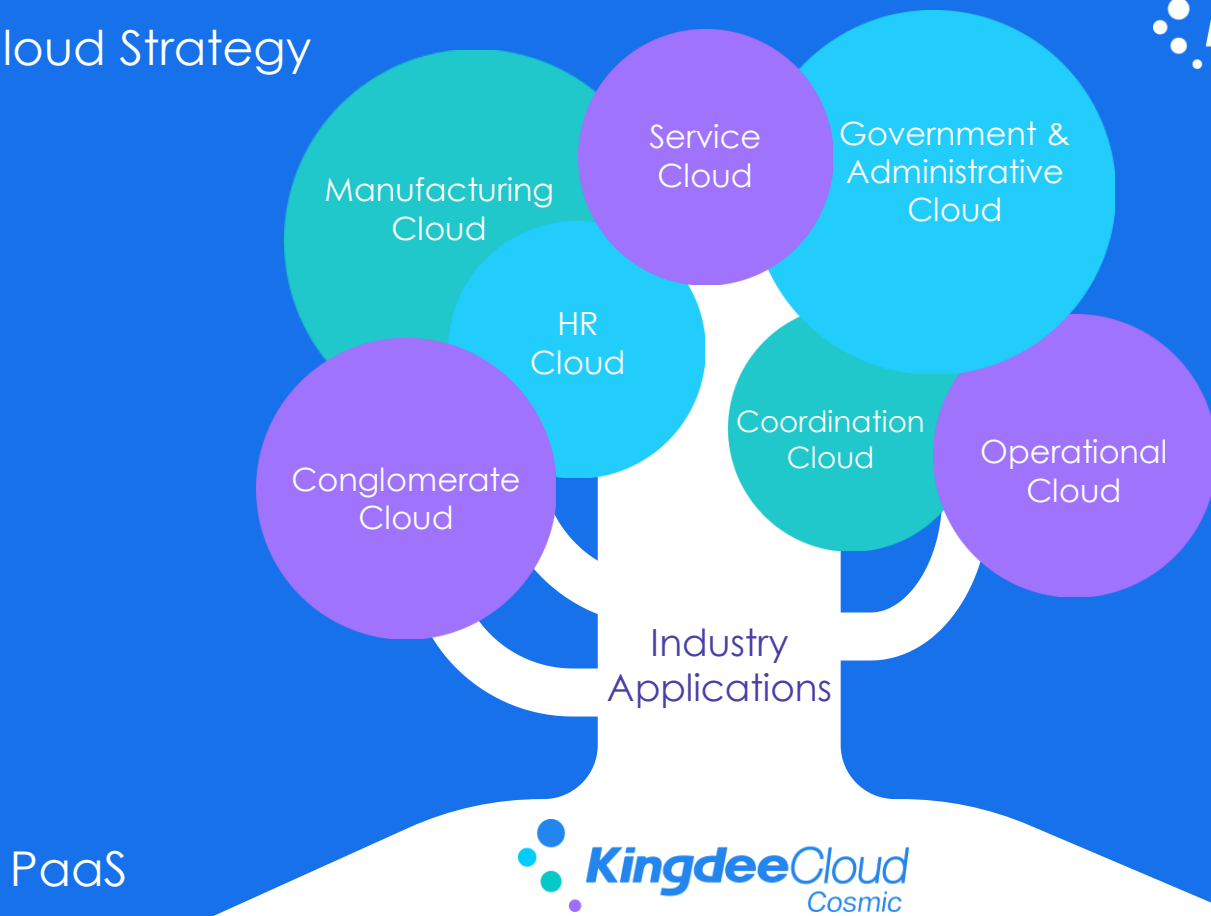
Key 2: Reconstruct the Industrial Value-chain



