



Kingdee International Software Group

2019 Annual Results Announcement

Stock Code: 268.HK

19 March 2020



**Business
Highlights**



**Cloud Market
Update**



**Cloud Strategy
Update**



CFO Report



Appendix



**Business
Highlights**



Cloud Market
Update



Cloud Strategy
Update



CFO Report

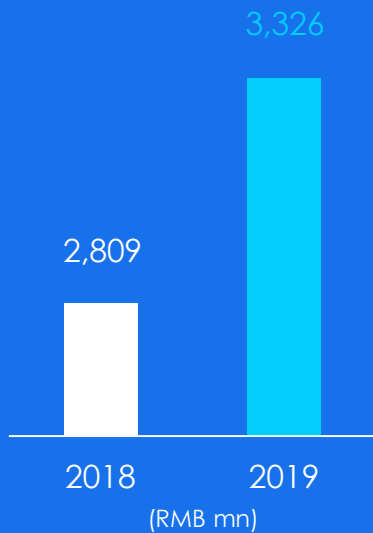


Appendix

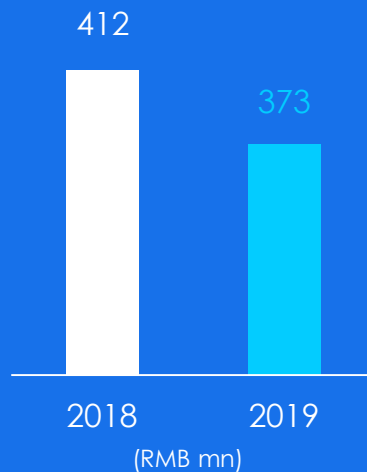
2019 Business Highlights



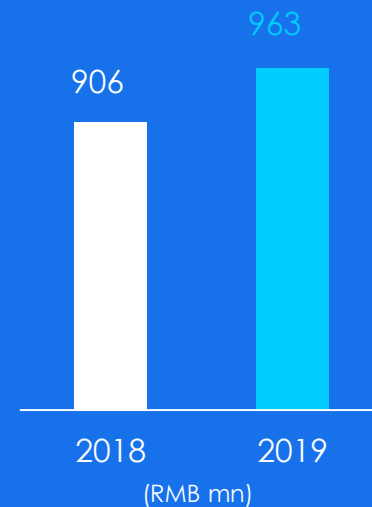
+18.4% YoY
Revenue



-9.6% YoY
Net Profit to Equity Holders



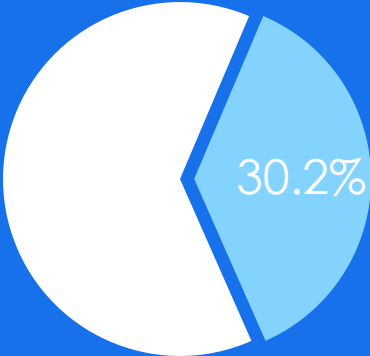
+6.3% YoY
Operating Cash Flow



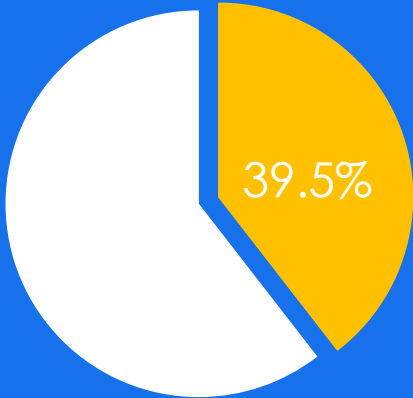
Business Growth Driven by Cloud Services



