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

Kingdee

Business Highlights
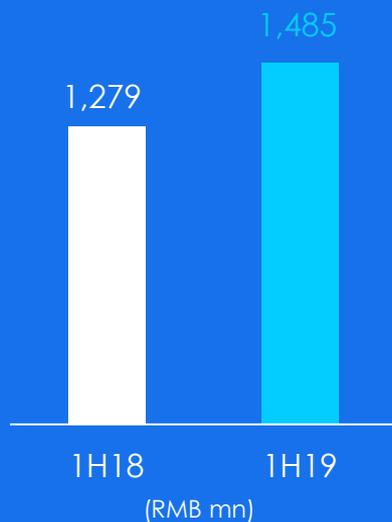
Cloud Market Update

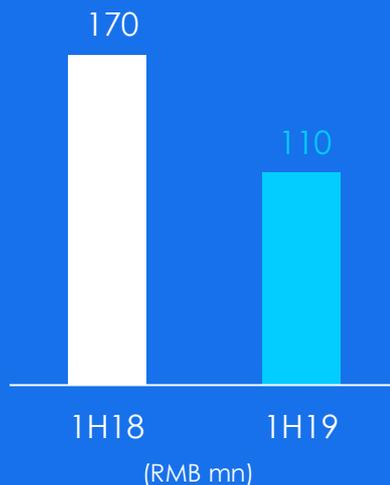Cloud Strategy Update

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2019 1H Business Highlights

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+16.1% YoY
Revenue

-35.4% YoY
Net Profit to Equity Holders

-28.4% YoY
Operating Cash Flow

1,485

1,279

1H18	1H19
(RMB mn)

170

110

1H18	1H19
(RMB mn)

268

192

1H18	1H19
(RMB mn)
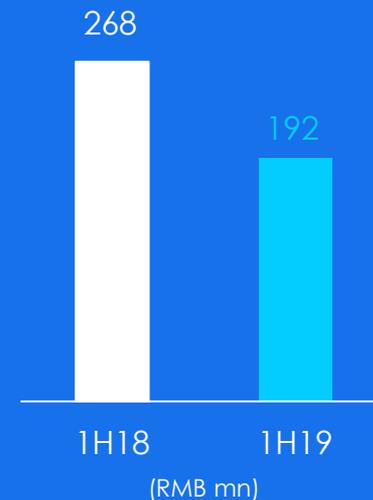
Business Growth Driven by Cloud Services

Kingdee

Revenue **+1.2%** YoY

Revenue **+54.9%** YoY

63%

37%

Management Software

Cloud Services*

Stimulate clients to the Cloud

Established Market Leadership
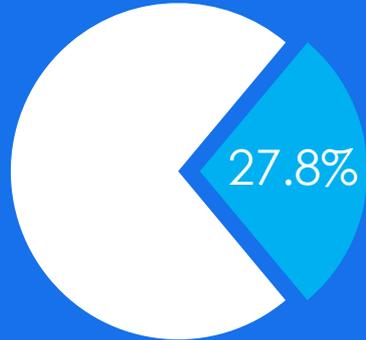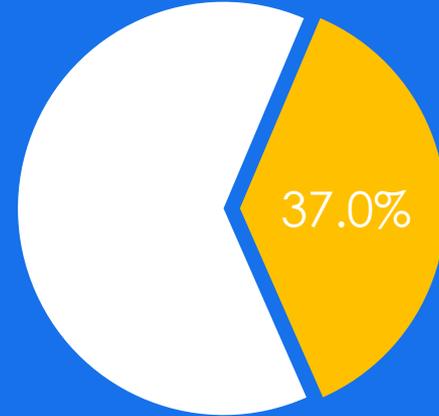in Enterprise SaaS

