



Kingdee International Software Group

2018 Annual Results Announcement

Stock Code: 268.HK

14 March 2019



Business
Highlights



Cloud Market
Update



Cloud Strategy
Update



CFO Report



Appendix



Business
Highlights



Cloud Market
Update



Cloud Strategy
Update



CFO Report

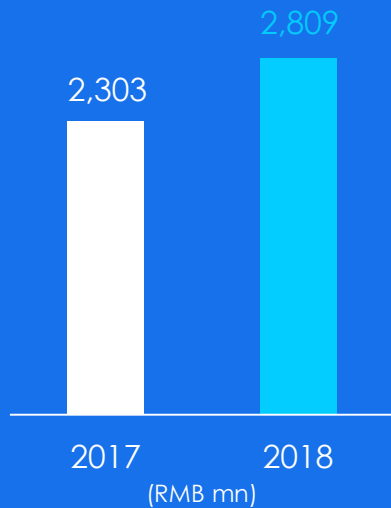


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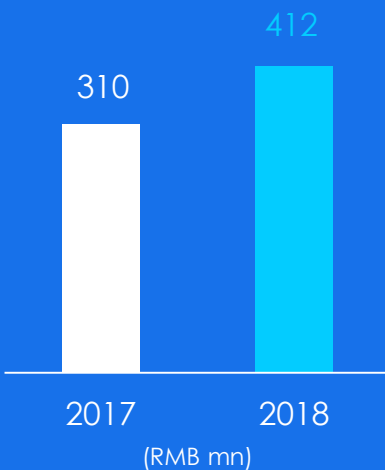
2018 Business Highlights



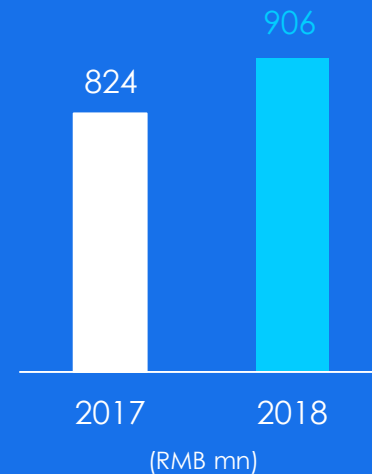
+21.9% YoY
Revenue



+32.9% YoY
Net Profit to Equity Holders



+9.9% YoY
Operating Cash Flow

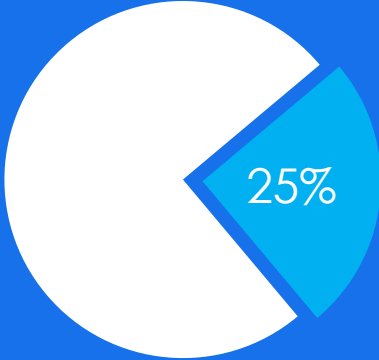


Business Growth Driven by Cloud Services

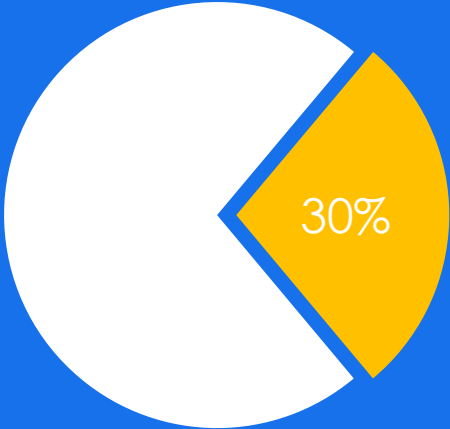


*Included in cloud services consists of internet finance big data service income amounting to RMB17million