Growth of Cloud Services in 2019



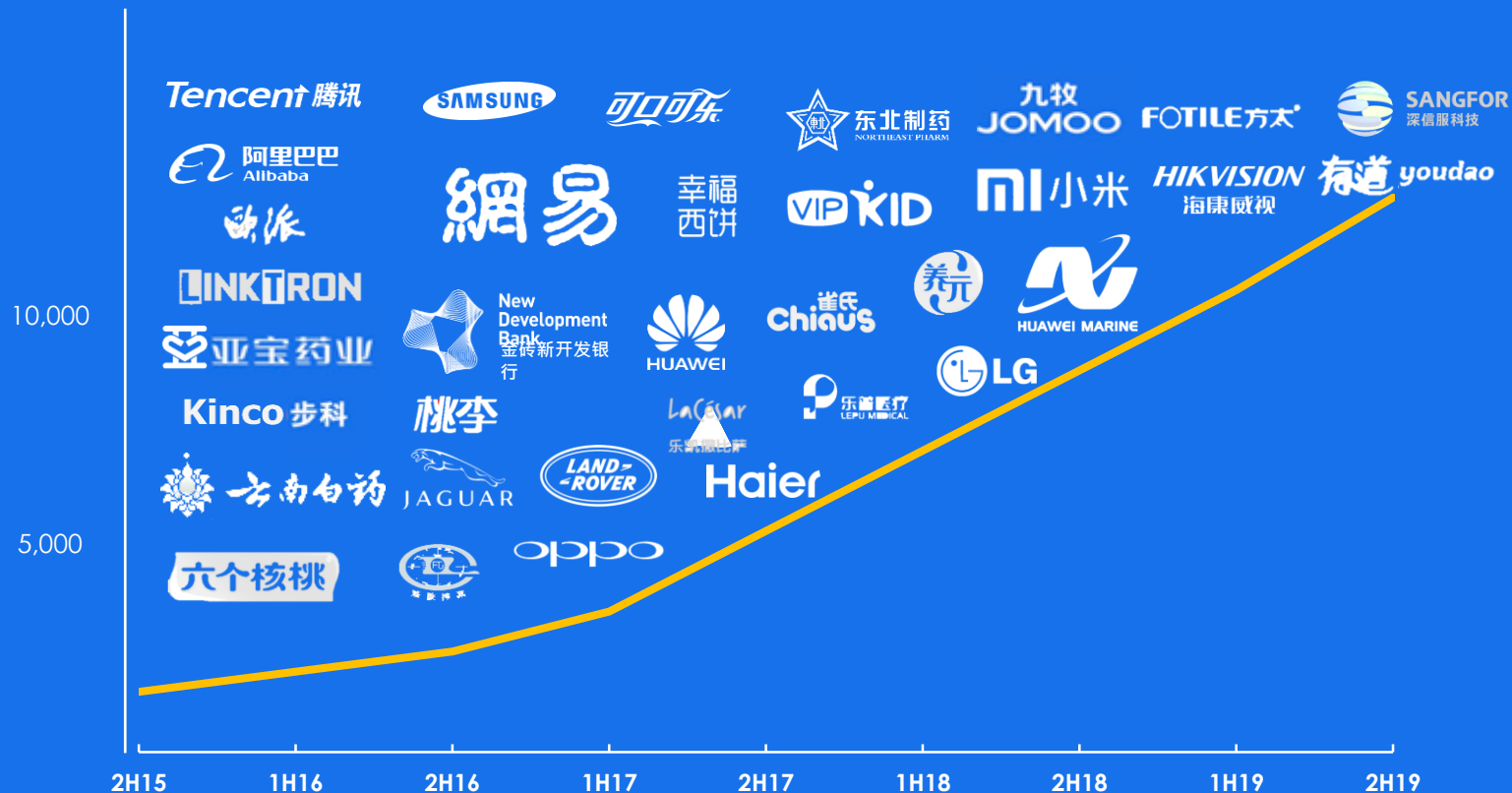
Cloud Services in 2018



Cloud Services in 2019

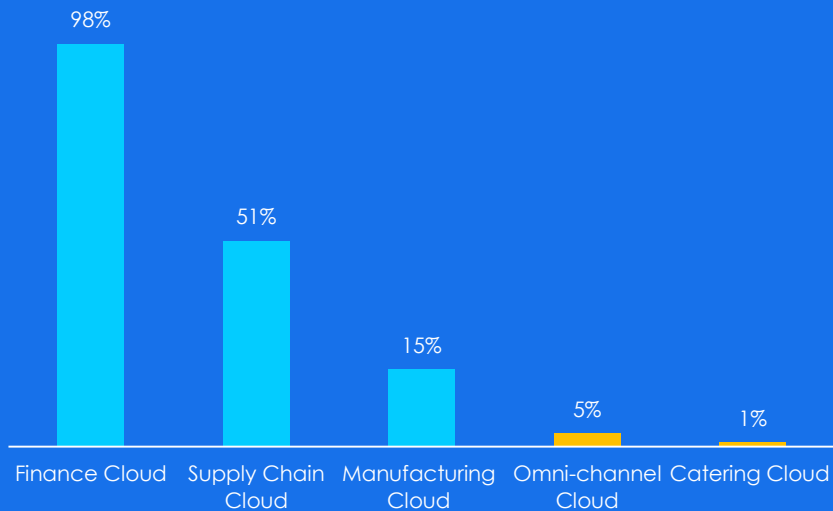
 **Kingdee** *Cloud Galaxy*

Preferred Choices of the Enterprises



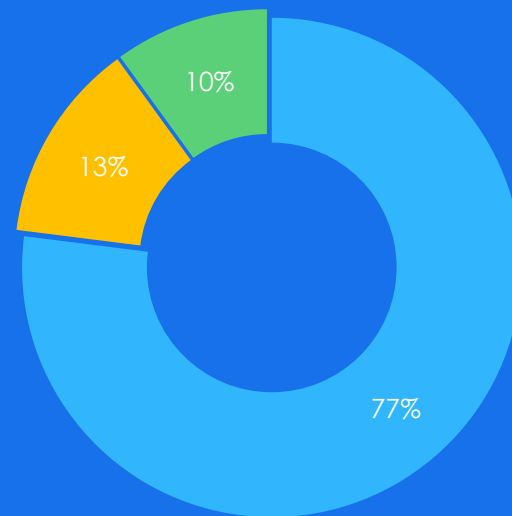
> 13,800 customers, >45% YoY Customer Growth, 90% of new customers