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

Growth of Cloud Services in 2019 1H

Kingdee

27.8%

+54.9%

37.0%

Cloud Services in 2018 1H

Cloud Services in 2019 1H

Leading the Digital Transformation of Enterprises

Kingdee

Directly connect to the clients by controlling the channels

Omni-channel Marketing

Smart Retail

Connect to create the ultimate experience

Digital factory for customization

Manufacturing

KingdeeCloud *galaxy*

Amoeba

Activate everyone to be the CEO

R&D upgrading , cost reduction and efficiency improving

PLM

Intelligent Finance

Efficient accounting to empower the business and insight into the future
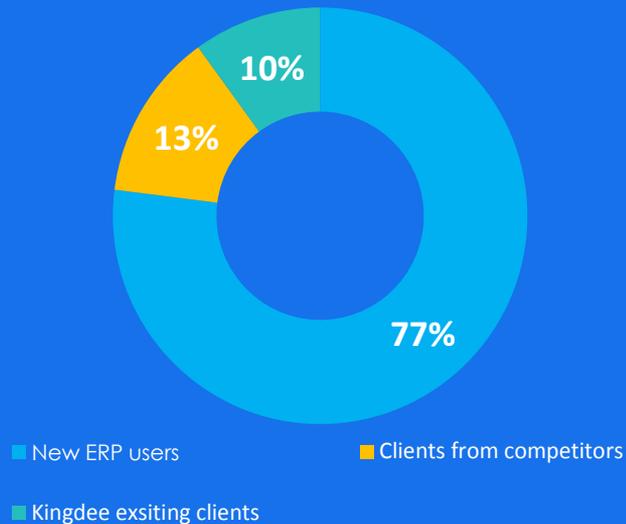
Preferred Choices of the Enterprises
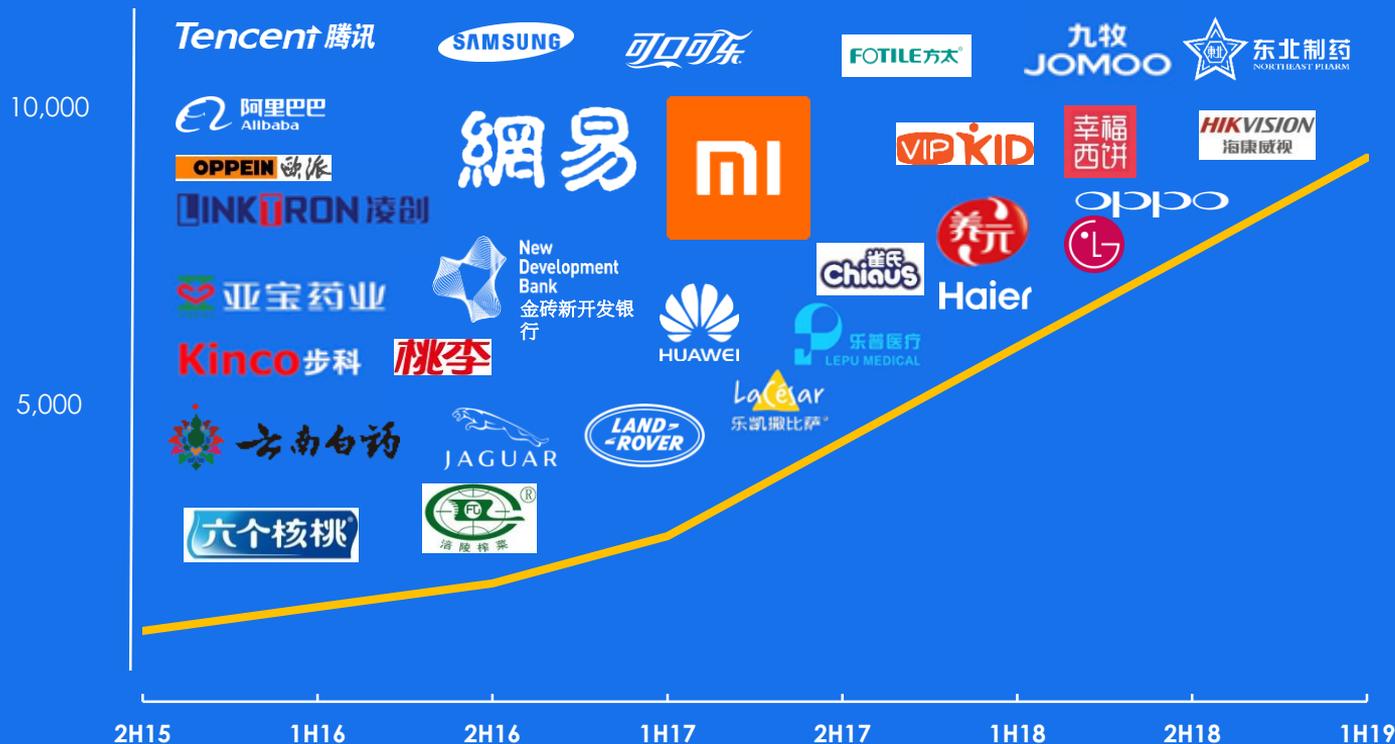
> 11,500 customers, >50% YoY Customer Growth, 90% of new customers

Kingdee Cloud Galaxy Analysis

Kingdee

Bar chart:
- Finance Cloud: 94%
- Supply Chain Cloud: 48%
- Manufacturing Cloud: 18%
- Omni-channel Cloud: 3%
- Catering Cloud: 1%