Key 3: Drive the Transformation of Kingdee Service System



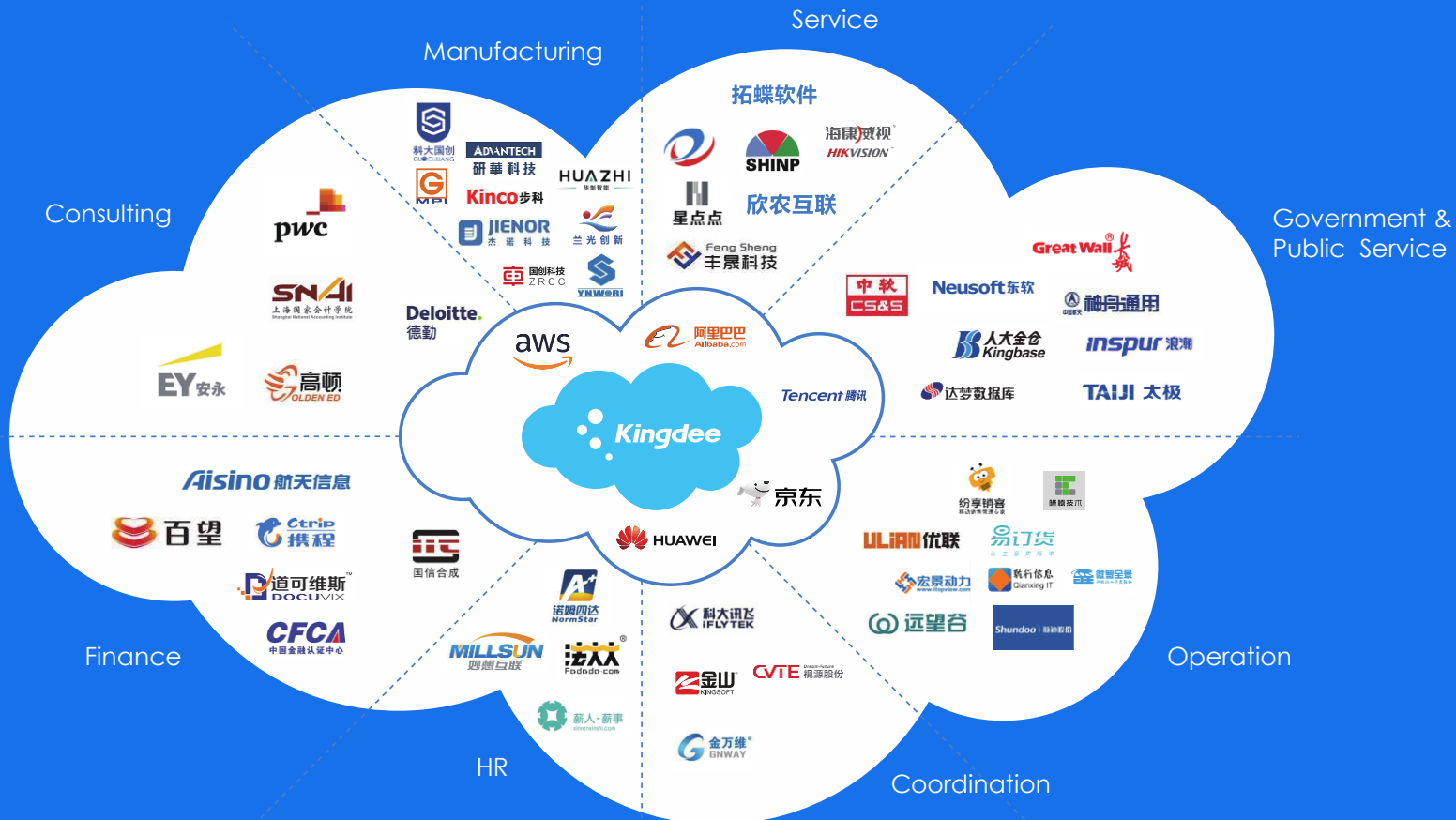
Key 4: Kingdee Cloud Strategy



IaaS



Key 5: Building up the Cloud Ecosystem with Software Vendors

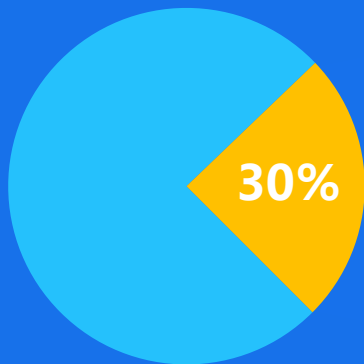


Our Target