Galaxy Customer Analysis



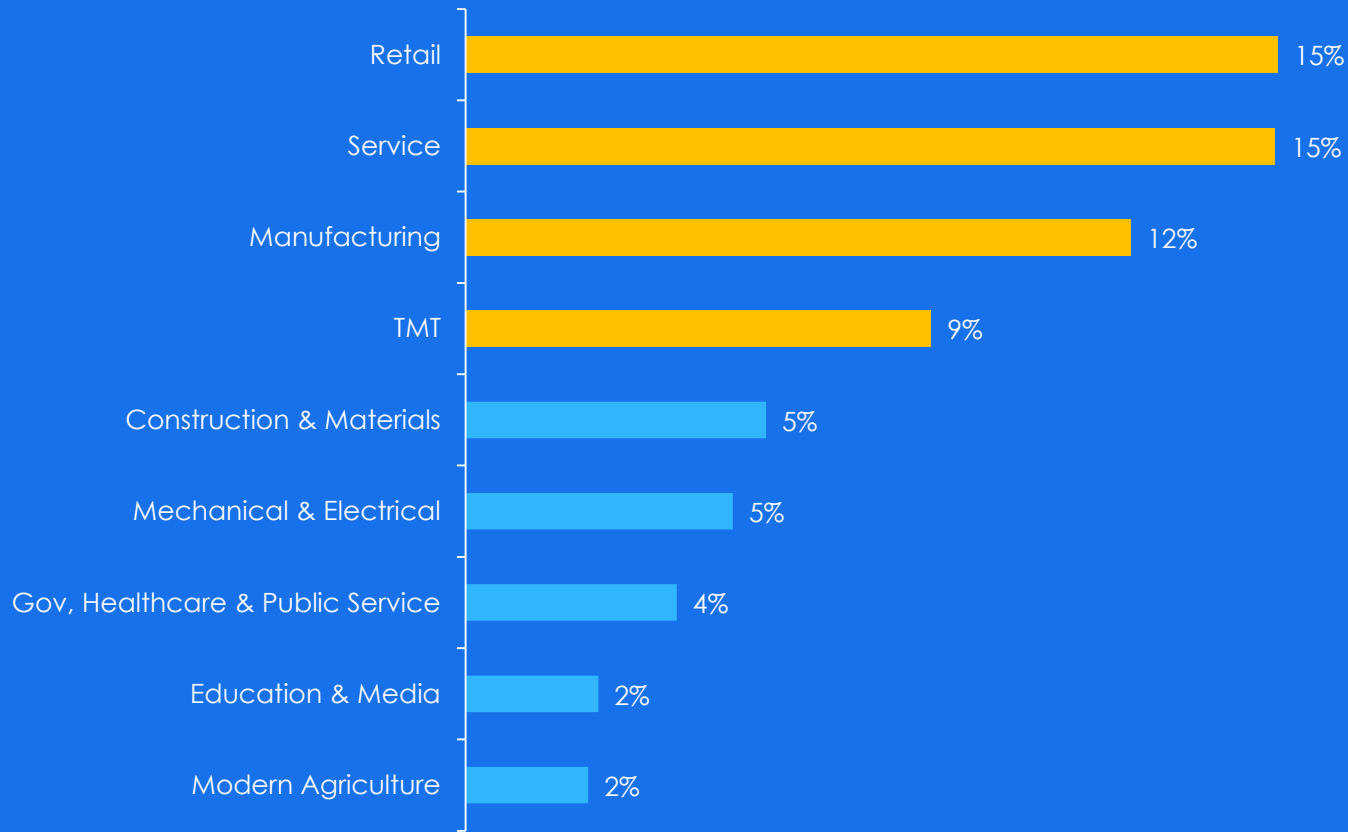
32%
of customers have 2+ solutions

17%
of customers have 3+ solutions



- Client new to ERP
- Client from competitors
- Kingdee existing client

The Most Comprehensive Cloud Solutions



43%
Revenue Growth

45%
Customer Growth

90%
Dollar Retention Rate



Enterprises Upgrading to Cosmic



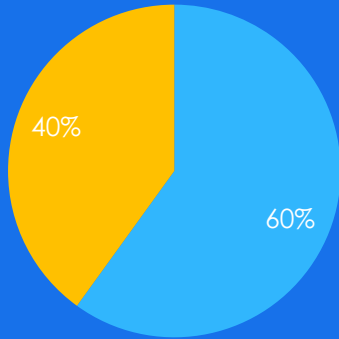
2018: **15** Clients

2019: **130** new clients

Total contract size in 2019
RMB 200mn

Average contract size
RMB 1.54mn

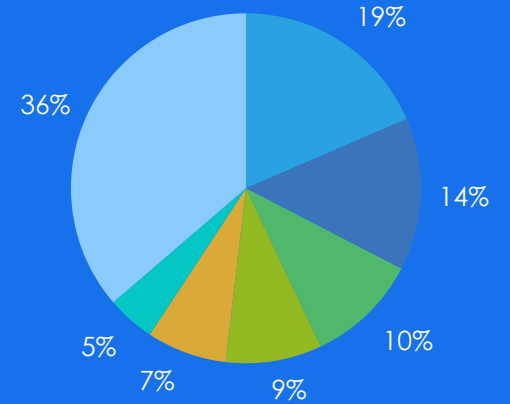
Cosmic Customer Analysis



Public Cloud Hybrid Cloud

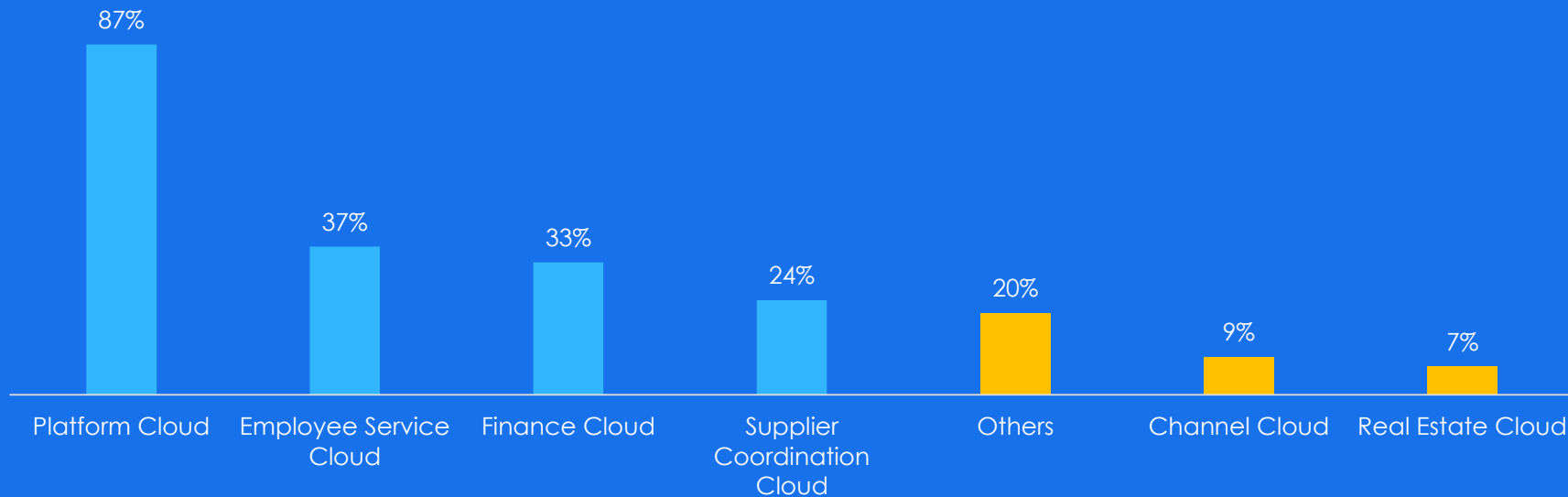


Existing Clients New Clients



Manufacturing TMT
Construction & Real estate Conglomerate
Business service Financial
Others

Cosmic Customer Analysis



27%

of customers have
1~2 solutions

26%

of customers have
3 solutions

47%

of customers have
>3 solutions

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

<p>APPLICATION SERVICE PLATFORM</p> <p>Visual modeling IDE Personal Application management center Developer community</p>	<p>OPERATING MODEL</p> <p>Organizational model Process model Permission model,...</p>	<p>DATA SERVICE</p> <p>Basic information Process integration API service</p>	<p>MOBILE PLATFORM</p> <p>mobile platform Organization service Instant messaging</p>	<p>ANALYTICS SERVICE</p> <p>Thematic analysis Corporate portrait User portrait</p>	<p>INTEGRATION SERVICE</p> <p>Invoice identification Voice interaction NLP platform Machine learning</p>
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High control PaaS level