Donut chart:
- 77% New ERP users
- 13% Clients from competitors
- 10% Kingdee exsiting clients
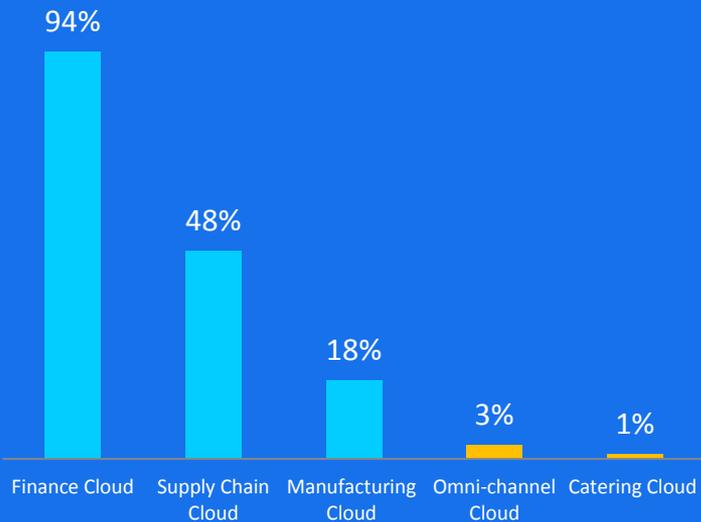
48%
of customers have
2+ solutions

21%
of customers have
3+ solutions

82%
of top 100 customers
have 3+ solutions

The Most Comprehensive Cloud Solutions

Kingdee

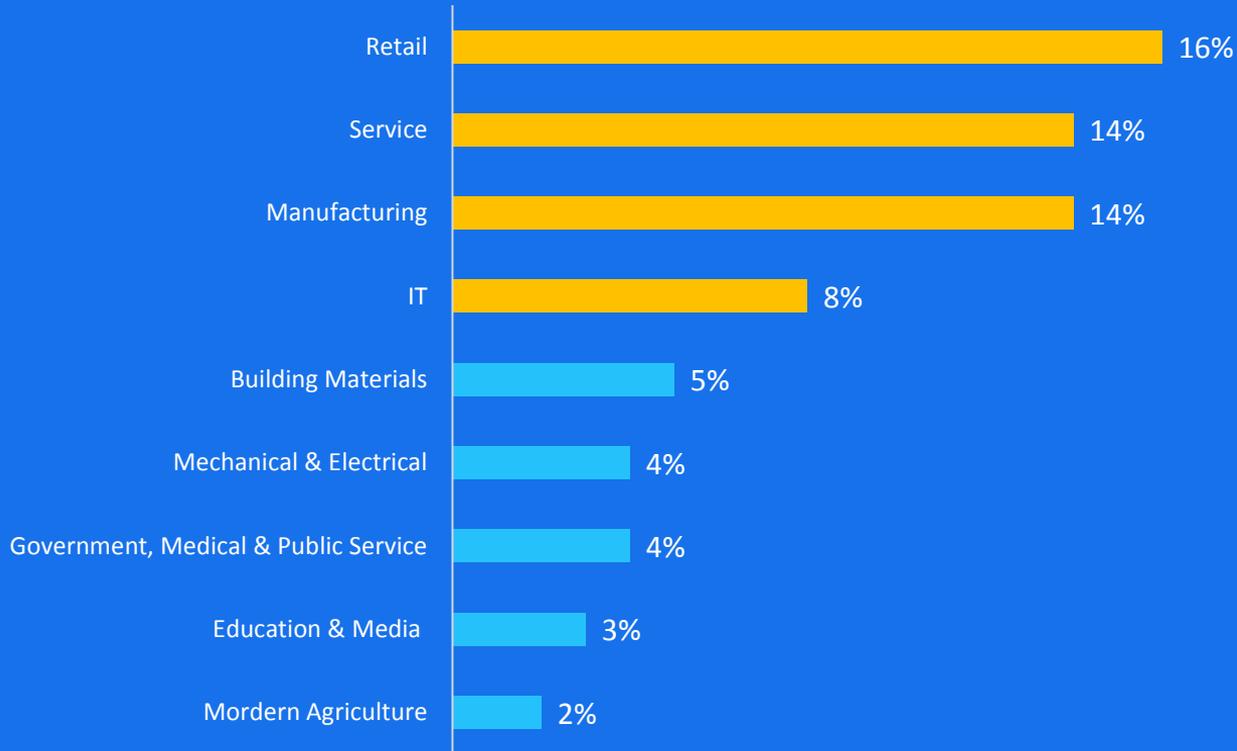| Category	Percentage
Retail	16%
Service	14%
Manufacturing	14%
IT	8%
Building Materials	5%
Mechanical & Electrical	4%
Government, Medical & Public Service	4%
Education & Media	3%
Mordern Agriculture	2%

51% Revenue Growth

53% Customer Growth

90% Dollar Retention Rate

Bakery Giant Listed In China

72 cities, 4 million + shops, 13K delivery trucks

Daily processing orders 100K

Highest net prodit growth rate in industry

Return rate dropped from 17.29% to 2.6%

Epochal Cloud Services Platform

Experience

Ecosystem

Everyone

*Kingdee*Cloud
cosmic

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**
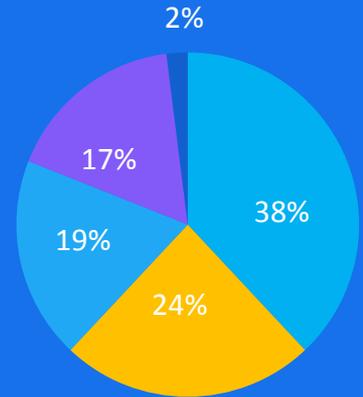
Enterprises Upgrading to Cosmic