Cloud on Track to Reach 60% of Total Revenue by 2020

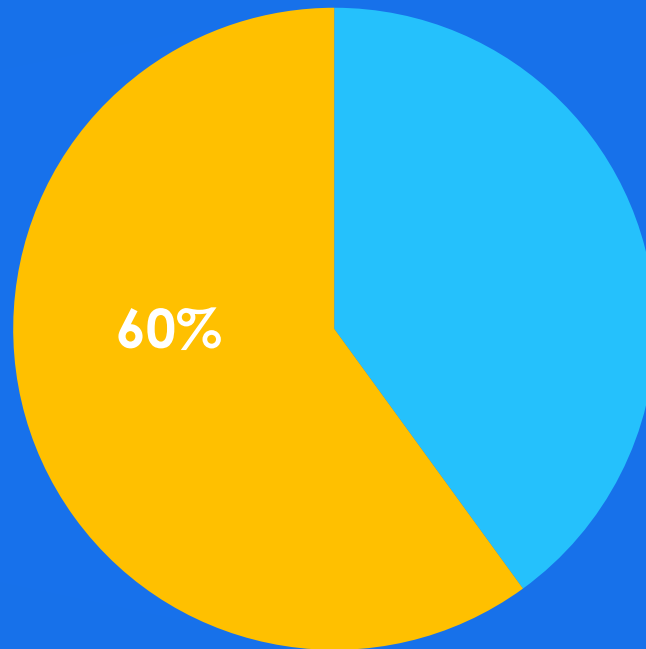
Cloud revenue contribution

¥ 2.8bn Total Revenue(2018)



■ Management Software ■ Cloud services

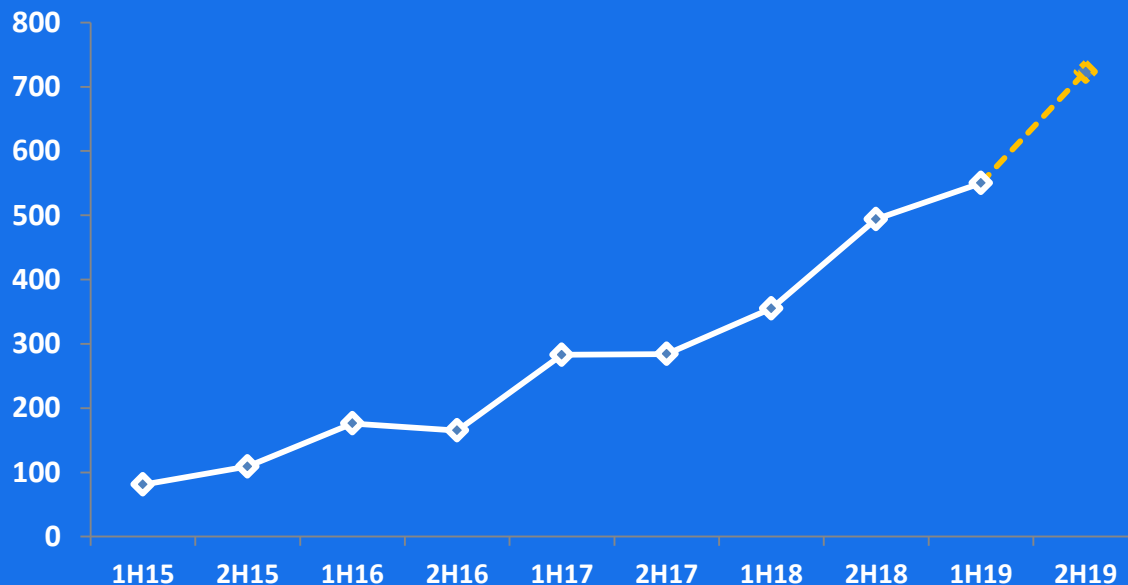
¥ 3.5-4.5bn Total Revenue(2020)