<p>INFRASTRUCTURE SERVICE</p> <p>Virtual machine (VM) Container Service (CaaS) No server (IPaaS, Serverless)</p>	<p>OPERATING SYSTEM</p> <p>Windows Linux Unix</p>	<p>NETWORK / DATABASE</p> <p>VPN MQ Kafka</p>	<p>RESOURCE MANAGEMENT</p> <p>Resource arrangement Resource monitoring Disaster recovery</p>	<p>MESSAGE ORIENTED</p> <p>MQ Kafka Zookeeper</p>	<p>OTHER</p> <p>High code development kit Code hosting Big data suite AI, IoT,...</p>
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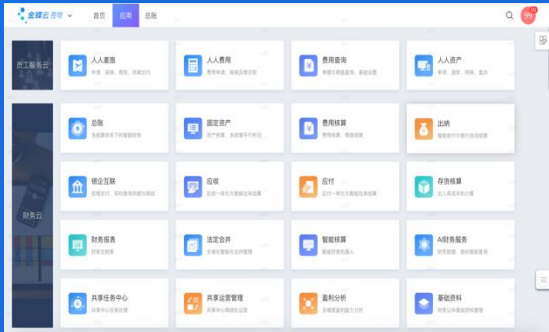
IaaS + PaaS by

HUAWEI Cloud, AWS, ALIBABA Cloud, TENCENT Cloud

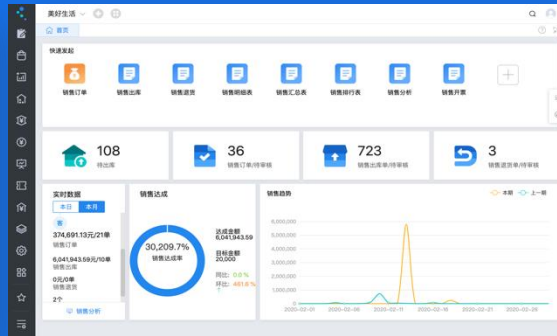
IaaS level

<p>STORAGE SERVICE</p> <p>Object storage, file storage, hybrid storage</p>	<p>COMPUTING RESOURCE</p> <p>CLOUD SERVER, BARE METAL SERVER, GPU</p>	<p>INTERNET SERVICE</p> <p>VPN, VPC, Nat Gateway, public net IP, CDN, SLB Load balancing...</p>	<p>OTHER SERVICE ...</p>
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Cosmic PaaS use cases: Kingdee in-house development



Kingdee Cloud Cosmic



Jingdou Cloud V7



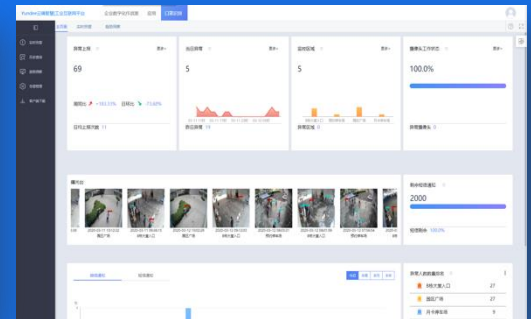
Tianyan Cloud

平台名称	平台地址	设备名称	设备类型	设备方式
8870384764873467	天津	SH-QP-00000387	固定式采集器	自动采集
2970428777392847	天津	SH-QP-00000387	固定式采集器	自动采集
8886656101453287	天津	SH-QP-00000387	固定式采集器	自动采集
8870370205446708	天津	SH-QP-00000387	固定式采集器	自动采集
888670348849273608	天津	SH-QP-00000387	固定式采集器	自动采集
8886308849203324	天津	SH-QP-00000387	固定式采集器	自动采集
888648208849203782	天津	SH-QP-00000387	固定式采集器	自动采集
8870370205446708	天津	SH-QP-00000387	固定式采集器	自动采集
88866888883700202	天津	SH-QP-00000387	固定式采集器	自动采集
88866888882773048	天津	SH-QP-00000387	固定式采集器	自动采集
5173288349348282	天津	SH-QP-00000387	固定式采集器	自动采集

