

Kingdee International Software Group

2023 Interim Results Announcement

Stock Code: 268.HK
18 August 2023

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2023 Interim Results Review




Group Revenue
RMB 2.57bn

16.8% 



Subscription ARR
RMB 2.54bn

36.3% 



Cloud Service Revenue
RMB 2.04bn

21.5% 



Net loss attributable to shareholders
RMB 284mn

20.5% 



Cash & Cash equivalents
RMB 3.84bn



Enterprise Business Capability (EBC)

Platform + Finance & HR & Tax + Ecosystem

Committed to be the most trustworthy enterprise service platform



Global Leading, China No.1 Enterprise Management Cloud SaaS

- No.1 ESG rating in China software in "The Sustainability Yearbook 2023 (China)" by S&P Global
- No.1 in China SaaS EPM market 2022H2 by IDC
- No.1 in China vendors in Global top 10 High Productivity aPaaS platforms by Gartner, for three consecutive years
- Won the prize of "Ranked first in IDC 2022 China Manufacturing PLM Public Cloud Market"
- No.1 in China growth enterprise application software by IDC, for eighteen consecutive years



Serving over Half of China Top 500 Companies

New choice for China Top 500 Companies



Serving 43% of the "Specialized & New" Companies

Major driver for China's new economy and smart manufacturing



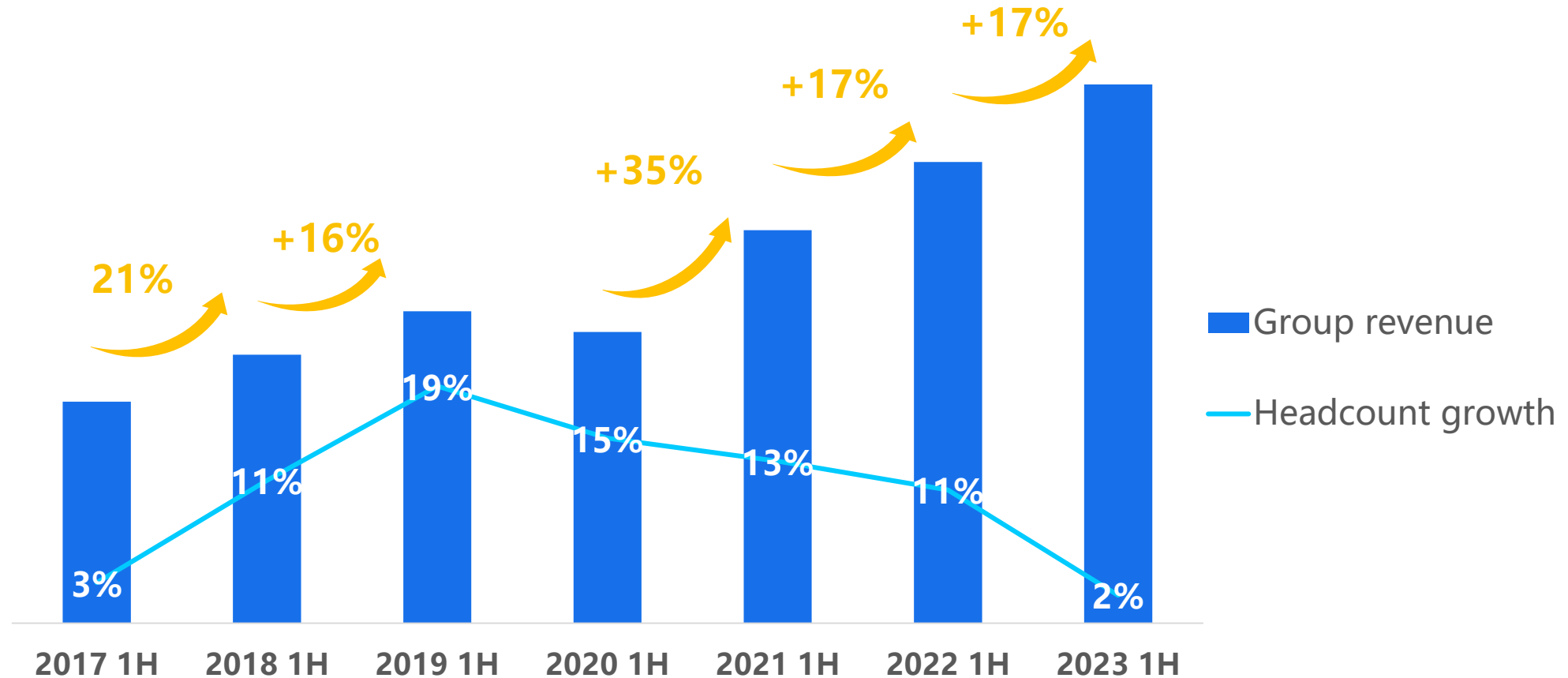
11,968

Total Company Headcount

01

Financial Overview

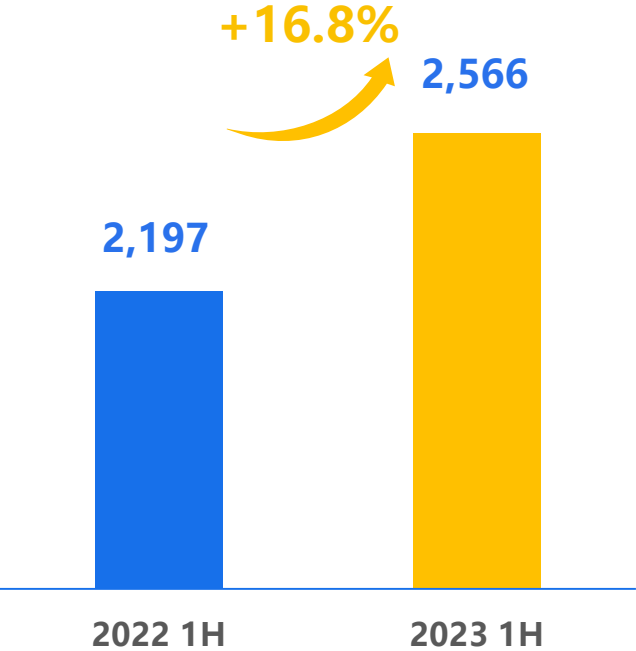
Focused on Cloud Subscription for High Quality Growth



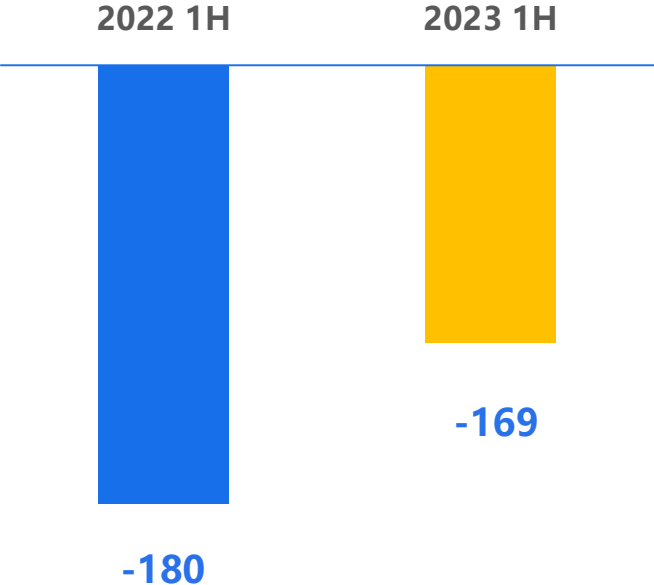
In 2020, the Group continued to deepen its cloud transformation, focusing on the development and promotion of cloud subscription products, and actively and gradually reducing the sales of ERP licenses.