Kingdee

2018: **15** Clients

2019 1H: **28** new clients

Total contract size in 2019 1H **RMB33mn**

Average contract size **RMB1.2 mn**

Cosmic Clients Analysis

Pie chart 1 (top left):
- Public Cloud: 57%
- Private Cloud: 43%

Pie chart 2 (bottom left):
- EAS: 62%
- K/3: 12%
- Competitors: 26%

Pie chart 3 (center):
- Finance Cloud: 29%
- Platform Cloud: 28%
- Marketing Cloud: 17%
- Procurment Cloud: 14%
- RealEstate Cloud: 7%
- Others: 5%
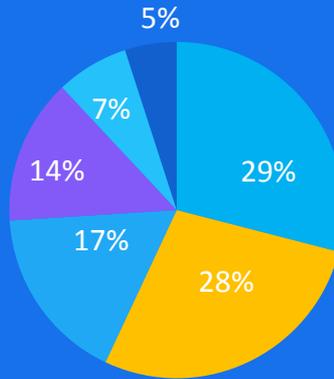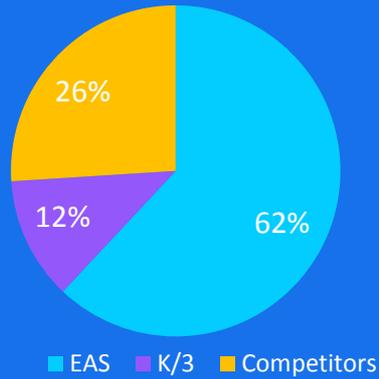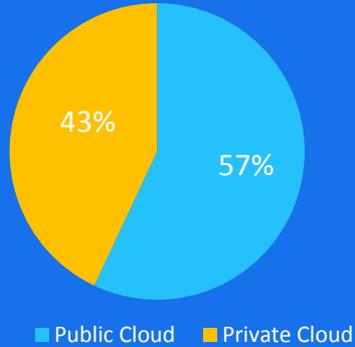
Pie chart 4 (right):
- Projects Delivered: 38%
- Developing Period: 24%
- Implementation Period: 19%
- Blueprint Period: 17%
- Testing Period: 2%

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New Platform：Support Internal and External Ecosystem

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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

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

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

aws   HUAWEI   阿里云   腾讯云   京东云

New Platform : High productivity PaaS for Enterprises

Kingdee

SaaS

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

High productivity PaaS level (Qualified domain , Enterprise application)

Kingdee Cloud Cosmic SaaS + PaaS Core Services

Selected in Global High Productivity SaaS Supplier Directory by Gartner

APPLICATION DEVELOPMENT SERVICE (adPaaS)
Visual development
Personalized extension
Application management center
Developer community

MODELING SERVICE
Organizational model
Collaboration model
Process model
Permission model…

INTEGRATION SERVICE (iPaaS)
Basic information
Business form
Process integration
API service

SUPPORTING SERVICE
Mobile platform
Account service
Organization service
Instant messaging

BUSINESS DATA SERVICE
Thematic analysis
Embedded analysis
Corporate portrait
User portrait

ENTERPRISE AI SERVICE
Invoice identification
Voice interaction
NLP platform
Machine learning

High control PaaS level

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

OPERATING SYSTEM
Windows
Linux
Unix

DATABASE (dbPaaS)
RDS
Redis
HBase

RESOURCE MANAGEMENT
Resource arrangement
Resource monitoring
backup

MIDDLEWARE
MQ
Kafka
Zookeeper

OTHER
High code development kit
Code hosting
Big data suite
AI,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 …