Growth of Cloud Services in 2018



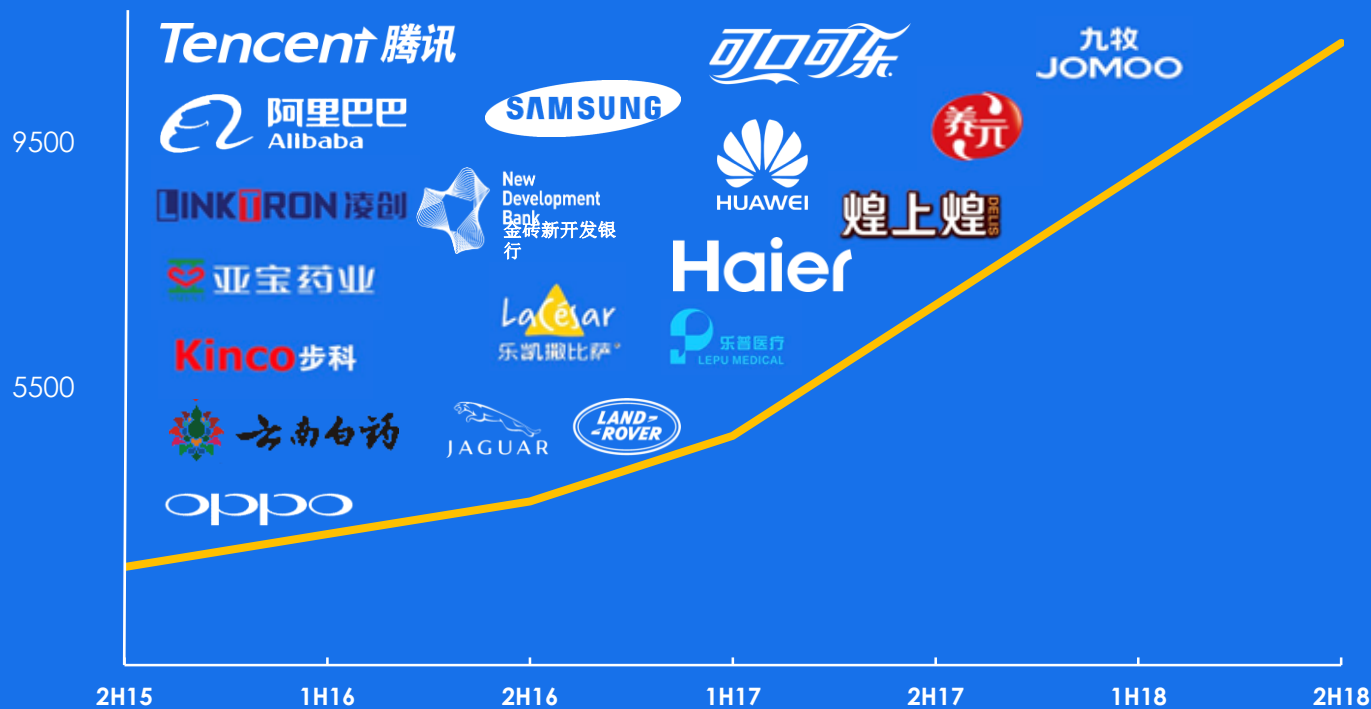
Cloud Services in 2017



Cloud Services in 2018

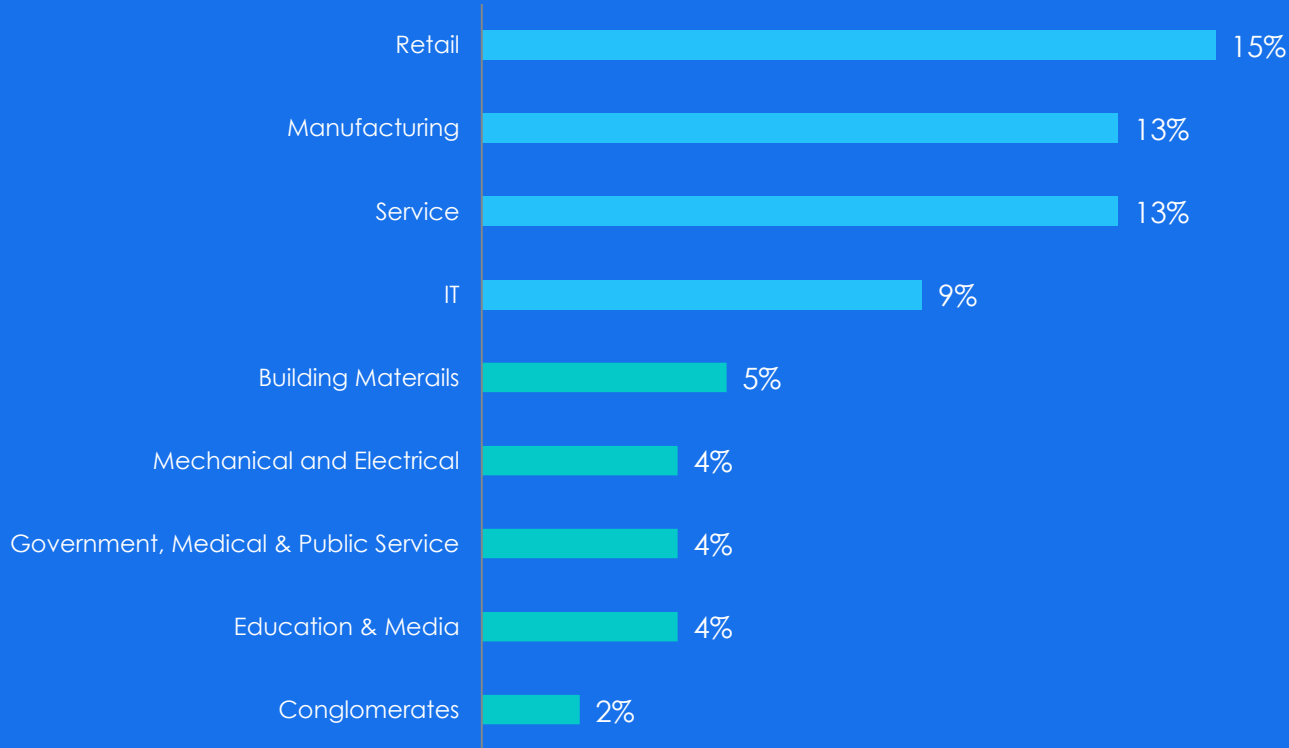


Preferred Choices of the Enterprises



> 9500 customers, >70% YoY Customer Growth, 89% of new customers

The Most Comprehensive Cloud Solutions



54%
Revenue
Growth

70%
Customer
Growth

95%
Dollar Retention
Rate

International Business

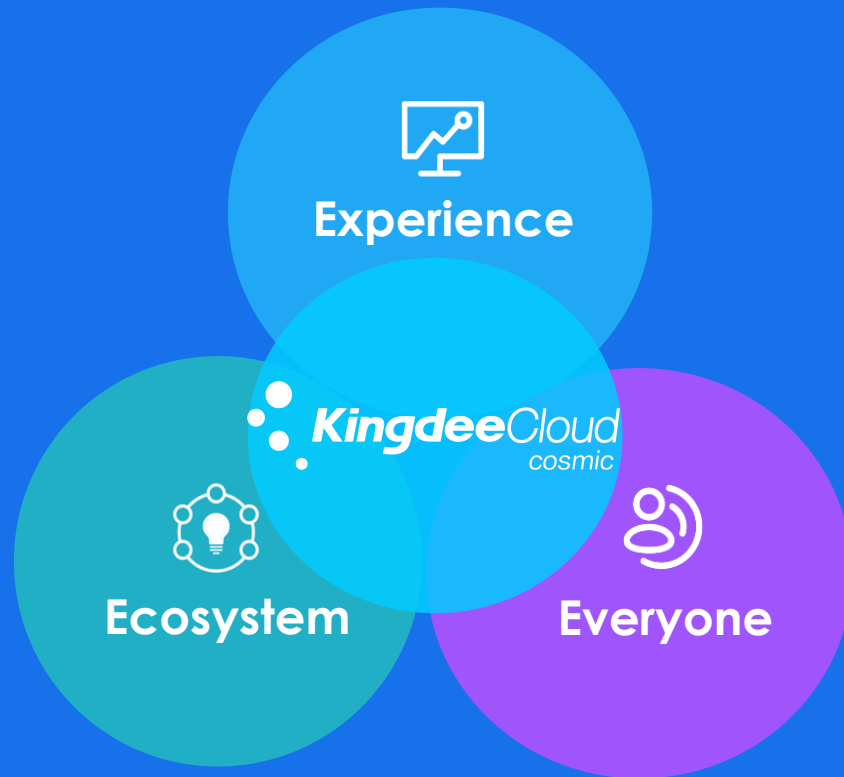
Kingdee Cloud Galaxy
8 Languages
46 Countries and Regions