Cloud Services Revenue Guidance



RMB mn



Guidance:
2019 Cloud
services revenue
up by 50%+ y-o-y



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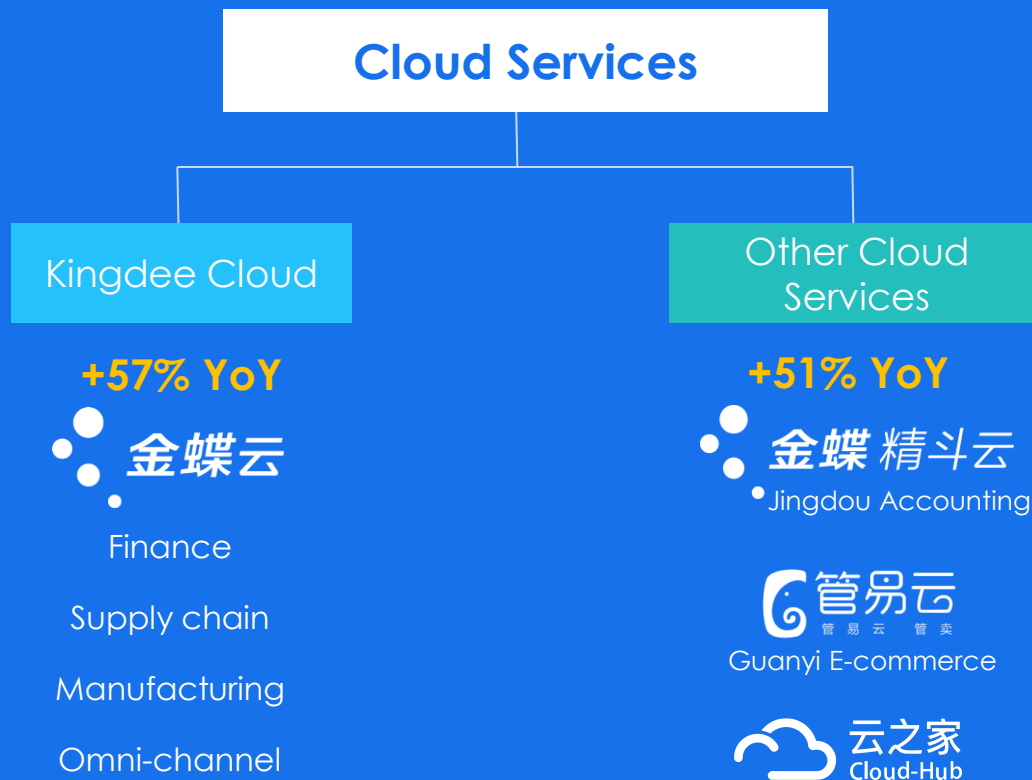
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- KIS revenue +1% YoY as small enterprises moving to the cloud
- K/3 revenue -11% YoY due to the cloud migration of medium enterprises
- EAS revenue +2% YoY as large enterprises adopt the dual-mode approaches in ERP application
- Implementation and Maintenance revenues maintain single-digit growth





51%

YoY Revenue Growth

>80%

Customer Retention Rate

>11,500

Customers

>90%

Dollar Retention Rate

Kingdee Cloud Cosmic Highlights



28

New wins in 2019 H1

43

Total customers

26%

from competitors

50+

SaaS applications



96%

YoY Revenue
Growth

> 80%

Dollar Retention Rate

>95,000

Customers *

>65%

YoY Paying Customer Growth

* excluding customers of WiseNote, which has been included in the customer base presentation in previous years.