Financial Summary

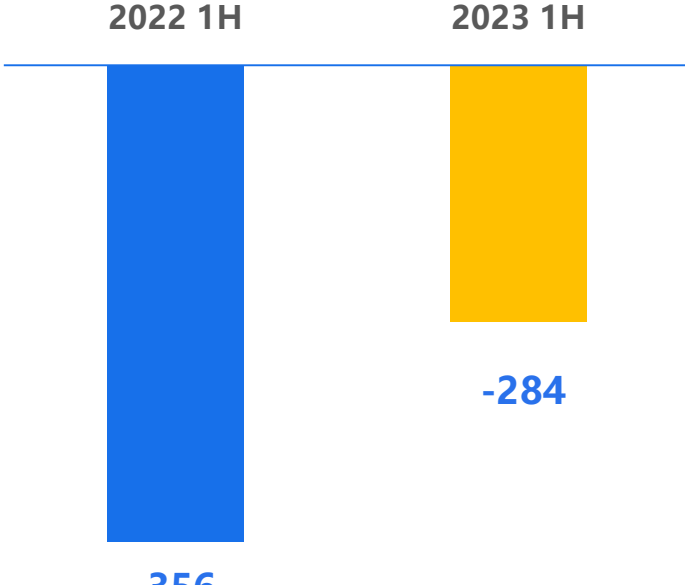
(RMB mn)