S. Geo. and S. Sandw. Is.

Heard I. and McDonald Is.





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**

Helping Enterprises upgrading IT System



中国石油

PetroChina International

- Innovation system: HSSE
- User Experience



HUAWEI

Huawei

- Recording system: Construction
- Cloud native architecture
- User Experience
- Rapid Iteration



WENS

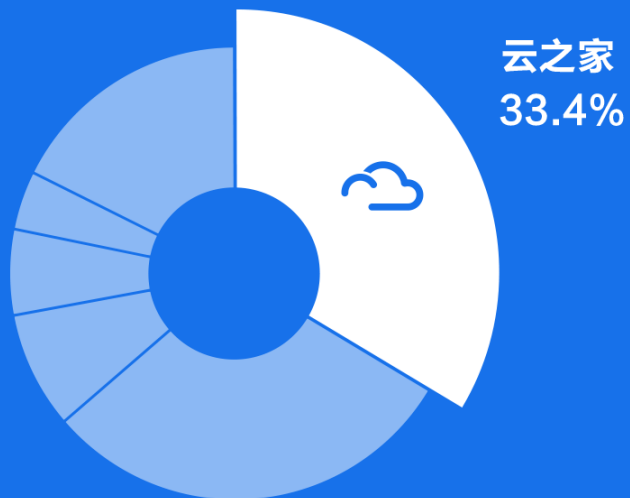
- Innovation system: Industry Internet
- Cloud native architecture
- Whole upgrading
- User Experience