Guanyi Cloud

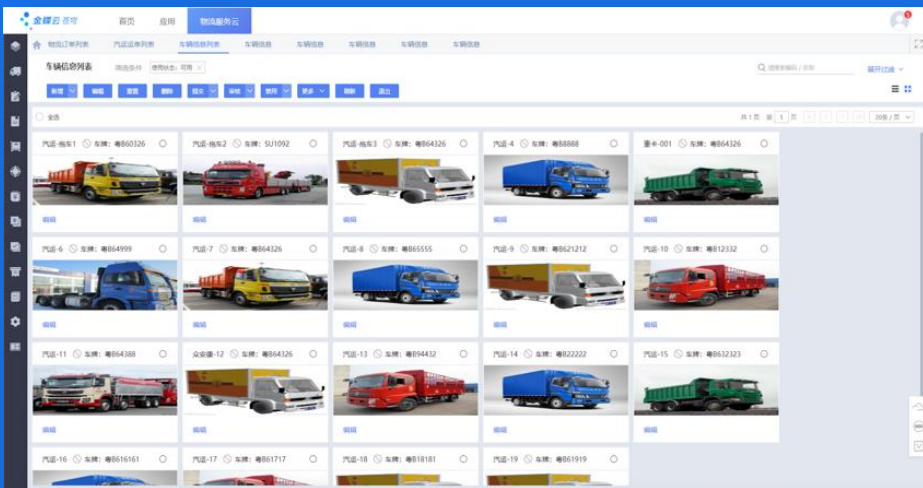


Wojia Cloud

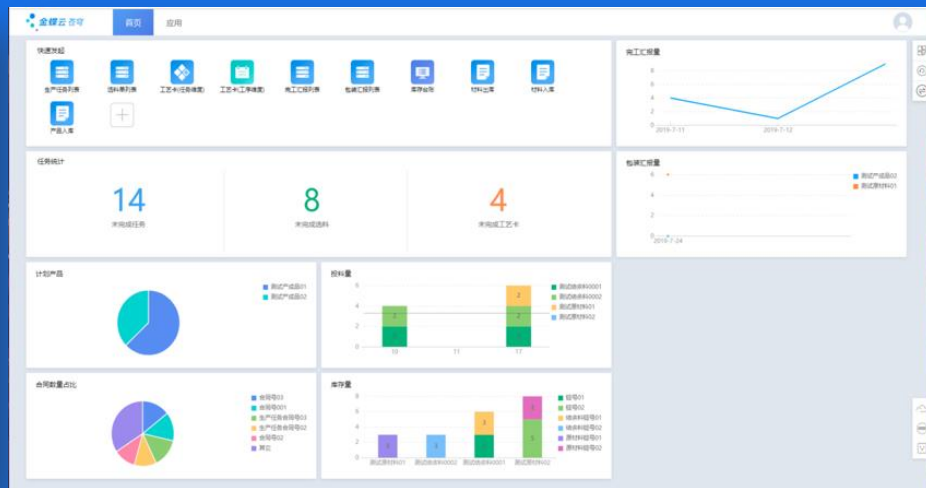


Yundee

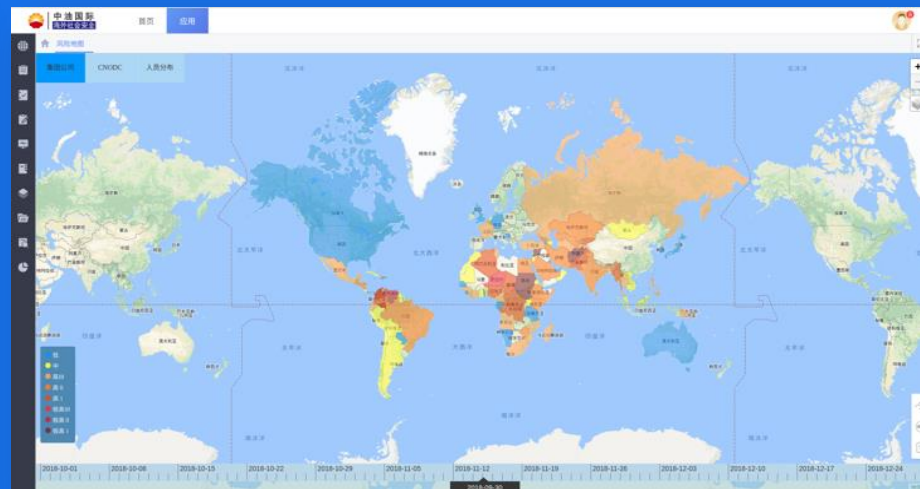
Cosmic PaaS use cases: ISV products



Moyasz: Logistics Cloud



Linkpal: Collaborative Manufacturing Cloud



Huawei: Infrastructure Project Management

PetroChina: Global Employee Safety

1 Low-code Development

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



Vendor/Product	Available for Private Deployment?
Kingdee International Software Group's PaaS	Yes
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Published: 28 January 2019 ID: G00352196