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

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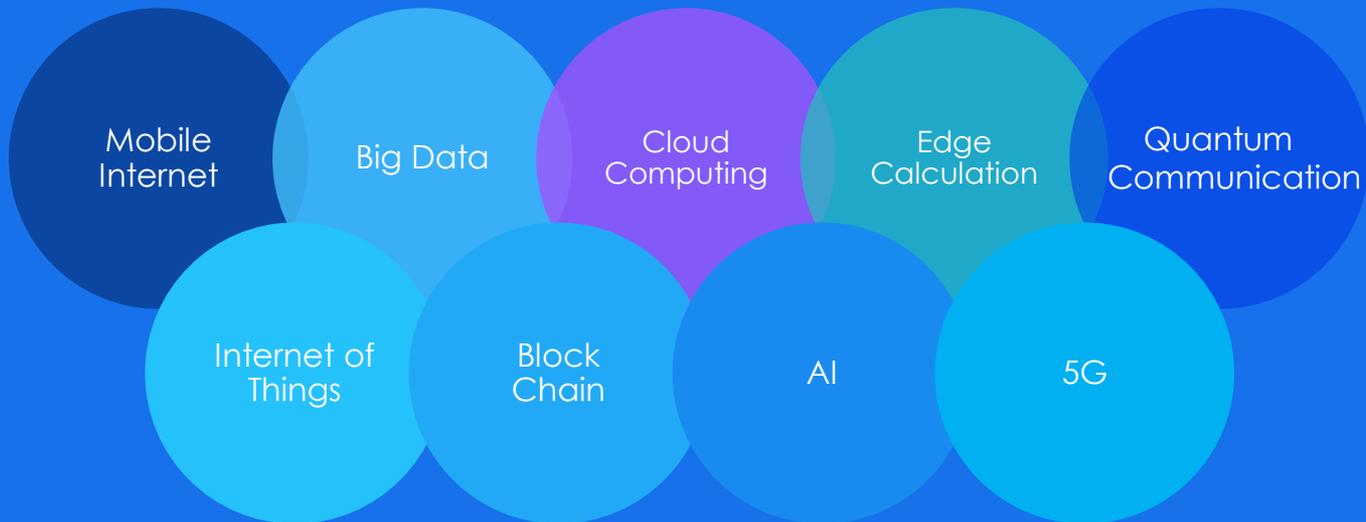
Market Leader in China's Enterprise SaaS Market

Kingdee

Maintained leading position since 2016

#1 **in SaaS ERM Market ~15.2%**

#1 **in Finance Cloud Market ~34.0%**

Top 5 ERM SaaS Vendors Market Share and Growth Rate, 2018 (US $M)

Market Share %

18%
16%
14%
12%
10%
8%
6%
4%
2%

Kingdee, $83

SAP, $51

Yonyou Network, $39

Beisen, $40

Oracle, $31

0%   20%   40%   60%   80%   100%

Growth Rate %

Note: The size of the bubble indicates the Cloud income of 2018 (US $M)

IDC
ANALYZE THE FUTURE
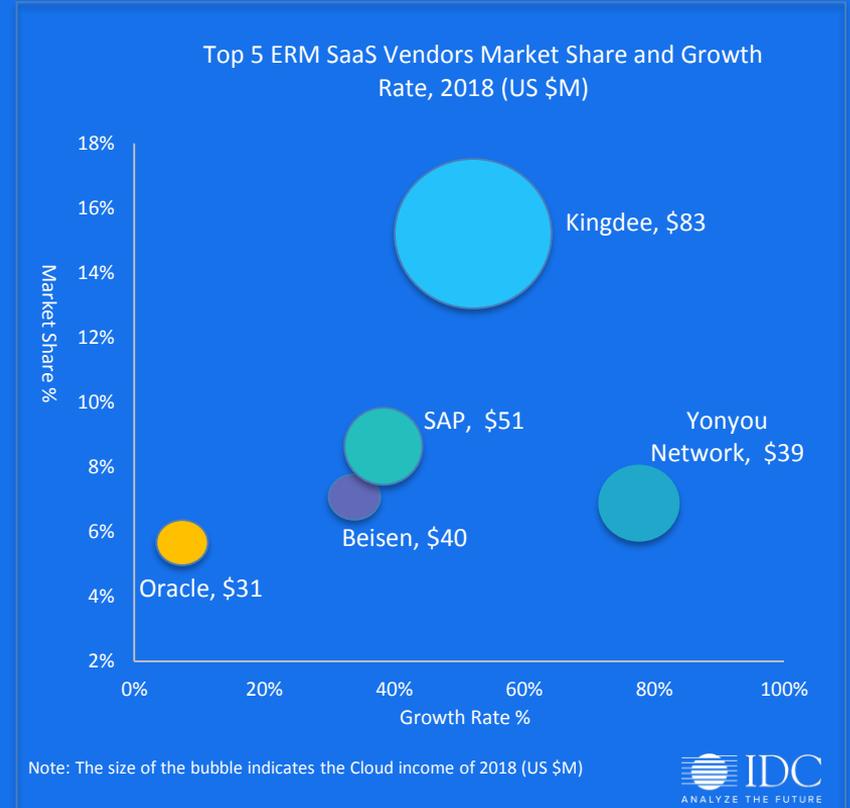
Trend of ERM SaaS Market of China

Kingdee

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

PRC ERM SaaS Market Forecast, 2018-2023 (US $M)

Year	HCM	Procurement	Financial	Order Mgmt.	YOY GR
2018	227	185	86		42%
2019	304	224	120		33%
2020	418	321	160		34%
2021	571	398	204		30%
2022	756	468	238		24%
2023	996	536	271		23%

Legend: HCM, Procurement, Financial, Order Mgmt., Others, YOY GR

2018-2023 CAGR

Total: **28.5%**

HCM: 34.5%

Financial: 23.7%

Procurement: 25.7%

Order Mgmt.: 22.0%

Others: 12.8%

Source: IDC PRC PUBLIC CLOUD SERVICES TRACKER 2018 H2

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

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5 Key Aspects of the Group's Strategy