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

Cloud-Hub: The Collaborative Cloud



No. 1 in medium to large enterprises market for consecutive 3 years (IDC 2018.4)

>7,000 large enterprise clients



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Market Leader in China's Enterprise SaaS Market

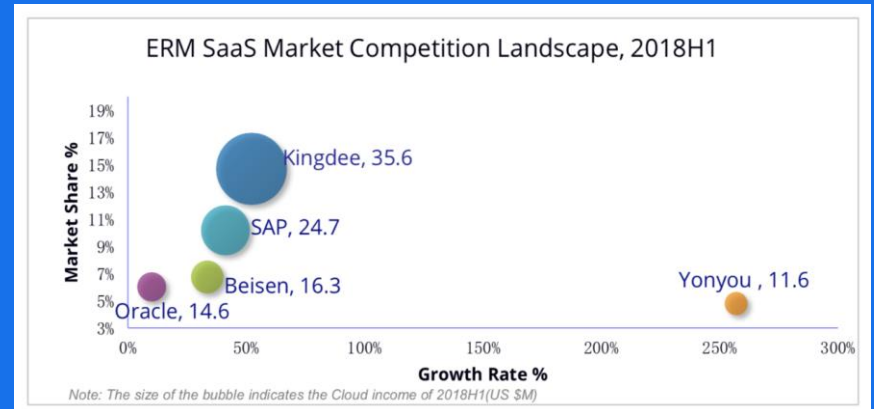


Maintained leading position since 2016

#1 in Enterprise SaaS Market ~5.1%

#1 in SaaS ERM Market ~14.9%

#1 in Finance Cloud Market ~37.3%

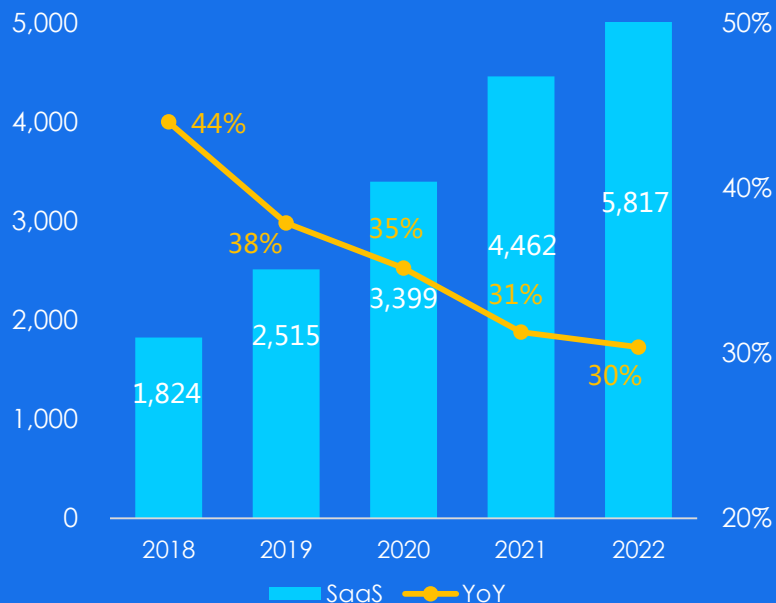


Source: IDC Semiannual Public Cloud Services Tracker, 2018 H1

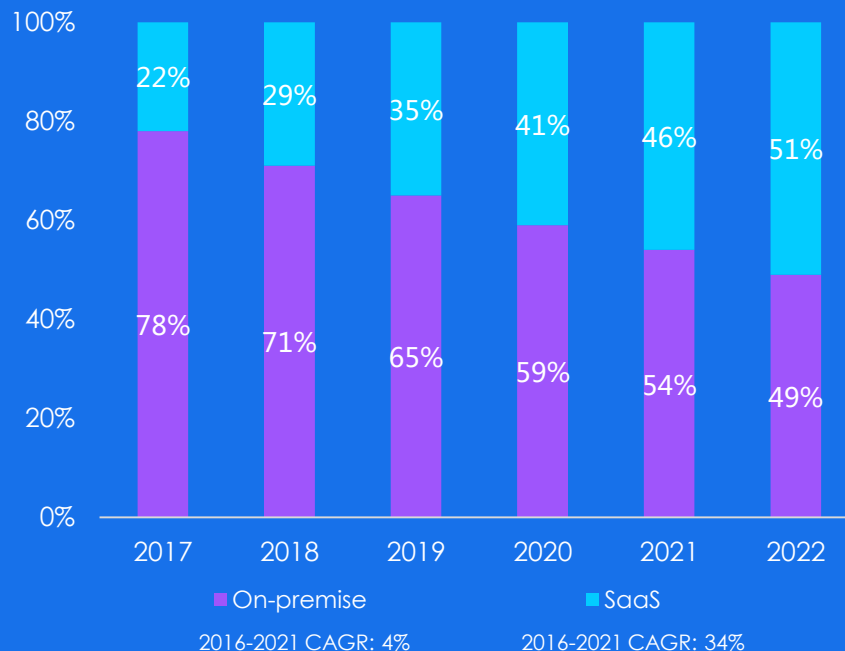
China's Public Cloud SaaS Market Forecast



China's Public Cloud SaaS Market Forecast 2018-2022 (US\$m)