Coding amount reduced by **90%**
Development efficiency improve by **500%**

Source: Gartner

2 Localization Support

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

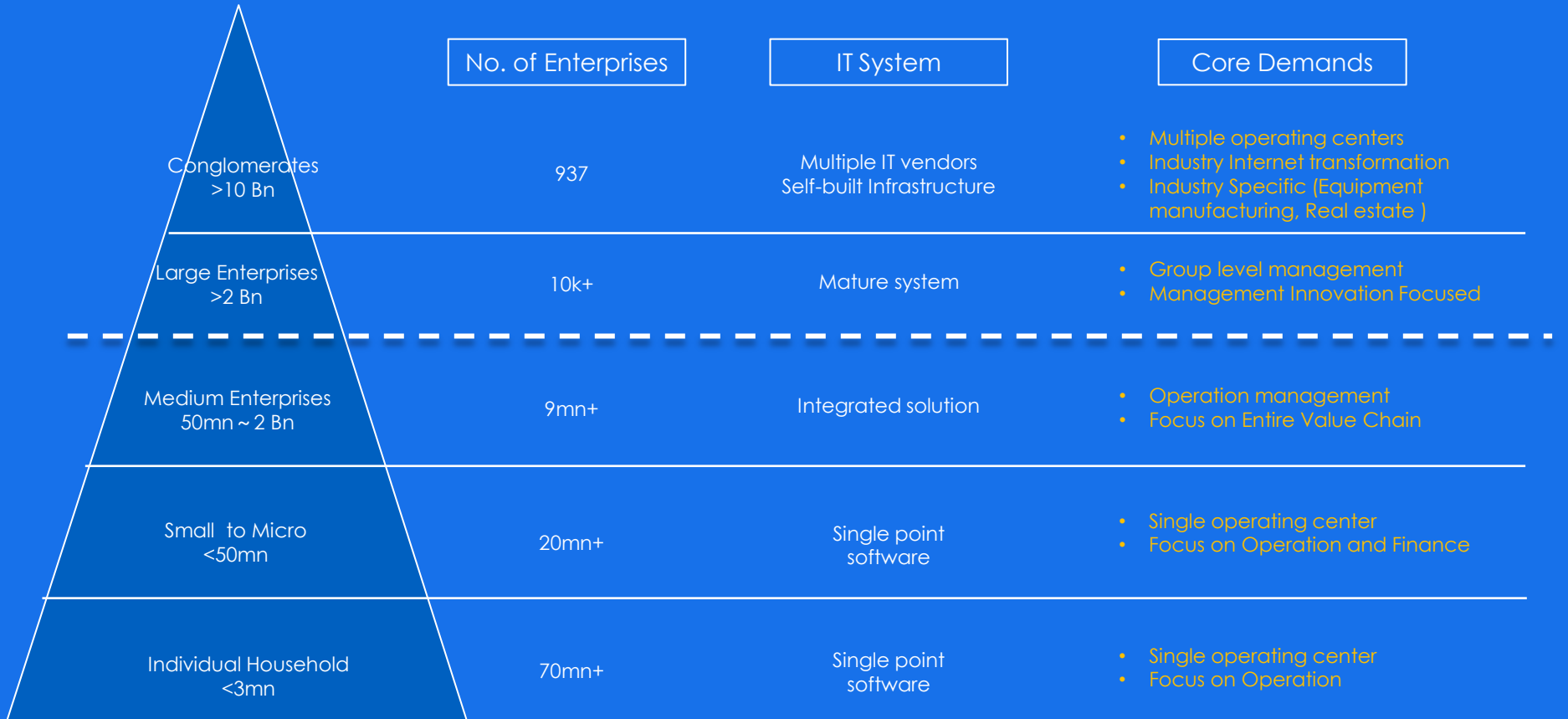
Huawei Taishan, Inspur, Great Wall, Sugon

3 Enterprise cloud computing

Container + Micro-service , Elastic computing

73 invention patents and **3 design patents**. Core patent on Cosmic's cloud native architecture won the **National Patent Award**.

Cosmic's addressable market





Business
Highlights



**Cloud Market
Update**



Cloud Strategy
Update



CFO Report



Appendix

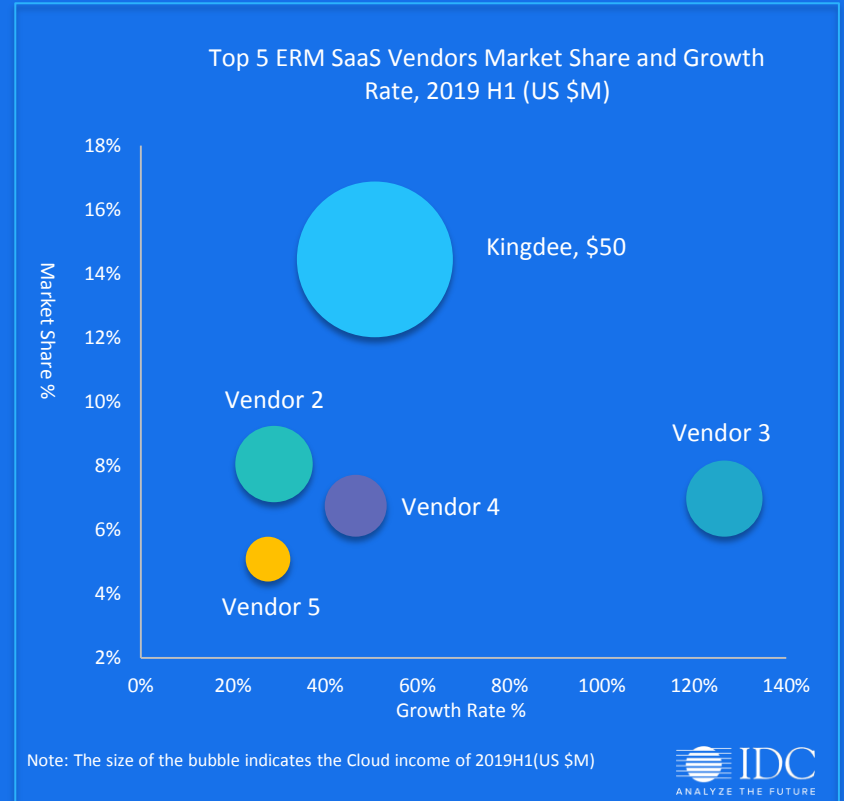
Market Leader in China's Enterprise SaaS Market