Group Revenue

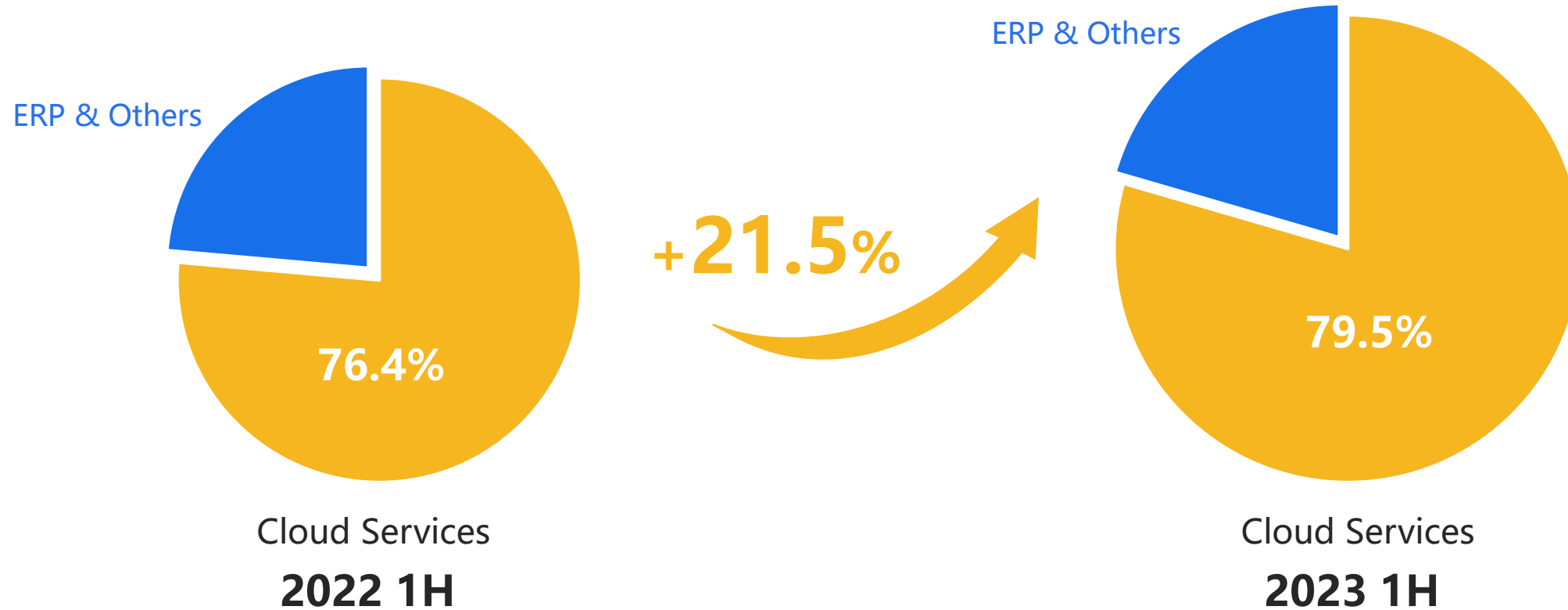


Net Operating Cash Flow



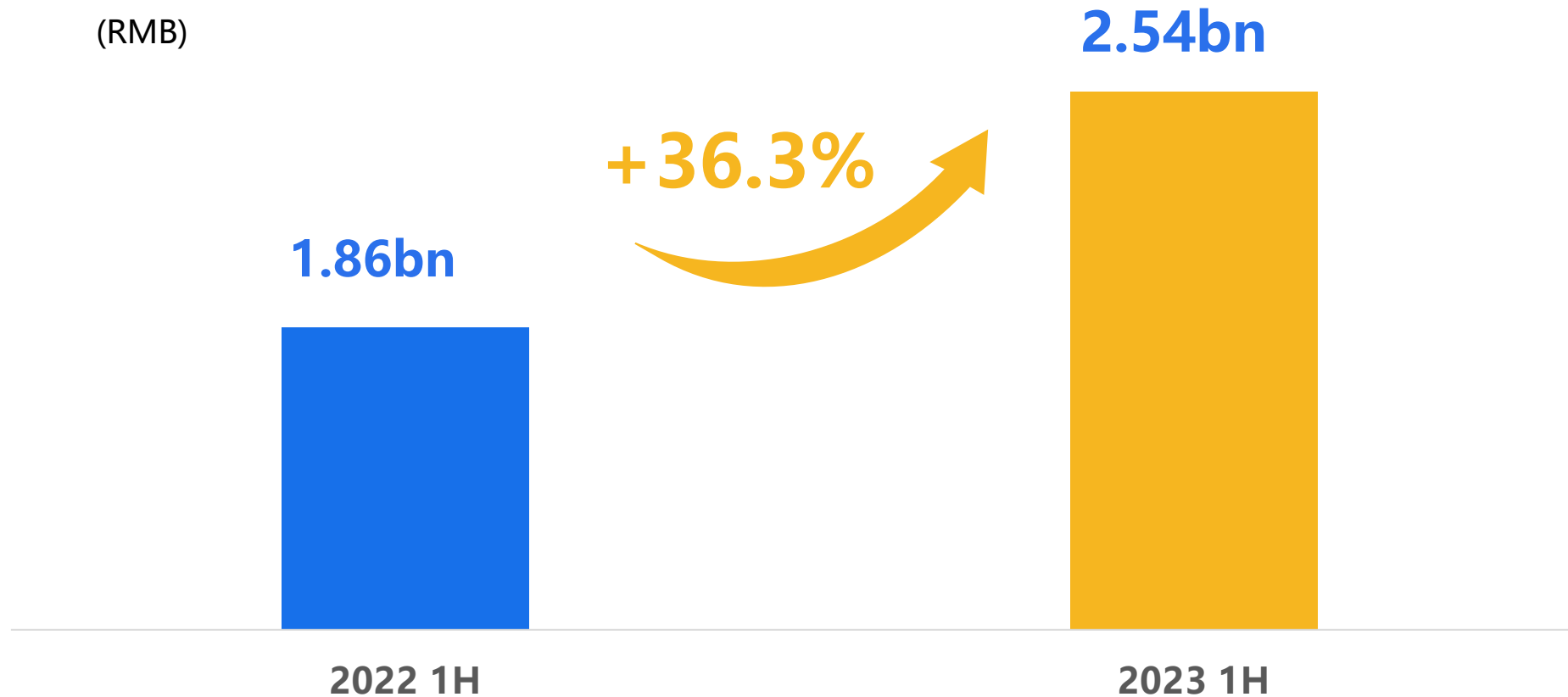
Net profit attributable to shareholders

Growth of Cloud Services



Growth of Cloud Subscription

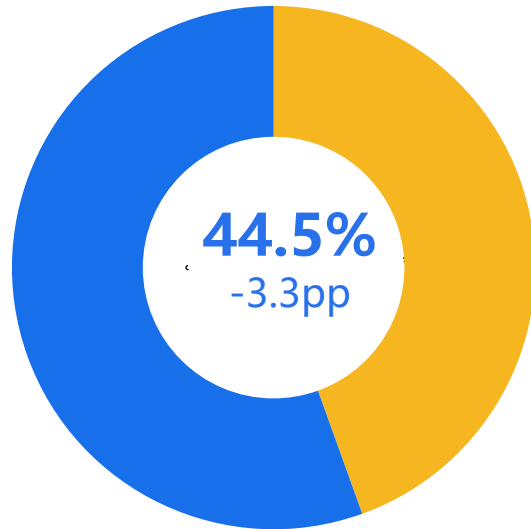
Subscription ARR



ARR represents annual recurring revenue

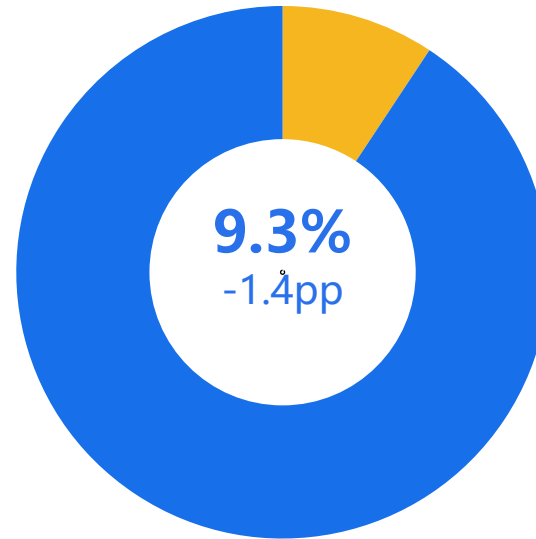
Operating Expenses

RMB1,142mn
+8.8% y-y growth



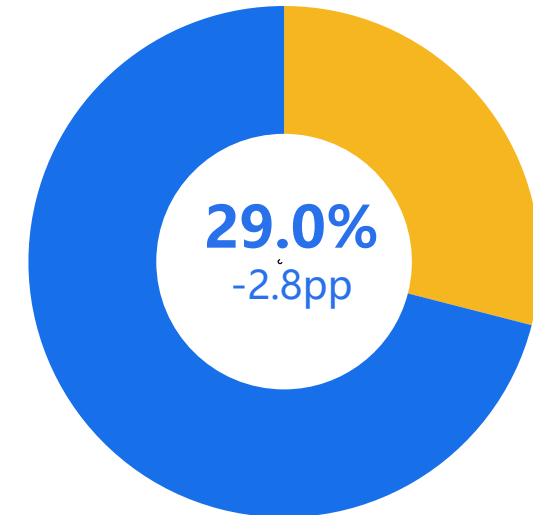
S&M
as a % of total revenue

RMB 239mn
+2.1% y-y growth



G&A
as a % of total revenue

RMB 744mn
+6.6% y-y growth



R&D
as a % of total revenue
R&D cost: RMB829mn, +4.3% yoy
Capitalisation rate: 32.7%

02


Kingdee Cloud

Kingdee Cloud Cosmic Kingdee Cloud Constellation



2018.8.8 V1.0 Launched 2019 2020 2021 2022 2023

 **Total Contract Value**
¥550mn

 **New Customers**
297

 **ARR growth**
+95.9%

 **Net Dollar Retention (NDR)**
108%

Kingdee Cloud Cosmic GPT, the Generative AI for Enterprise Management



Capability layer	Capability Services	Logical inference	Content creation	Summary	Role play	Q&A	Multi-round dialogue	Security Governance
	Engine Services	Prompt engineering	Multi-task scheduling	Plug-in service	Contextual memory	Intelligent control		
Service layer	Basic capability	Generative Model Training	Model evaluation	Model inference	Model adaption	Knowledge indexing		Application Security
	Vertical model	Finance	HR	Supply chain	Coding & Development		
Model layer	General model	Baidu/Alibaba/Huawei/Tencent/Microsoft OpenAI			ChatGLM2/Llama2/MPT		Model Security
	AI engineering framework	TensorFlow	PyTorch	PaddlePaddle			
Technology layer	AI basic algorithm	Neural network	Transformer	Reinforcement learning		Data Security	

Multi-model Capability	Multi-task Scheduling	Knowledge-based Intelligence Engine	Personalized Extension	Trusted Security
Multi-model application Generative AI for Finance Billion-level tokens	Automatic decomposition of scene tasks Global scheduling capabilities Multimodal display of results	Supporting enterprises private domain knowledge Understanding unstructured data Accurate answer production	Integrating KDDM Plug-in mechanisms Model co-creation	Legal compliance Ethical judgment Trusted user interaction

Cosmic GPT + Finance: Finance AI Assistant for Everyone

Scenarios

Past

Now



FSS customer service

Pre-set Q&A

**Understanding intention
& Generative answers**



Contract payment approval

Structured data review

**Structured + Unstructured data
audit**



Financial reports

Pre-set template

Self-generative report



Budget planning

Forecast support, Data
provision

**Prediction enhancement,
Expert advice**

.....