2017-2022 China's ERM (OP VS. SaaS) Market share and Forecast



Source: IDC Semiannual Public Cloud Services Tracker, 2017 H2



22 Cities

15 Provinces

>1800 Projects

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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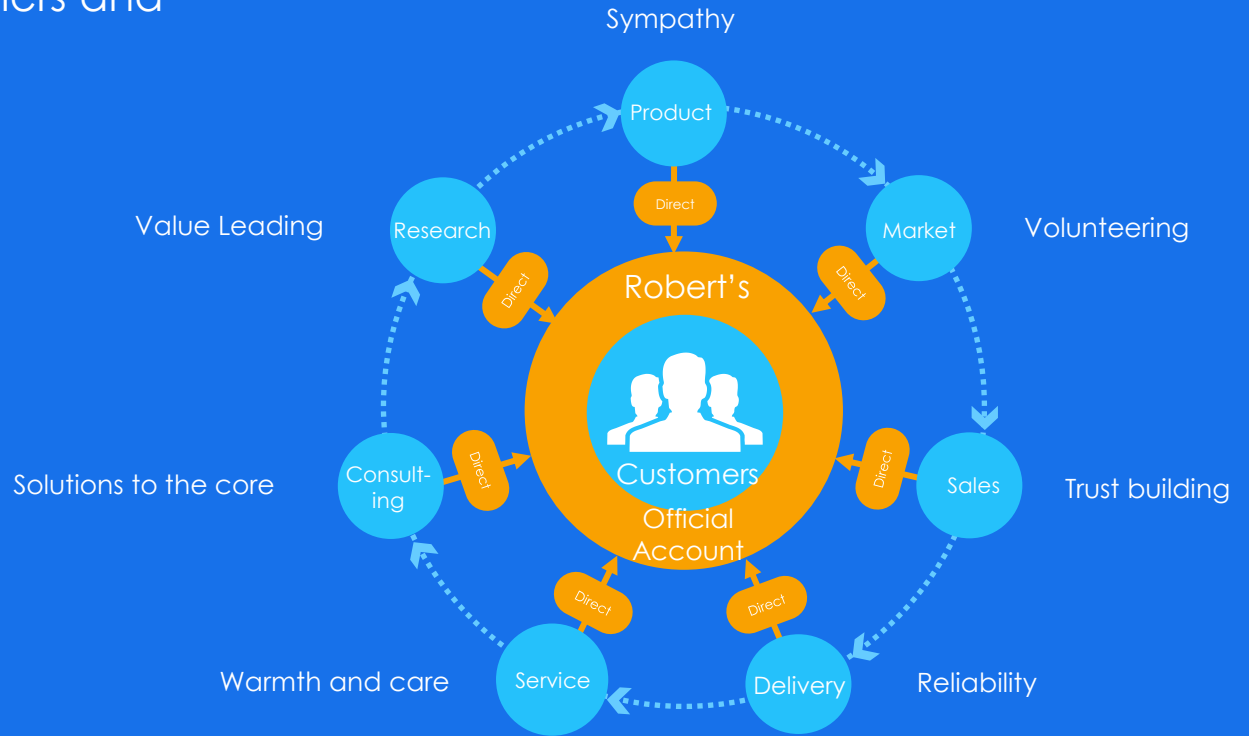


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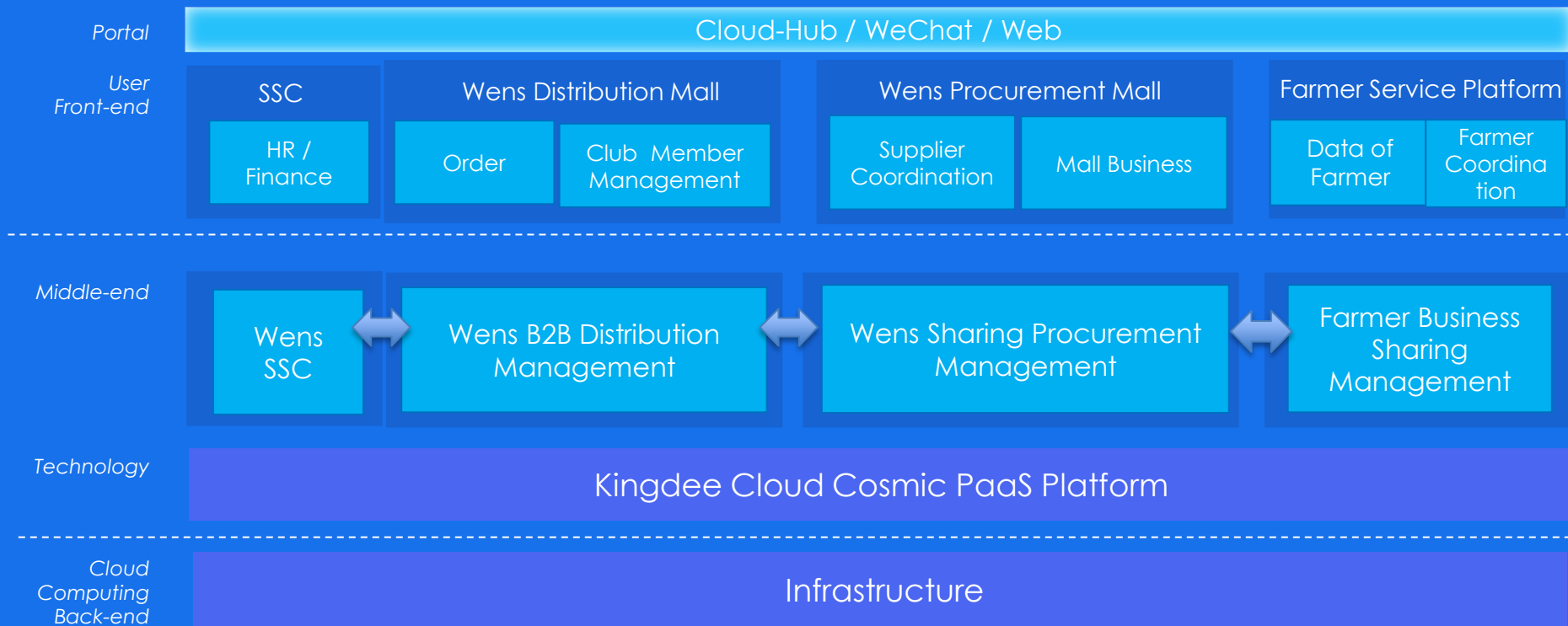
5 Key Aspects of the Group's Strategy

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



User/Fans/Partners



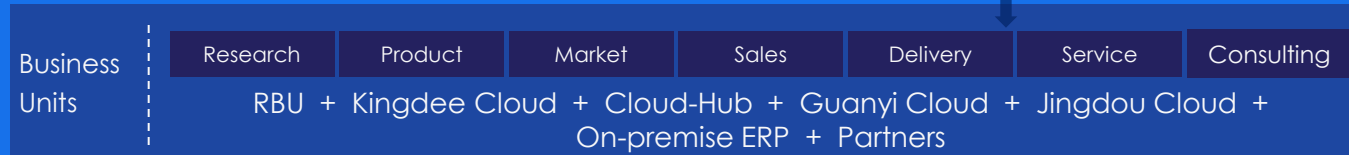
From Uniform Service Portal to Robert Official Account