Key 1: Kingdee Strategy 3.0

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Reach out to our customers and
Power their Success

Product
design

Brands and
Markets

Technology
research and
development

Robert's

Kingdee

Consulting and
solutions

Operations and
Maintains services

Pay

Sales

Key 2: Reconstruct the Industrial Value-chain

Kingdee

Portal

Cloud-Hub / WeChat / Web

User Front-end

SSC	Wens Distribution Mall		Wens Procurement Mall		Farmer Service Platform	
HR / Finance	Order	Club Member Management	Supplier Coordination	Mall Business	Data of Farmer	Farmer Coordination

Middle-end

| Wens SSC | ↔ | Wens B2B Distribution Management | ↔ | Wens Sharing Procurement Management | ↔ | Farmer Business Sharing Management |

Technology

Kingdee Cloud Cosmic PaaS Platform

Cloud Computing Back-end

Infrastructure

Case: Wens Group

Key 3: Drive the Transformation of Kingdee Service System

Kingdee

Quarter | Yearly

ERP
- Product Combination
- Resource Allocation

Product Roadmap
- Customer Insights
- Product Platform & Technical Planning
- Platform Sharing

Product Version Planning
- Commercialization
- Product Collaboration
- Technical Structure Collaboration

Product Development & Demand Management (Quick iteration)
(Data Driven: R&D Data Visualization)

Demand Management

Design → R&D → Testing → Delivery → Implementation

Design → R&D → Testing → Delivery → Implementation

Design → R&D → Testing → Delivery → Implementation

Product Maintenance and Operation
(Data Driven: User Behavioral Data)

- Maintenance → Demand Identification
- Operation → Demand Identification
- Customer Service → Demand Identification
- Official Account → Demand Identification

Quality Management
- Quality Strategy Design
- R&D Process Quality Control
- Post-commercialization – Fraud Management

Key 4: Kingdee Cloud Strategy

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Manufacturing Cloud

Service Cloud

Government & Administrative Cloud

HR Cloud

Conglomerate Cloud

Coordination Cloud

Operational Cloud

Industry Applications

PaaS

KingdeeCloud
Cosmic

IaaS

aws

HUAWEI

京东云

腾讯云

Key 5: Building up the Cloud Ecosystem with Software Vendors

Our Target

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

Kingdee

Cloud revenue contribution

¥ 2.8bn Total Revenue(2018)

¥ 3.5-4.5bn Total Revenue(2020)

30%

60%

■ Management Software   ■ Cloud services
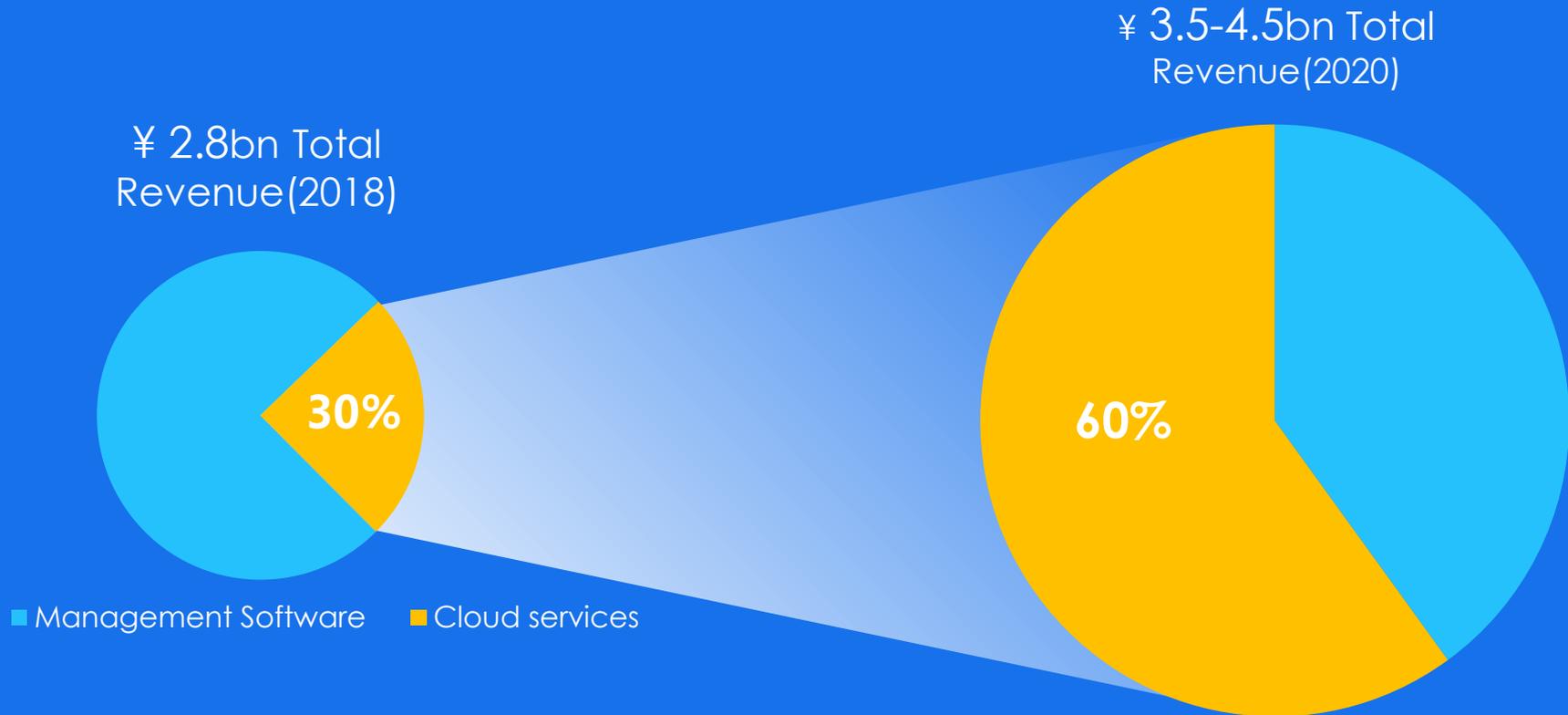
Cloud Services Revenue Guidance