Guangdong Airport: Virtual Employee to Lead Financial Intelligence



Efficiency

Virtual employee daily workload: **1680 tasks**

Approval time: from **5.3 days** to **2.9 days**

Monthly settlement time shortened by **30%**, Report production time shortened by **47%**



Workflow

85 workflows under **6** categories, total of **298** standardized optimizations

136 compliance policy improvements

3 risk control lines, **98** risk warning indicators



GPT Customer Service

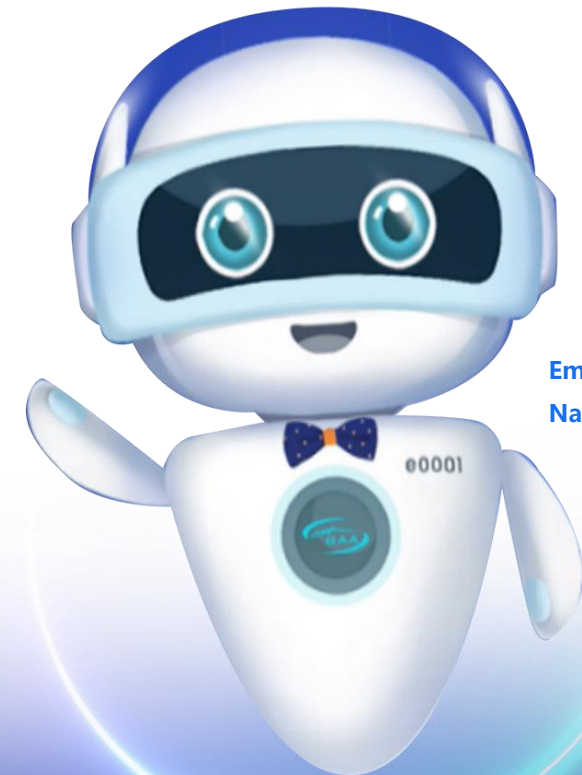
Travel policy

Expense mgmt

Reimbursement guide

Personal lookup





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Employee Number: e0001

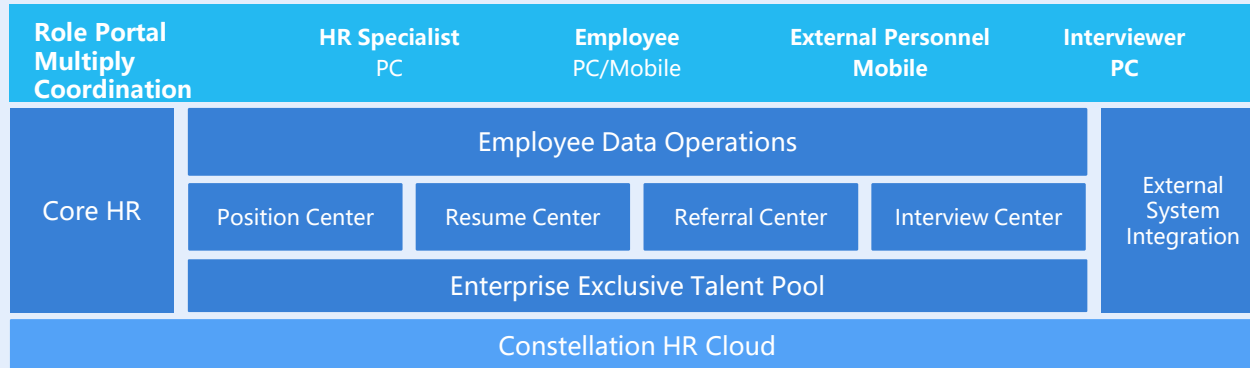
Name: Xiao Ji Ling

Cosmic GPT+HR: HR AI Assistant for Everyone

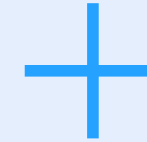
Scenarios	Past	Now
 Talent Select	Job matching, Employee profiling	Selection and recommendation without subjective biases
 JD Generation	Template matching	Fast response of generative content
 HR Policy QA	Word selection, Intention matching	More comprehensive and accurate answers
 Training Course Recommend	Keyword matching	Abundant internal and external learning resources
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Hisense: Re-build Enterprise Management, Leading New Values in HR and Financial Management

Huoshui (活水) Platform, Let the Dream set off again

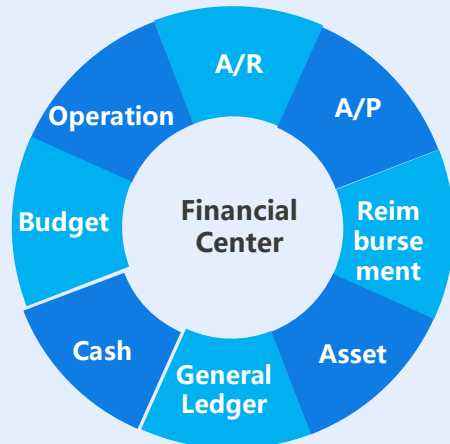


18%
Talent Self-sufficiency Rate Improvement



Talent Selection3.0
Interviewer Assistant
JD Optimization
.....

27 types of intelligent scenarios in financial center



- Sales Invoicing Efficiency Improved by **49%**
- Procurement Invoice Verification Improved by **82%**
- Document Review Improved by **55%**
- Cash Collection Claim Improved by **40%**
- Fund Collection & Scheduling Improved by **85%**
- Capital Position Accuracy Improved by **52%**



Intelligent Invoice Allocation
Asset Inventory Report
Customer Credit Report
Data Indicator Board
.....

Cosmic GPT + Development: Empower Each User with an AI Assistance



Cosmic GPT+ Application Development

- Generative Form Construction
- Generative Code Compiling
- Conversational Rule Configuration
- Conversational Development Q&A

Cosmic GPT+ Workflow Process

- Conversational Process Creation
- Conversational Flow Modification
- Conversational Process Q&A
- Conversational Process Monitoring

Cosmic GPT+ Data Analysis

- Conversational Data Analysis
- Conversational Data Exploration
- Generative Business Insights
- Generative Analysis Reporting