Maintained leading position since 2016

#1 in SaaS ERM Market ~13.9%

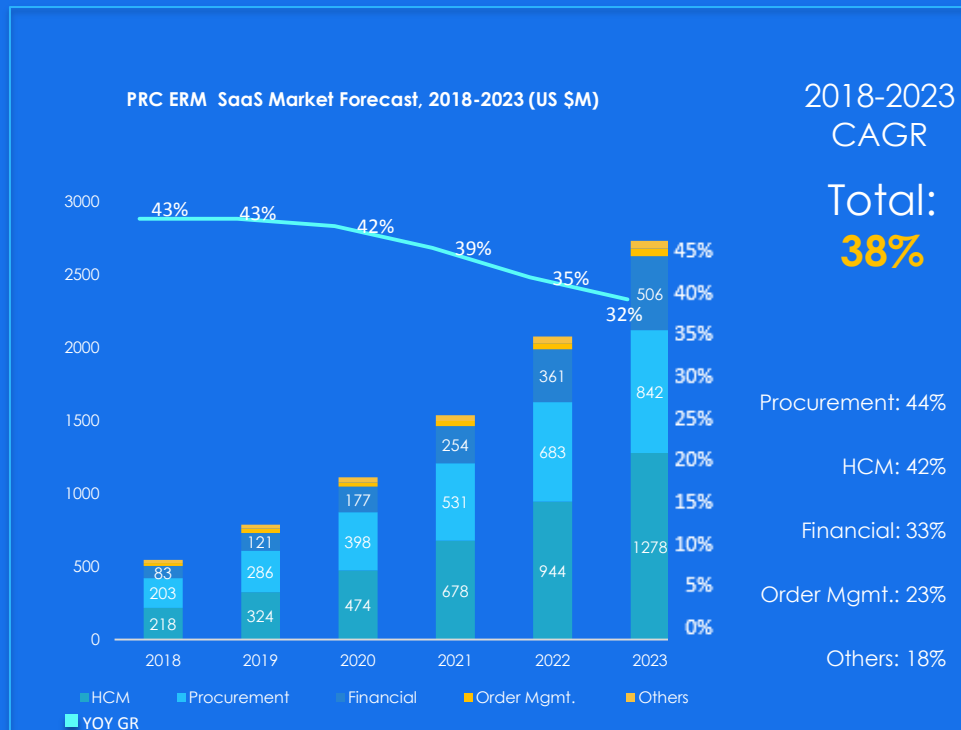
#1 in Finance Cloud Market ~28.4%



Trend of ERM SaaS Market of China

ERM SaaS market CAGR in 2018-2023: **38%**

- Focus on **APaaS**
- Build the **Middle-platform** is the main need for large enterprises
- Build **Industrial Internet** based on APaaS strengths
- Focus on **Customer Experience**





Business
Highlights



Cloud Market
Update



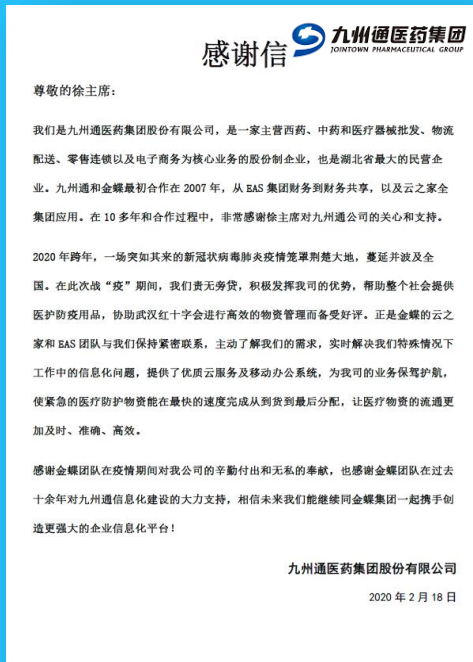
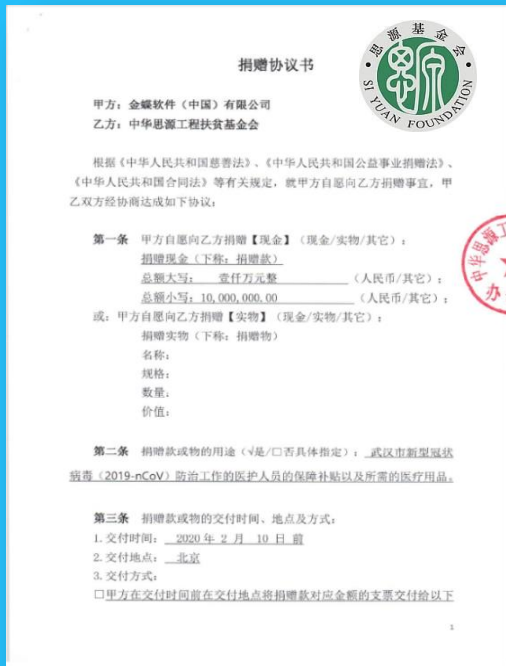
**Cloud Strategy
Update**