Robert
CEO office
RBU General Manager



Operation team of
Robert Official Account

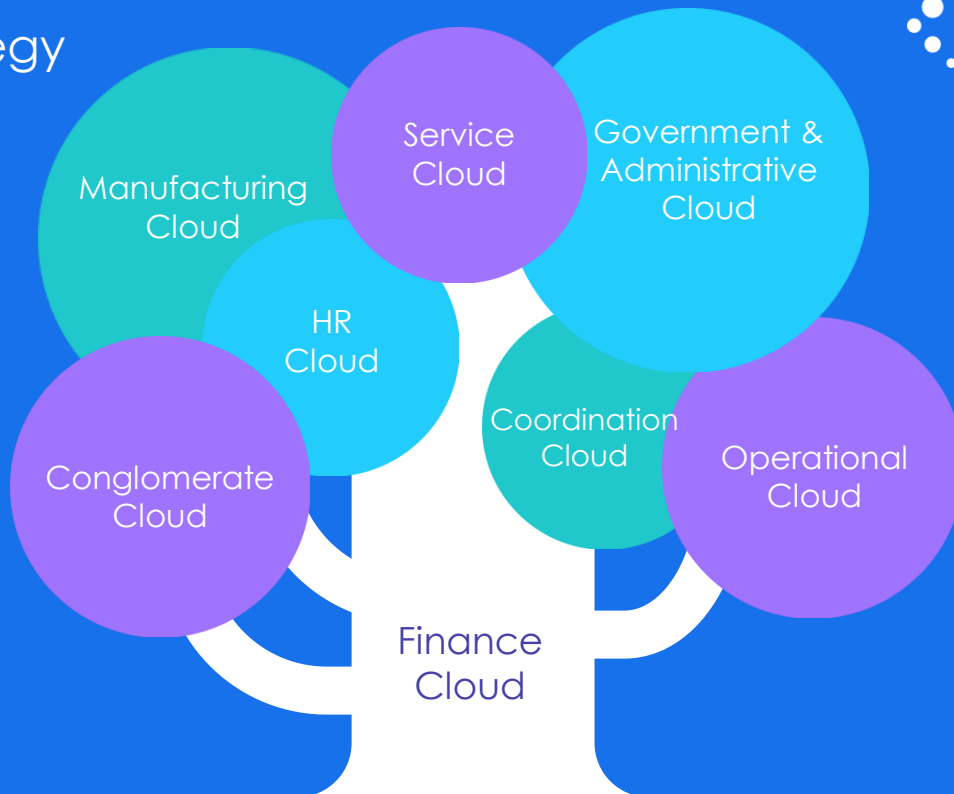


Unify Community Service Portal
Unify Product Service Portal

Different hierarchy of management reaching out to customers directly

Link up Robert Official Account with Customer Service System

Key 4: Kingdee Cloud Strategy



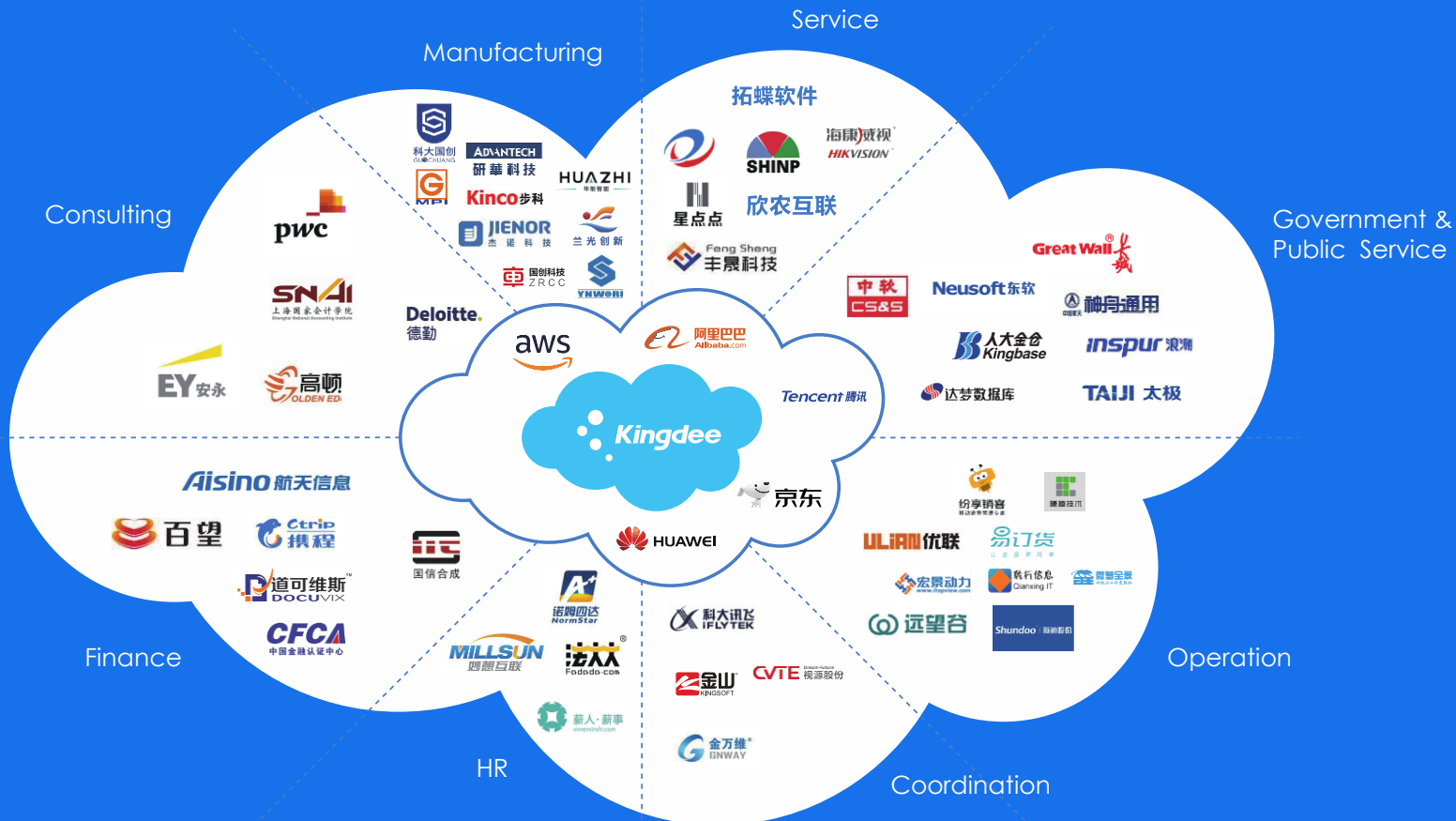
PaaS



IaaS



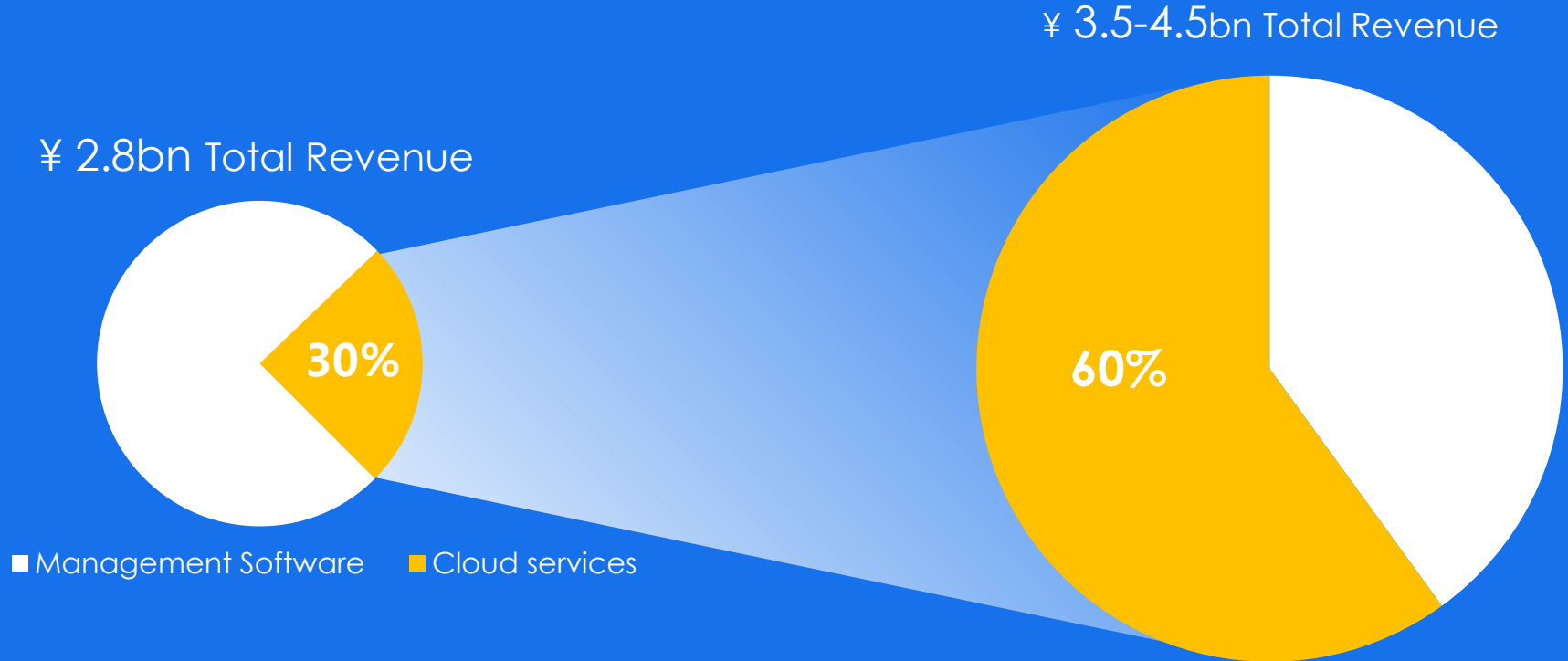
Key 5: Building up the Cloud Ecosystem with Software Vendors