Guanyi E-Commerce Highlights



25%

YoY Revenue Growth

>80%

Dollar Retention Rate

>4500

Paying Customers *

>29%

YoY Customer Growth

* Only including the online paying customers

Financial Overview



(RMB'000)	2019 1H	2018 1H	Change
Revenue	1,485,156	1,279,103	16.1%
Cost of Sales	-304,727	-253,230	20.3%
Gross Margin	79.5%	80.2%	-0.7pts
Total Operating Expenses	-1,198,483	-1,010,389	18.6%
Other Income & Gains	141,976	151,966	-6.6%
Operating Profit	123,922	167,450	-26.0%
Operating Margin	8.3%	13.1%	-4.8pts
Finance Costs– net	5,437	2,746	98.0%
Share of losses of associates	-10,229	-668	1431.3%
Tax Expenses	-8,243	-11,139	-26.0%
Net Profit – equity holders	109,640	169,777	-35.4%
Net Profit Margin	7.4%	13.3%	-5.9pts
Diluted EPS(cents)	3.30	5.32	-38.0%
Stock-based compensation	44,869	49,365	-9.1%
Tax effects and adjustments*	5,609	6,171	-9.1%
Non-GAAP Net Profit	148,900	212,971	-30.1%
Non-GAAP EPS(cents)	4.62	6.95	-33.5%

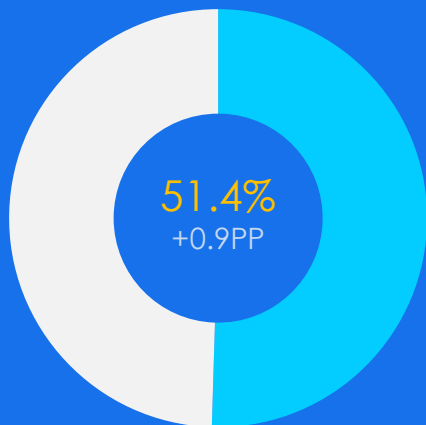
Note: The Group believes that providing non-GAAP financial measures may prove useful to investors and enable investors to evaluate financial results in the same way management does

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

Operating Expenses Breakdown

S&M

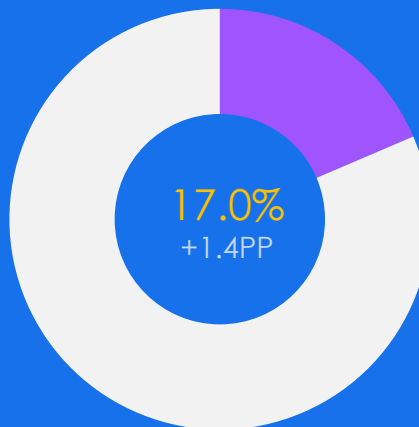
as a % of total revenue



RMB 763mn

R&D

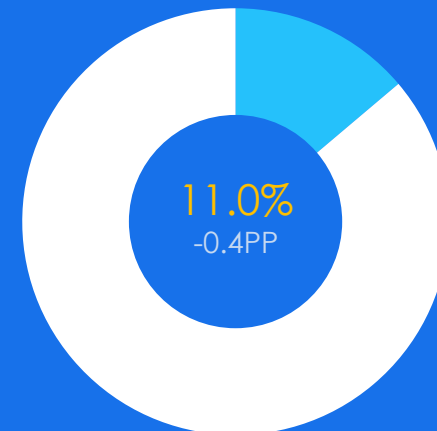
as a % of total revenue



RMB 405mn

G&A

as a % of total revenue



RMB 163mn

Investment Highlights

Market Leader in Enterprise Cloud Services in China

Leader in SaaS ERP and SaaS financial software in China

Significant leadership in both scope of services offering and product maturity vs. competitors

Broad direct sales and distributor networks

Market-leading Cloud Ecosystem with Industry-leading Partners

Industry-leading partners including JD.com, Amazon Web Services, and Huawei

Continuing to expand product and services offering through investments in areas such as e-commerce and CRM

Technology roadmap geared towards open-source and platform services

China's Software Market Remains Very 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

Shift towards digital business models is accelerating for all enterprises

Well-positioned as a Consolidator in the Cloud Services Market

Tremendous cross-selling opportunities in existing customer base

Company has Rmb2.1bn+ in cash and equivalent assets

Generated Rmb510m+ in free cash flow in 2018 as recurring revenue base expands

Cash will be used to supplement existing product and services offering through investments, and potential share buybacks and dividends