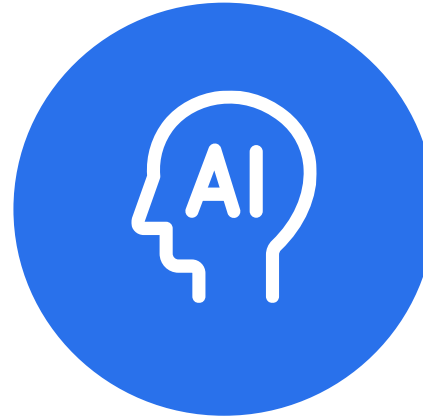
Cosmic GPT

Rebuild the Enterprise Digital Power



Rebuild Experience

From graphical user interface to conversational interaction



Rebuild Assignment

From automated execution to generative creativity



Rebuild Decision-making

From experience driven to data driven

Kingdee Cloud Galaxy

Advance Manufacturing



High-Tech



New Energy



Life Sciences



New Materials



Consumer



Customer base

34,000+



NDR

96%



ARR growth

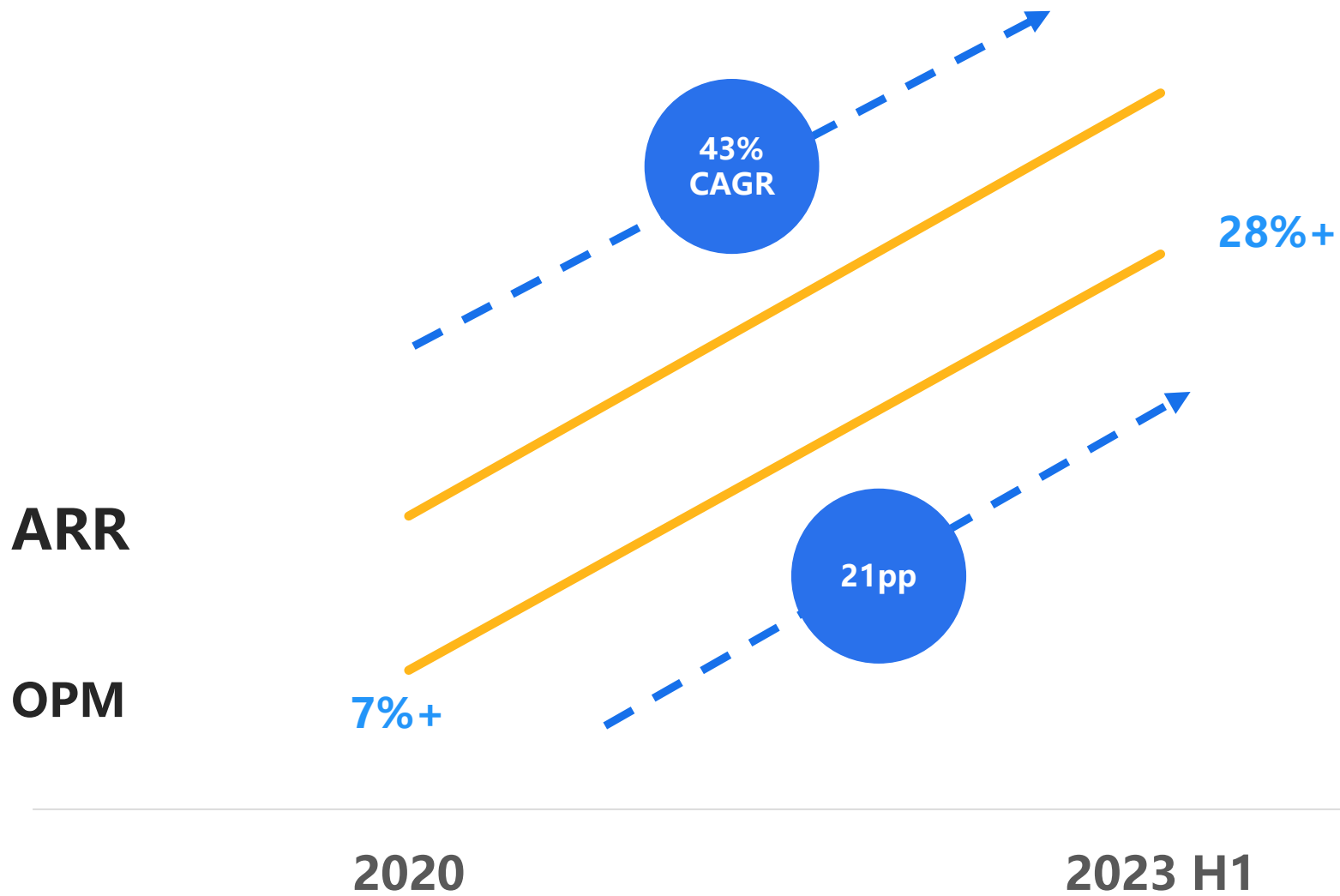
+28.6%



Operating Margin

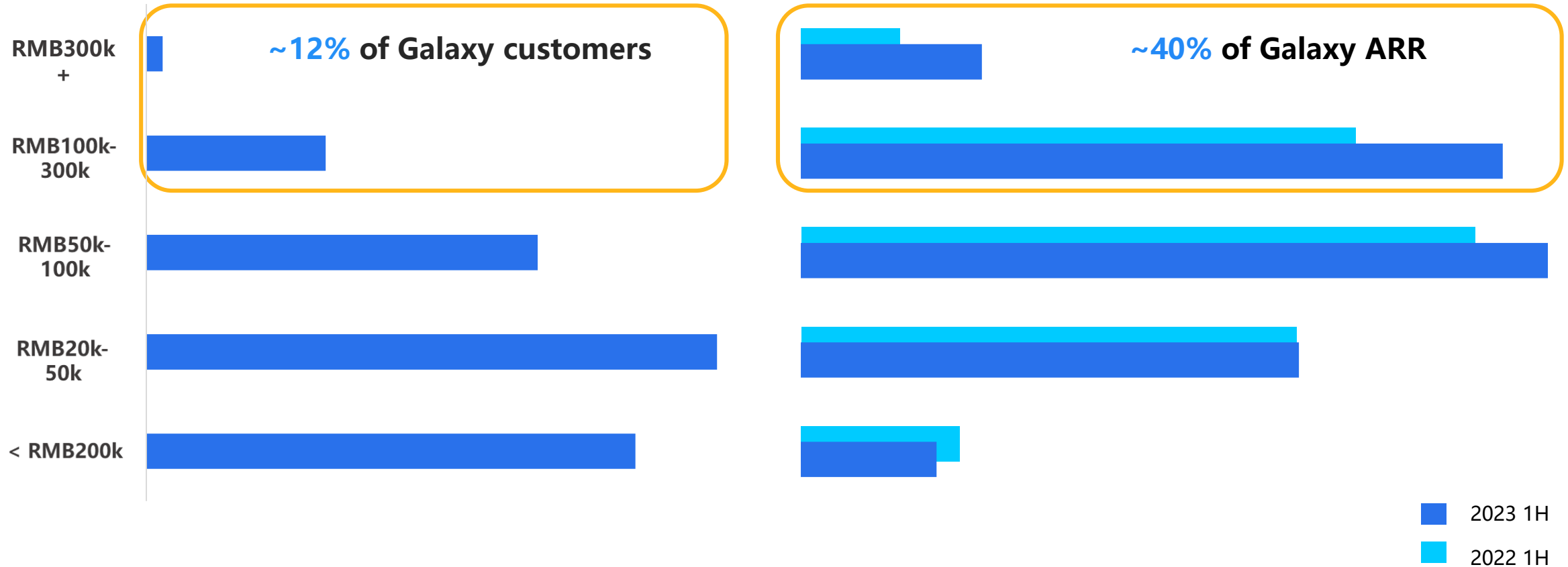
20%+

Galaxy: Subscription Growth Drives the OPM Improvement for Galaxy Enterprise



Galaxy: Keep Exploring Upsell Opportunities

Galaxy customers with annual fee over RMB 100K contributes to ~40% of Galaxy ARR



Kingdee Cloud Stellar Kingdee Cloud Jingdou

吉野家
YOSHINOYA

寶樹行
BAOSHUHANG

汇能
HUI NENG

安琪®

成碗热干面

百味

味华香

订呀
DINGYAO

醒电
CHARGE.SPOT

D nurse 糖护士
科技改变糖尿病

The One
啊一柠檬茶
THE ONE Lemon Tea

深圳 锦繡中華 · 深圳 民俗文化村

JMD 精美达科技
JMTECH. TECHNOLOGY

8848
TITANIUM

大宋官窑
SONG DYNASTY ROYAL KILN

巴黎贝甜

客家婆

shengwei 胜为

香港有机认证品牌

芳瑞 武夷
WU YI
1898年

美珍香
BEE CHENG HIANG

張翠豐
— 好味道 百年締造 —

CHIC BUS
奇客巴士

金蝶 | 三十周年
1993-2023

金蝶云 星辰



Customer Base

39,000



NDR

89%

金蝶 精斗云



Customer Base

279,000



NDR

85%

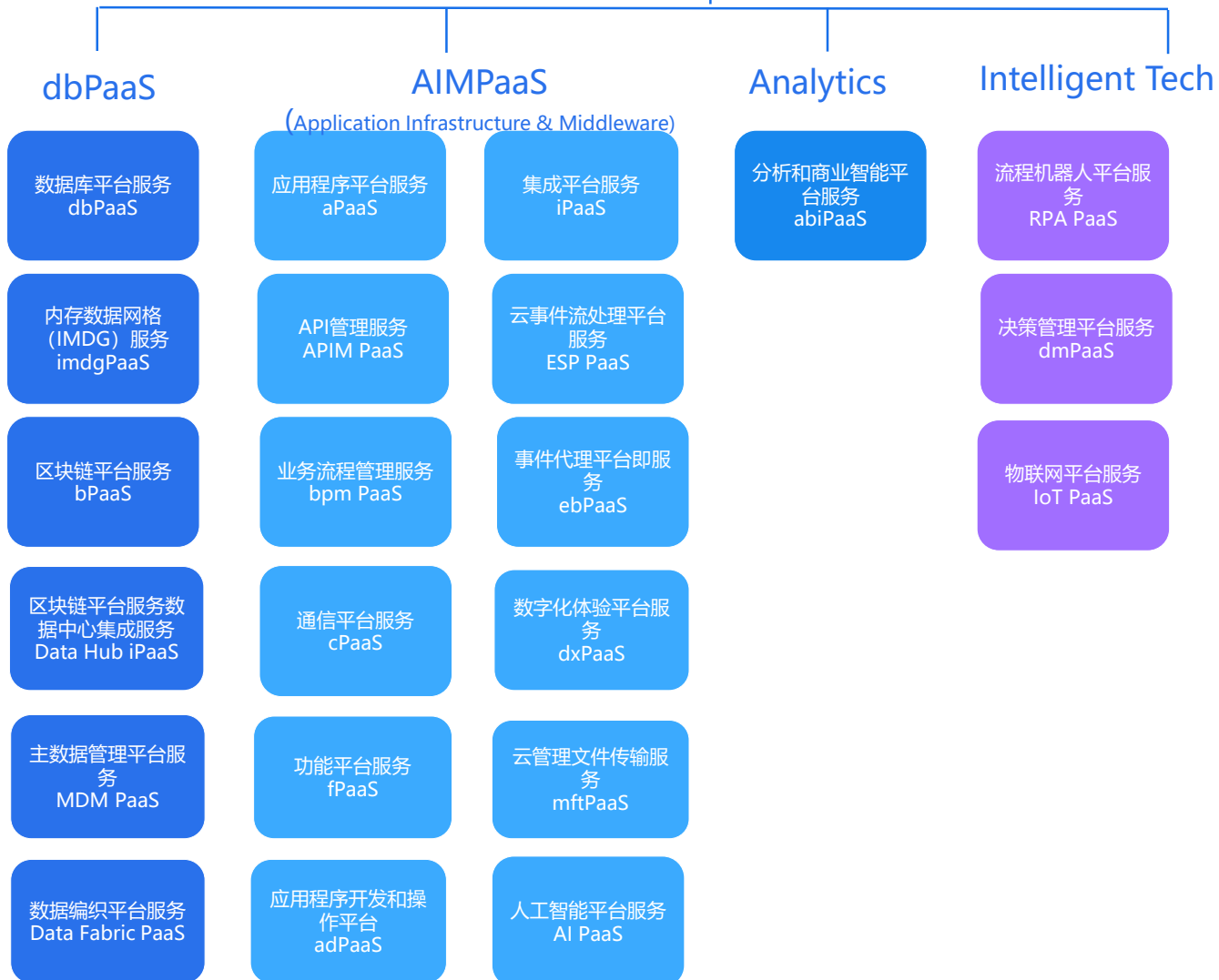
03

China Enterprise SaaS Market Outlook

China Platform-as-a-Service Outlook