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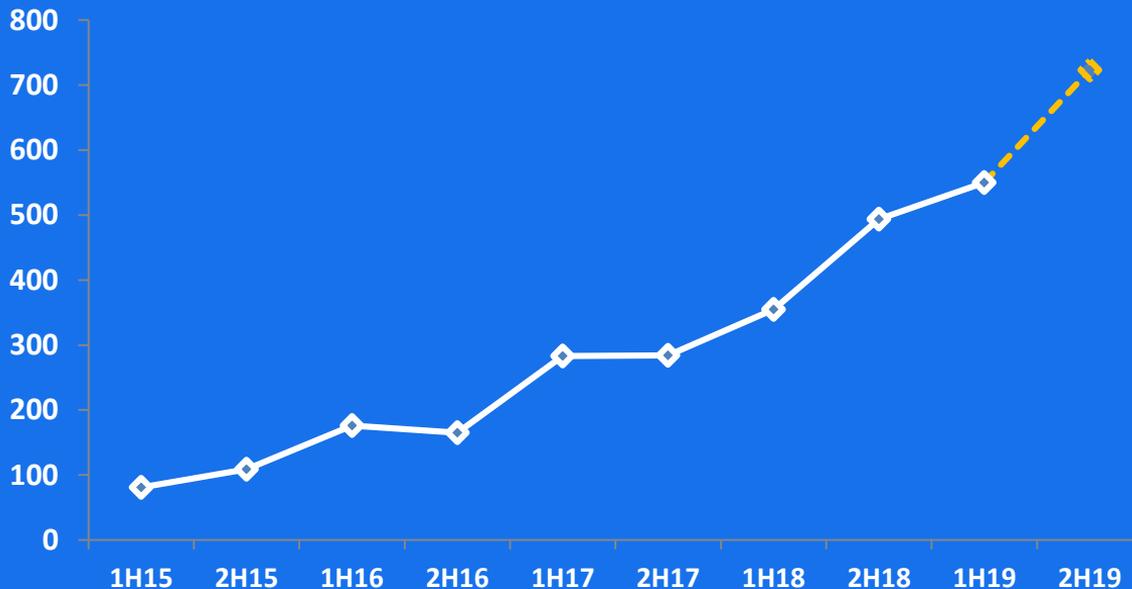
Guidance:
2019 Cloud
services revenue
up by **50%**+ y-o-y

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Management Software Business Review