Our Target

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

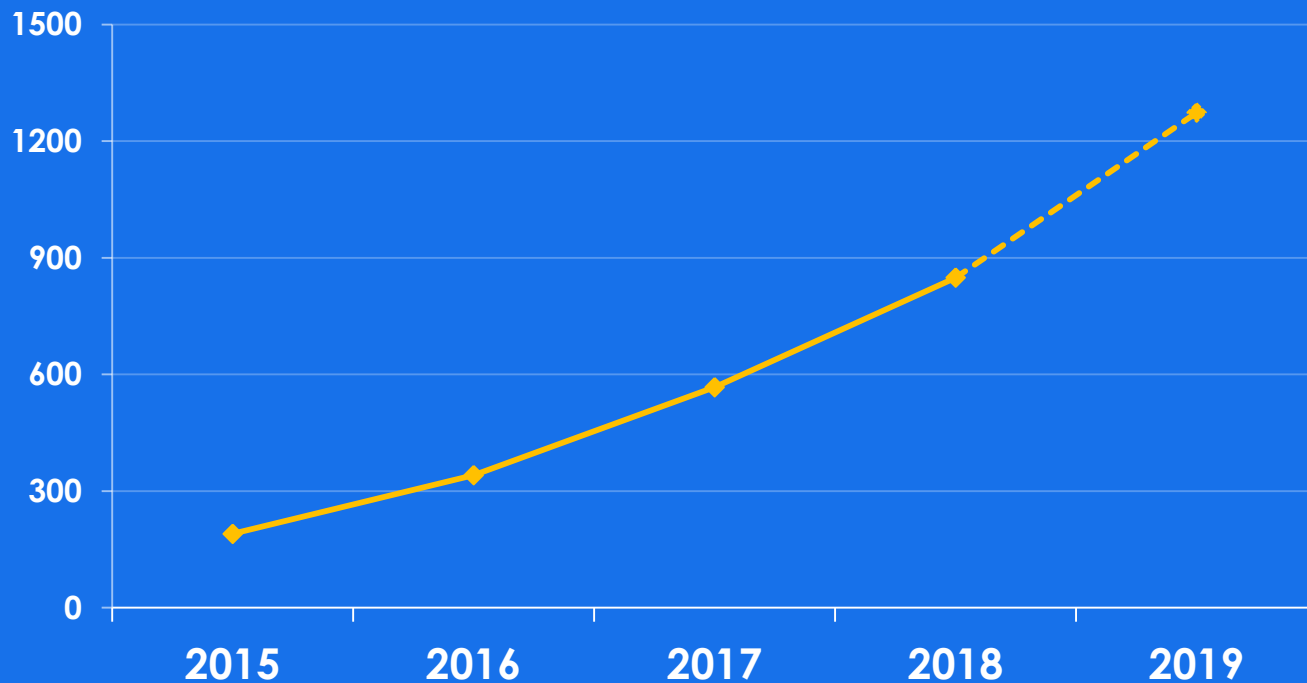
Cloud revenue contribution



Cloud Services Revenue Guidance



RMB mn



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



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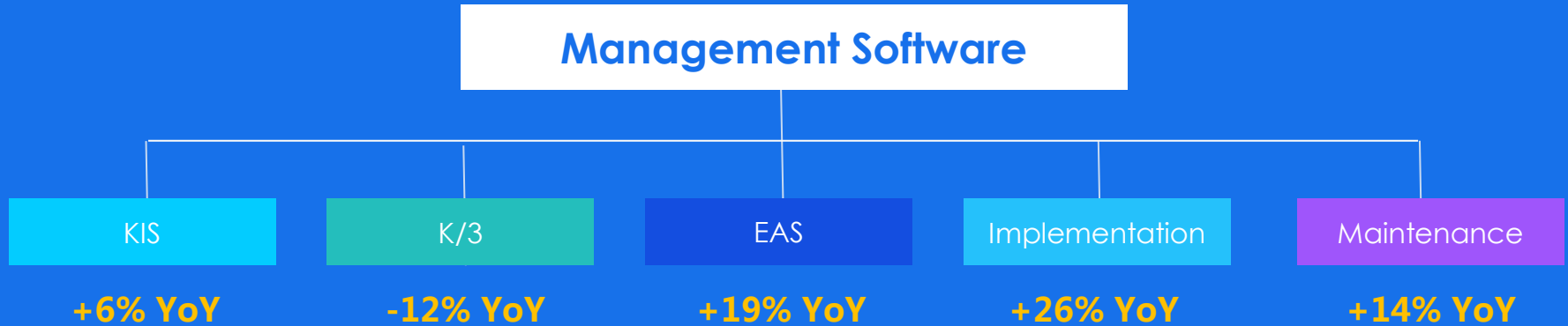
Cloud Strategy
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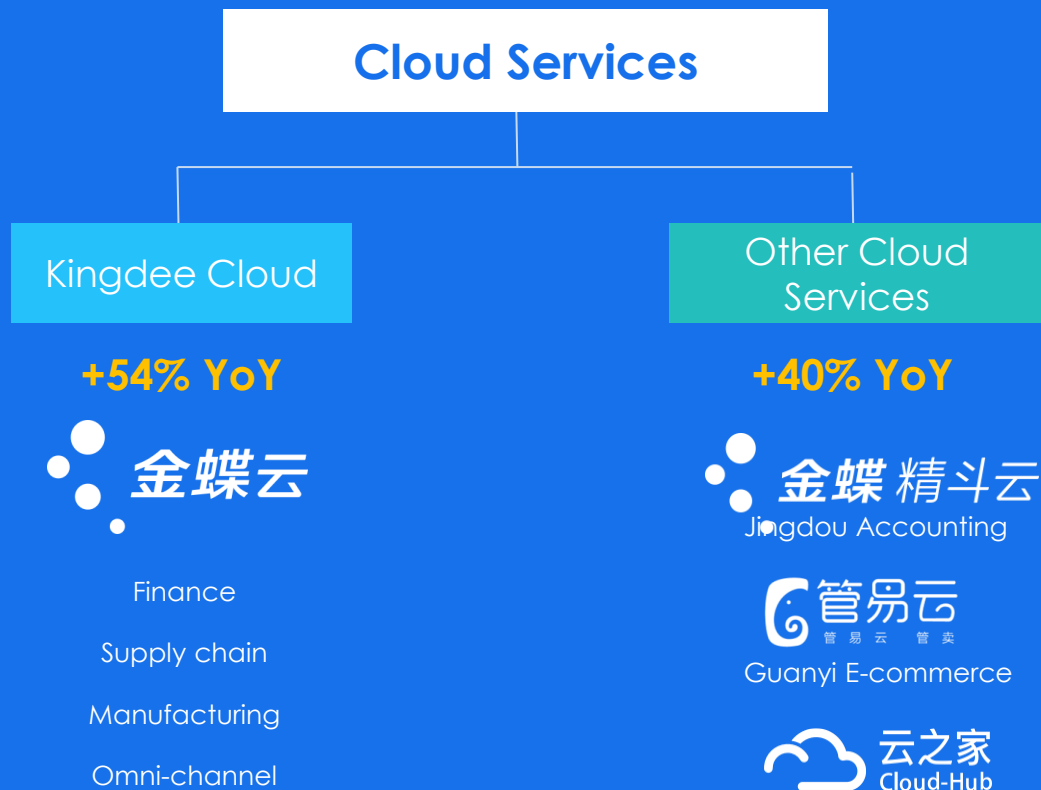
CFO Report



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- KIS revenue +6% YoY as small enterprise market remained healthy
- K/3 revenue -12% YoY due to the cloud migration of medium enterprises
- EAS revenue +19% YoY as large enterprises continued to increase investments in software
- Implementation and Maintenance revenues maintained double-digit growth driven by EAS strong demand
- Management software segment saw YoY margin expansion driven by scale



Kingdee Cloud Galaxy Highlights



54%

YoY Revenue Growth

>80%

Customer Retention Rate

>9500

Customers

>95%

Dollar Retention Rate

Kingdee Cloud Cosmic Highlights



8

Projects delivered

15

Total customers

5

World top 500 customers



105%

YoY Revenue
Growth

>70%

Customer Retention Rate

>80K

Customers *

>60%

YoY Paying Customer Growth

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



-17%

YoY Revenue Growth

>70%

Customer Retention Rate

>7600

Customers

>20%

YoY Customer Growth

Financial Overview



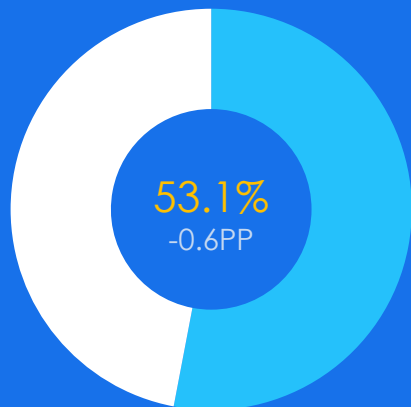
(RMB'000)	2018	2017	Change
Revenue	2,808,658	2,303,458	21.9%
Cost of Sales	(514,339)	(426,974)	20.5%
Gross Margin	81.7%	81.5%	+0.2pts
Total Operating Expenses	(2,278,499)	(1,901,402)	19.8%
Other Income & Gains	342,971	349,258	-1.8%
Operating Profit	453,307	420,759	7.7%
Operating Margin	16.1%	18.3%	-2.2pts
Finance Costs– net	(1,037)	(27,112)	-96.2%
Tax Expenses	(38,760)	(54,808)	-29.3%
Net Profit – equity holders	412,106	310,004	32.9%
Net Profit Margin	14.7%	13.5%	+1.2pts
Diluted EPS(cents)	12.65	10.75	17.7%
Gains on investment properties	(94,516)	(96,419)	-2.0%
Stock-based compensation	91,502	68,097	34.4%
Tax effects and adjustments*	377	3,540	-89.4%
Non-GAAP Net Profit	409,469	285,222	43.6%
Non-GAAP EPS(cents)	13.10	10.16	28.9%