PaaS

Market Structure
市场结构

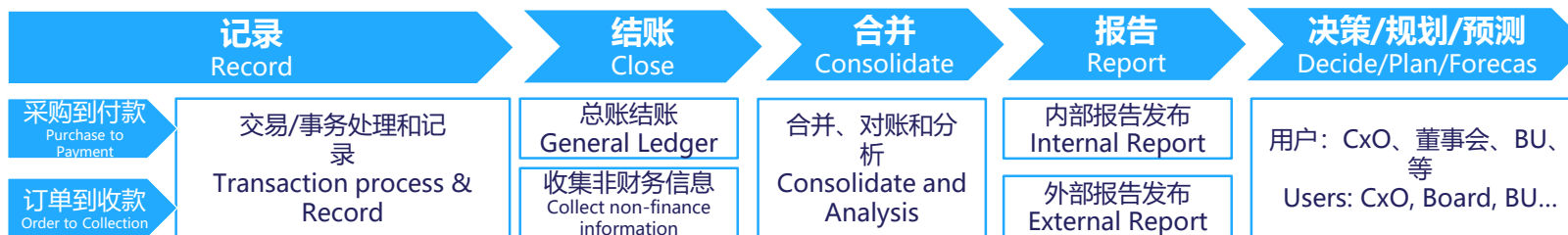


~¥23bn

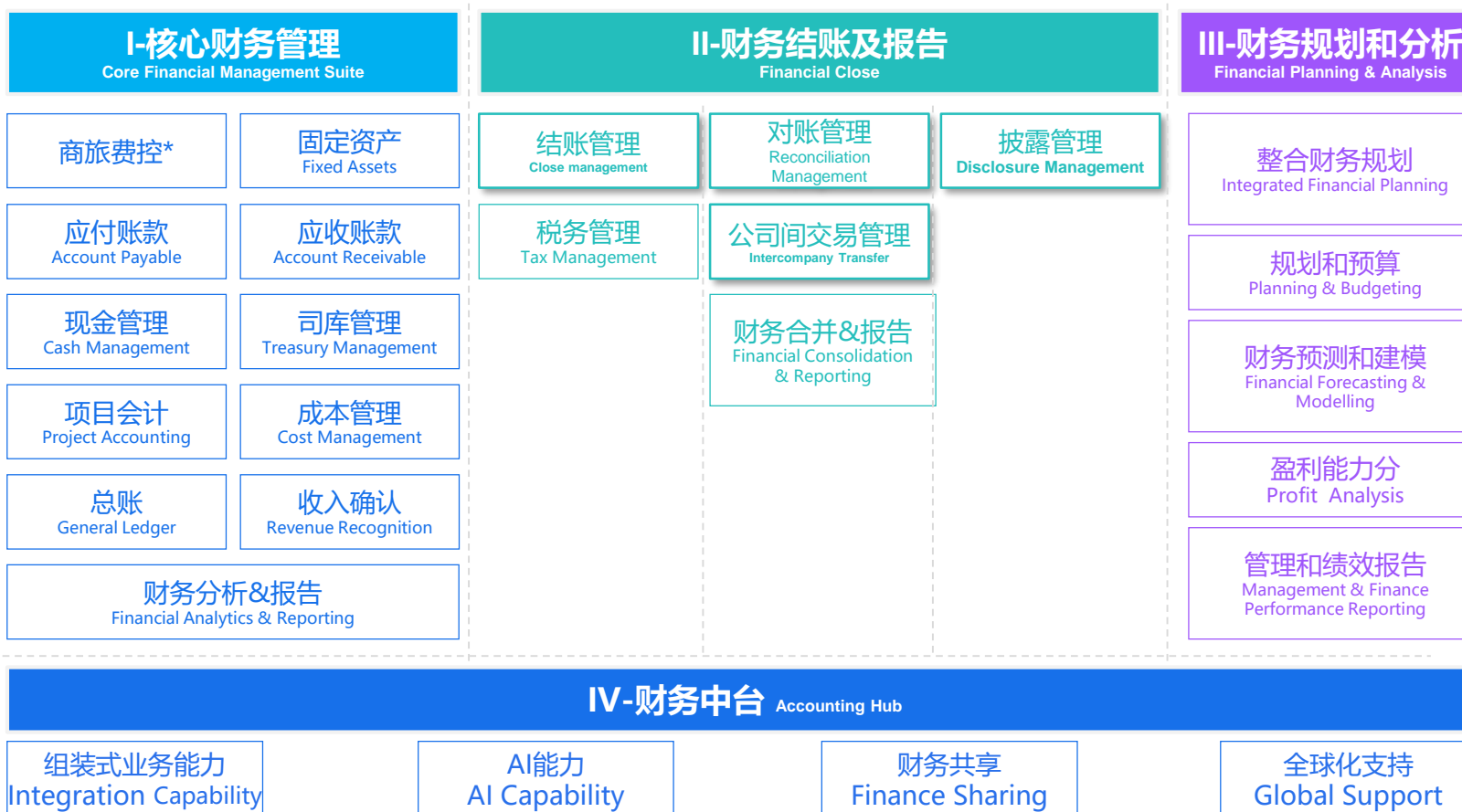
Product TAM for
ERP AIMPaaS by 2030

China Financial Software SaaS Market Outlook

Key Process 关键流程



Market Structure 财务市场结构图



~¥47.5bn

Product TAM for China
Financial Software
SaaS by 2030

China Human Capital Software/SaaS Overview



~¥44bn

Product TAM for China Human Capital Software SaaS by 2030

Building a win-win Kingdee Partner Ecosystem



Xu Shaochun Public Account to Enhance Customer Lifecycle Experience

385

Customer Appreciation Letters

96%

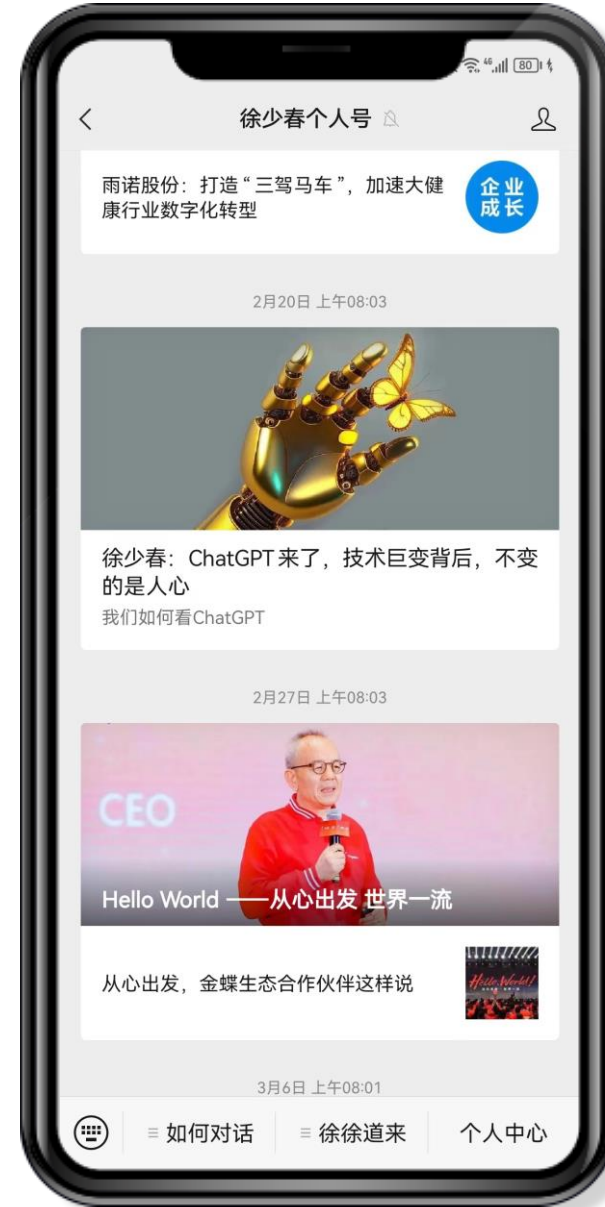
Customer Appreciation Growth Rate

96%

Customer Satisfaction Rate

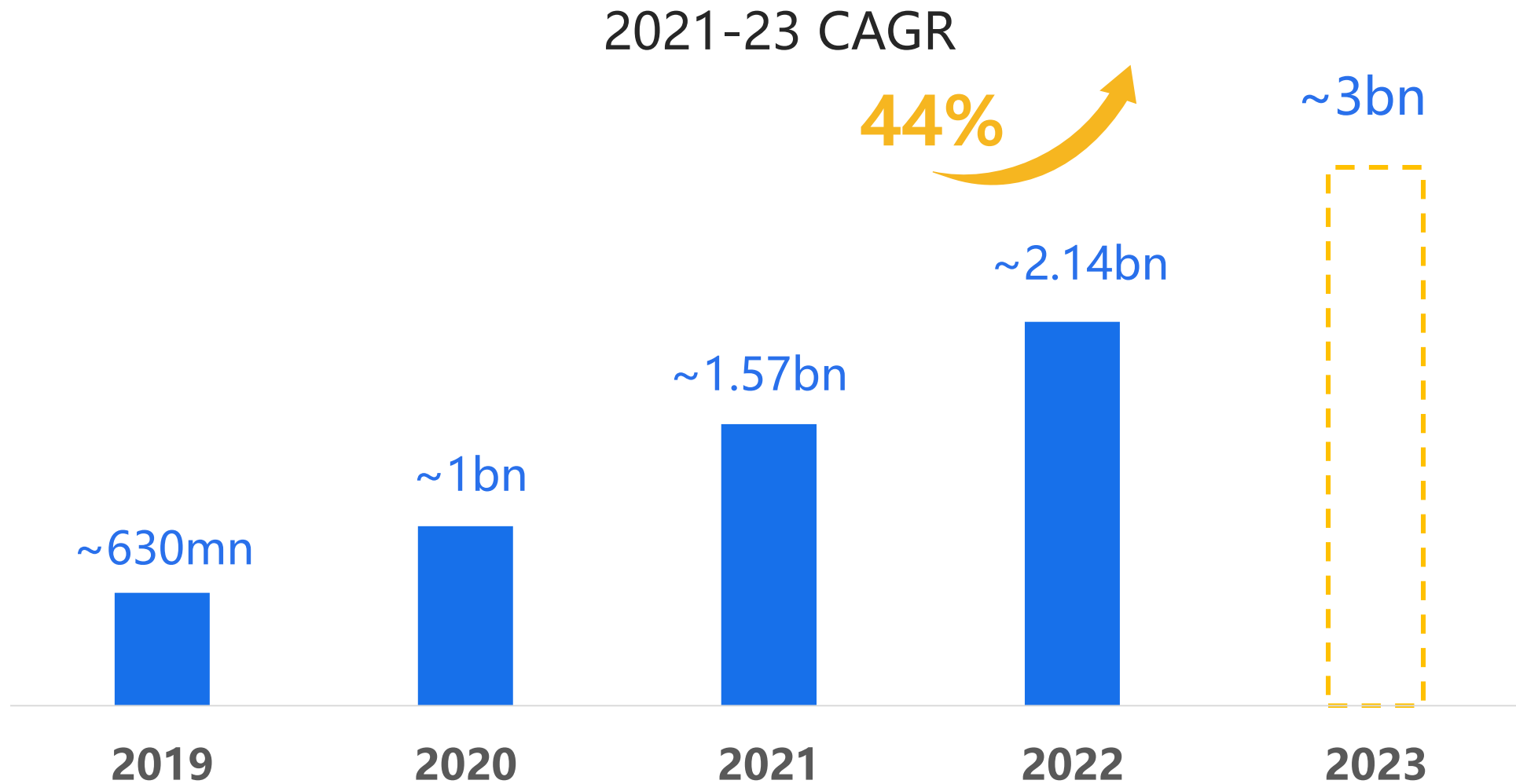
53%

Service Complaints



Subscription ARR 2021-2023 Three-Year Target

(RMB)



04



Appendix

Income Statement

(RMB' 000)	2023 1H	2022 1H	YoY change
Revenue	2,565,850	2,196,656	16.8%
Cost of Sales	-977,080	-865,848	12.8%
Gross Profit	1,588,770	1,330,808	19.4%
<i>Gross Margin</i>	<i>61.9%</i>	<i>60.6%</i>	<i>1.3pp</i>
Operating Expenses	-2,160,938	-2,016,424	7.2%
Other Incomes & Gains-Net	183,977	232,049	-20.7%
Operating Profit	-388,191	-453,567	NA
<i>Operating Profit Margin</i>	<i>-15.1%</i>	<i>-20.6%</i>	<i>5.1pp</i>
Finance Income– net	47,195	47,755	-1.2%
Loss before Income Tax	-325,560	-402,267	NA
Net Profit – Owner of the company	-283,535	-356,441	NA