Management Software

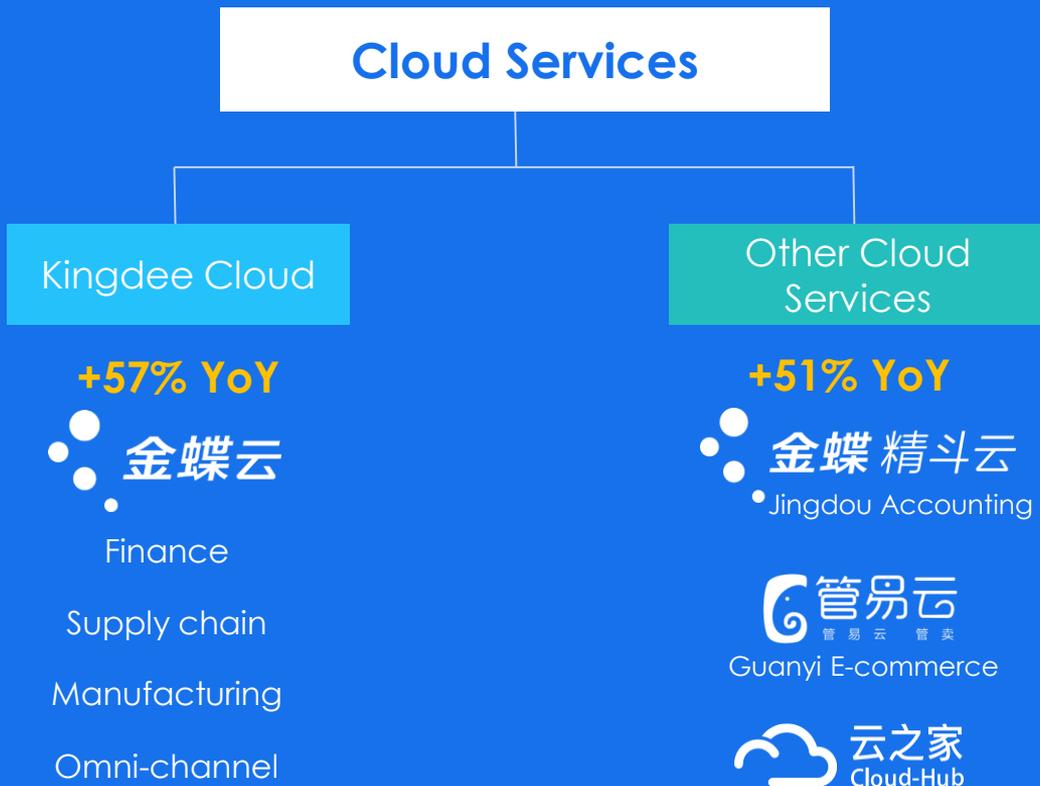| KIS	K/3	EAS	Implementation	Maintenance
+1% YoY	**-11% YoY**	**+2% YoY**	**+7% YoY**	**+2% YoY**

- 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

Cloud Business Review

Cloud Services

Kingdee Cloud

+57% YoY

金蝶云

Finance

Supply chain

Manufacturing

Omni-channel

Other Cloud Services

+51% YoY

金蝶 精斗云
Jingdou Accounting

管易云
Guanyi E-commerce

云之家
Cloud-Hub

Kingdee Cloud Galaxy Highlights

KingdeeCloud *galaxy*

51%
YoY Revenue Growth

>80%
Customer Retention Rate

>11,500
Customers

>90%
Dollar Retention Rate

Kingdee Cloud Cosmic Highlights

KingdeeCloud
cosmic

28
New wins in 2019 H1

43
Total customers

26%
from competitors

50+
SaaS applications

Jingdou Cloud Highlights

金蝶 精斗云

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

Kingdee
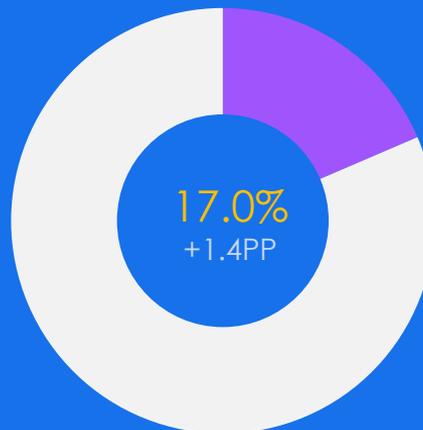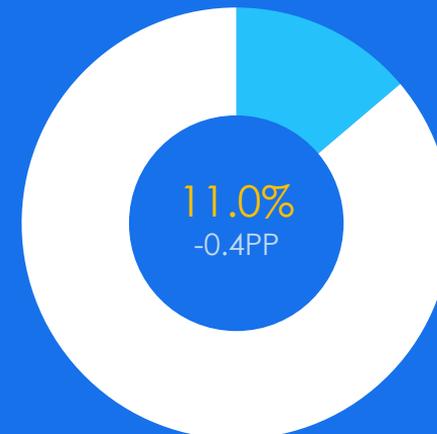
S&M
as a % of total revenue

51.4%
+0.9PP
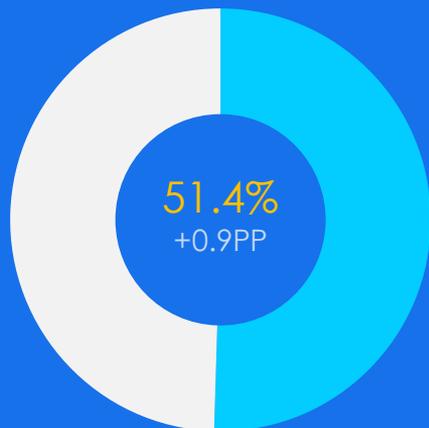
RMB 763mn

R&D
as a % of total revenue

17.0%
+1.4PP

RMB 252mn

G&A
as a % of total revenue

11.0%
-0.4PP

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

Kingdee

(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

Kingdee

(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%

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