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%

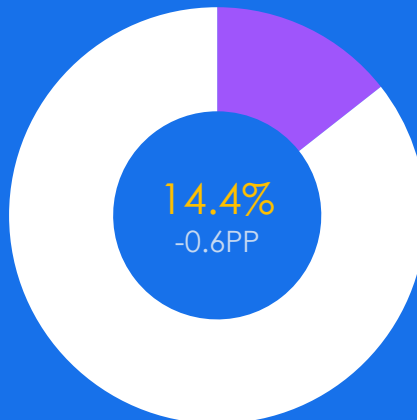
Operating Expenses Breakdown

S&M
as a % of total revenue



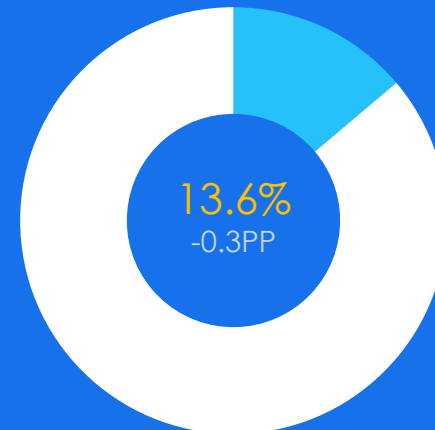
RMB 1,491mn

R&D
as a % of total revenue



RMB 405mn

G&A
as a % of total revenue



RMB 382mn

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

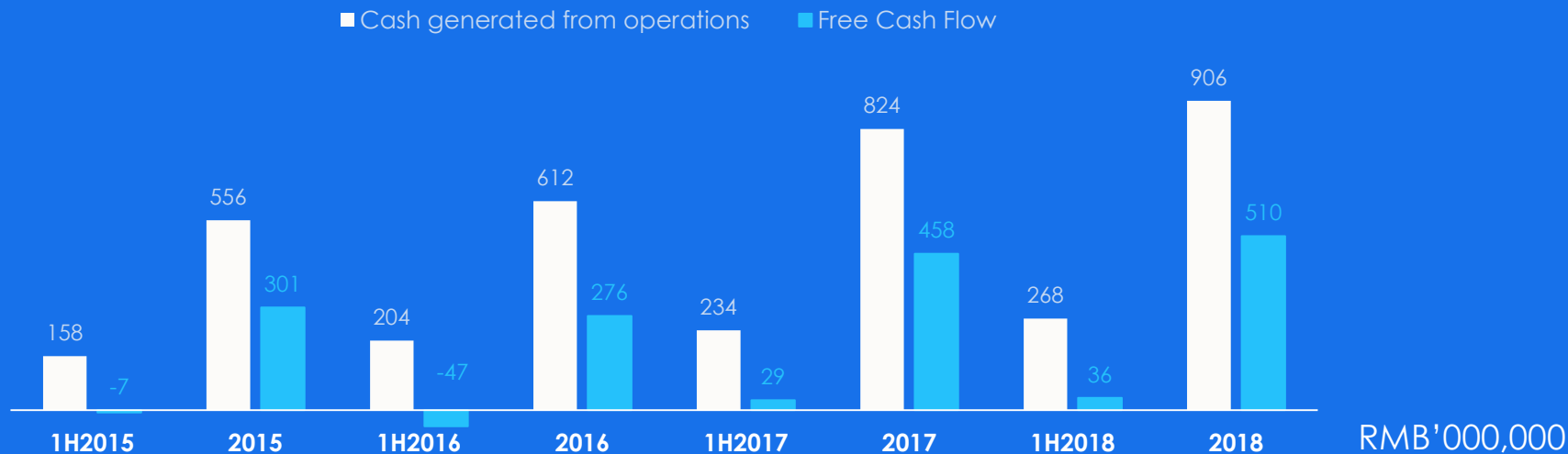
Tremendous cross-selling opportunities in existing customer base

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

Operating Cash Flow & Free Cash Flow *



*Note:
Free cash flow = Operating cash flow – | Purchases of property, plant and equipment | – | Purchases of intangible assets | + | Cash paid for software parks |



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Total Revenue by Segments



(RMB'000)	2018	% of Total Revenue	2017	% of Total Revenue	Change
Management Software business	1,959,402	69.8%	1,735,265	75.3%	12.9%
- Sales of software license	936,620	33.3%	878,100	38.1%	6.7%
- Implementation	512,209	18.3%	406,529	17.6%	26.0%
- Maintenance	486,247	17.3%	426,967	18.5%	13.9%
- Others	24,326	0.9%	23,669	1.0%	2.8%
Cloud services business	849,256	30.2%	568,193	24.7%	49.5%
Total	2,808,658	100.0%	2,303,458	100.0%	21.9%

Software License by Segments



(RMB'000)	2018	% of Total Revenue	2017	% of Total Revenue	Change
KIS	351,963	12.5%	332,864	14.5%	5.7%
K/3	167,552	6.0%	189,526	8.2%	-11.6%
EAS	374,544	13.3%	313,891	13.6%	19.3%
Others	42,561	1.5%	41,819	1.8%	1.8%
Total software license turnover	936,620	33.3%	878,100	38.1%	6.7%

Total Revenue by Sales Channel



(RMB'000)	2018	% of Total Revenue	2017	% of Total Revenue	Change
Management Software business	1,959,402	69.8%	1,735,265	75.3%	12.9%
- Direct sales	306,424	10.9%	257,823	11.2%	18.9%
- Indirect sales	630,196	22.4%	620,277	26.9%	1.6%
- Services	998,456	35.6%	833,496	36.2%	19.8%
- Implementation	512,209	18.3%	406,529	17.6%	26.0%
- Maintenance	486,247	17.3%	426,967	18.5%	13.9%
- Others	24,326	0.9%	23,669	1.0%	2.8%
Cloud services business	849,256	30.2%	568,193	24.7%	49.5%
Total	2,808,658	100.0%	2,303,458	100.0%	21.9%

Cloud Services Business – Recognised VS Contracted



(RMB'000)	2018	2017	Change
Revenue - Cloud services business	849,256	568,193	49.5%
Contract liabilities – Cloud services business	298,017	205,132	45.3%
Total	1,147,273	773,325	48.4%

Other Gains



(RMB'000)	2018	2017	Change
VAT refund	178,529	171,837	3.9%
Government projects	43,347	52,340	-17.2%
Rental income - net	72,941	68,236	6.9%
Others	48,154	56,845	-15.3%
Total	342,971	349,258	-1.8%
VAT % of Total Revenue	6.4%	7.5%	

Selling & Marketing Expenses



(RMB'000)	2018	2017	Change
Advertising and marketing	109,476	88,383	23.9%
Sales promotion	123,562	118,448	4.3%
Salary of sales persons	880,029	728,585	20.8%
Project cooperation fees	265,830	195,028	36.3%
Traveling	37,020	34,587	7.0%
Fixed costs	66,745	62,882	6.1%
Others	8,640	7,969	8.4%
Total	1,491,302	1,235,882	20.7%
S&M % of Total Revenue	53.1%	53.7%	-0.6pts

R&D Expenses



(RMB'000)	2018	2017	Change
Salaries and staff welfare	315,374	262,698	20.1%
Option & restricted stock expense	26,804	20,793	28.9%
Fix costs	52,054	51,107	1.9%
Travelling costs	9,552	9,411	1.5%
Others	1,374	1,308	5.0%
Total	405,158	345,317	17.3%
R&D % of Total Revenue	14.4%	15.0%	-0.6pts

Administrative Expenses



(RMB'000)	2018	2017	Change
Salaries and staff welfare – G&A	154,285	130,511	18.2%
Option & restricted stock expense	64,698	47,304	36.8%
Professional service fee	22,212	21,309	4.2%
Traveling	8,484	7,968	6.5%
Meeting expenses	7,035	6,293	11.8%
Provision for doubtful debts	47,697	38,923	22.5%
Fixed costs	76,346	66,842	14.2%
Others	1,282	1,053	21.7%
Total	382,039	320,203	19.3%
Admin. % of Total Revenue	13.6%	13.9%	-0.3pts

Balance Sheet Overview



(RMB'000)	31 Dec. 2018	31 Dec. 2017	Change
Trade and other receivables	286,615	319,557	-10.3%
Cash at bank and in hand	2,101,021	2,651,220	-20.8%
Total assets	7,578,553	6,802,058	11.4%
Current assets	3,159,513	3,533,582	-10.6%
Borrowings	301,125	1,348,529	-77.7%
Trade and other payables	580,716	678,120	-14.4%
Total equity	5,532,667	4,043,080	36.8%



感謝 ありがとう
ขอบคุณ **Thanks**
terima kasih **谢谢**



Contact Us

Fredrick Law

Director

Investor Relations & Securities Dept.

fredrick_law@kingdee.com

Summer Gan

Director

Investor Relations & Securities Dept.

summer_gan@kingdee.com

Yoriko Huang

Manager

Investor Relations & Securities Dept.

yanni_huang@kingdee.com

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