<i>Net Profit Margin</i>	<i>-11.1%</i>	<i>-16.2%</i>	<i>5.1pp</i>
Basic EPS(cents)	-8.23	-10.38	NA

Total Revenue by Segments

(RMB '000)	2023 1H	% of Total Revenue	2022 1H	% of Total Revenue	Change
Cloud services business	2,038,598	79.5%	1,677,482	76.4%	21.5%
-Enterprise Cloud Services	1,404,558	54.8%	1,161,330	52.9%	20.9%
-Small & Micro Business Finance Cloud Services	501,028	19.5%	380,235	17.3%	31.8%
-Industry Cloud Services	133,012	5.2%	135,917	6.2%	-2.1%
Management Software business and Others	527,252	20.5%	519,174	23.6%	1.6%
Total	2,565,850	100.0%	2,196,656	100.0%	16.8%

R&D Expenses

(RMB '000)	2023 1H	2022 1H	Change
Salaries and staff welfare	806,158	769,464	4.8%
Fixed costs	14,064	13,334	5.5%
Professional service costs	3,244	8,097	-59.9%
Travelling costs	4,160	2,253	84.6%
Employee recruitment and training expenses	201	383	-47.4%
Others	1,361	1,275	6.7%
Total R&D costs	829,188	794,806	4.3%
Less: development costs capitalised	270,811	249,063	8.7%
Capitalization rate	32.7%	31.3%	1.4pp
Add: amortisation	185,659	152,323	21.9%
Total R&D expenses	744,036	698,066	6.6%
R&D expenses / Revenue	29.0%	31.8%	-2.8pp

Selling & Marketing Expenses

(RMB '000)	2023 1H	2022 1H	Change
Salaries and staff welfare	711,075	696,927	2.0%
Sales promotion & marketing	310,813	240,996	29.0%
Fixed costs	45,706	44,512	2.7%
Travelling expenses	33,624	27,229	23.5%
Business advertising expenses	20,121	18,847	6.8%