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Total Revenue by Segments



(RMB'000)	2019 1H	% of Total Revenue	2018 1H	% of Total Revenue	Change
Management Software business	934,913	63.0%	923,955	72.2%	1.2%
- Sales of software license	493,208	33.2%	500,055	39.10%	-1.4%
- Implementation	220,088	14.8%	205,483	16.10%	7.1%
- Maintenance	216,133	14.5%	212,867	16.6%	1.5%
- Others	5,484	0.4%	5,550	0.40%	-1.2%
Cloud services business	550,243	37.0%	355,148	27.8%	54.9%
Total	1,485,156	100.0%	1,279,103	100.0%	16.1%

Software License by Segments



(RMB'000)	2019 1H	% of Total Revenue	2018 1H	% of Total Revenue	Change
KIS	208,370	14.0%	205,765	16.1%	1.3%
K/3	103,077	6.9%	115,461	9.0%	-10.7%
EAS	159,746	10.8%	157,282	12.3%	1.6%
Others	22,015	1.5%	21,547	1.7%	2.2%
Total software license turnover	493,208	33.2%	500,055	39.1%	-1.4%

Cloud Services Business – Recognised VS Contracted



(RMB'000)	2019 1H	2018 1H	Change
Revenue - Cloud services business	550,243	355,148	54.9%
Contract liabilities – Cloud services business	361,491	259,771	39.2%
Contract liabilities – Cloud subscription revenue	289,611	168,773	71.6%

Other Gains



(RMB'000)	2019 1H	2018 1H	Change
VAT refund	80,468	84,708	-5.0%
Government projects	22,767	16,035	42.0%
Rental income - net	36,902	34,877	5.8%
Others	1,839	16,346	-88.7%
Total	141,976	151,966	-6.6%
VAT % of Total Revenue	5.4%	6.6%	

Selling & Marketing Expenses



(RMB'000)	2019 1H	2018 1H	Change
Advertising and marketing	137,824	127,799	7.8%
Sales promotion	57,384	53,820	6.6%
Salary of sales persons	372,367	297,501	25.2%
Project cooperation fees	126,469	105,902	19.4%
Traveling	25,739	21,508	19.7%
Fixed costs	33,540	29,985	11.9%
Others	9,371	9,216	1.7%
Total	762,694	645,731	18.1%
S&M % of Total Revenue	51.4%	50.5%	0.9pts

R&D Expenses



(RMB'000)	2019 1H	2018 1H	Change
Salaries and staff welfare	224,889	170,058	32.2%
Option & restricted stock expense	10,126	15,861	-36.2%
Fix costs	12,516	10,652	17.5%
Travelling costs	3,369	2,135	57.8%
Others	1,555	717	116.9%
Total	252,455	199,423	26.6%
R&D % of Total Revenue	17.0%	15.6%	1.4pts

Administrative Expenses



(RMB'000)	2019 1H	2018 1H	Change
Salaries and staff welfare – G&A	106,199	86,159	23.3%
Option & restricted stock expense	25,624	30,008	-14.6%
Professional service fee	9,450	9,424	0.3%
Traveling	2,415	1,921	25.7%
Meeting expenses	1,224	1,198	2.2%
Fixed costs	14,159	13,723	3.2%
Others	4,368	3,649	19.7%
Total	163,439	146,082	11.9%
Admin. % of Total Revenue	11.0%	11.4%	-0.4pts

Balance Sheet Overview



(RMB'000)	30 Jun. 2019	31 Dec. 2018	Change
Trade and other receivables	310,565	286,615	8.4%
Cash at bank and in hand	2,085,361	2,101,021	-0.7%
Total assets	7,609,719	7,578,553	0.4%
Current assets	2,984,636	3,159,513	-5.5%
Borrowings	260,625	301,125	-13.4%
Trade and other payables	439,082	580,716	-24.4%
Total equity	5,666,325	5,532,667	2.4%



感謝
ขอบคุณ
terima kasih
ありがとう
Thanks
谢谢



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