Project cooperation fee	8,638	9,507	-9.1%
Others	12,340	11,914	3.6%
Total	1,142,317	1,049,932	8.8%
S&M % of Total Revenue	44.5%	47.8%	-3.3pp

Administrative Expenses

(RMB '000)	2023 1H	2022 1H	Change
Salaries and staff welfare	190,583	187,610	1.6%
Fixed costs	22,715	21,689	4.7%
Professional service costs	15,354	15,000	2.4%
Employee recruitment and training expenses	2,015	3,810	-47.1%
Travelling costs	2,136	2,049	4.2%
Others	6,151	3,794	62.1%
Total	238,954	233,952	2.1%
Administrative expenses / Revenue	9.3%	10.7%	-1.4pp

Other Income and Gains -Net

(RMB '000)	2023 1H	2022 1H	Change
VAT refund	52,513	56,449	-7.0%
Government projects	76,798	56,425	36.1%
Rental income - net	34,584	33,644	2.8%
Net foreign exchange gains	2,183	1,435	52.1%
Others	17,899	84,096	-78.7%
Total	183,977	232,049	-20.7%
VAT % of Total Revenue	2.0%	2.6%	-0.6pp

Cloud Contract Liabilities

(RMB' 000)	2023 1H	2022 1H	Change
Total Cloud Contract Liabilities	2,554,098	1,964,690	30.0%
- <i>Subscription related</i>	<i>2,113,082</i>	<i>1,572,126</i>	<i>34.4%</i>
- Others	<i>441,015</i>	<i>392,564</i>	<i>12.3%</i>

Balance Sheet Overview

(RMB' 000)	30 Jun 2023	31 Dec 2022
Trade and other receivables	471,940	397,081
Cash reserves	3,838,923	4,315,305
Total assets	11,754,408	11,731,437
Current assets	3,583,635	3,983,946
Borrowings	707,500	470,000
Trade and other payables	801,210	899,496
Net assets	7,120,865	7,407,583

感谢
ขอบคุณ
Terima kasih
谢谢

ありがとう
Thanks