CFO Report

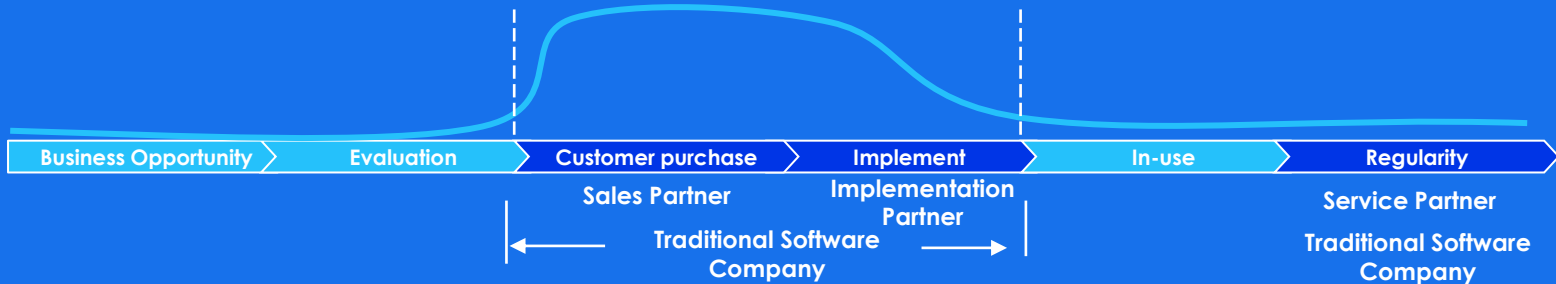


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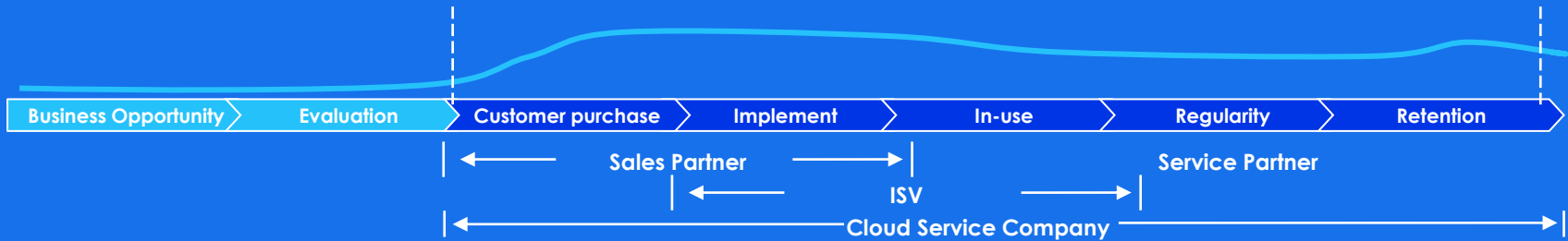


From Value 'Hunter' to 'Farmer'

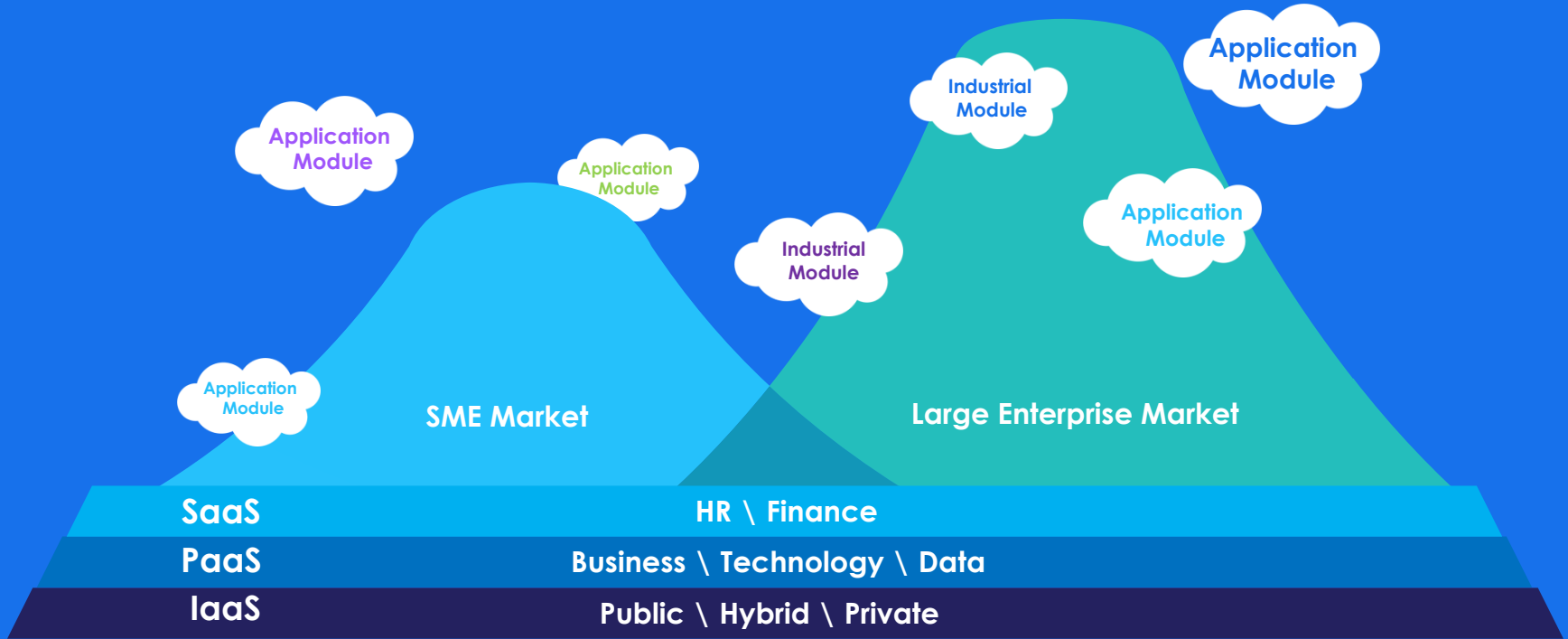
Traditional ERP Business: One-off sales, Product-focused



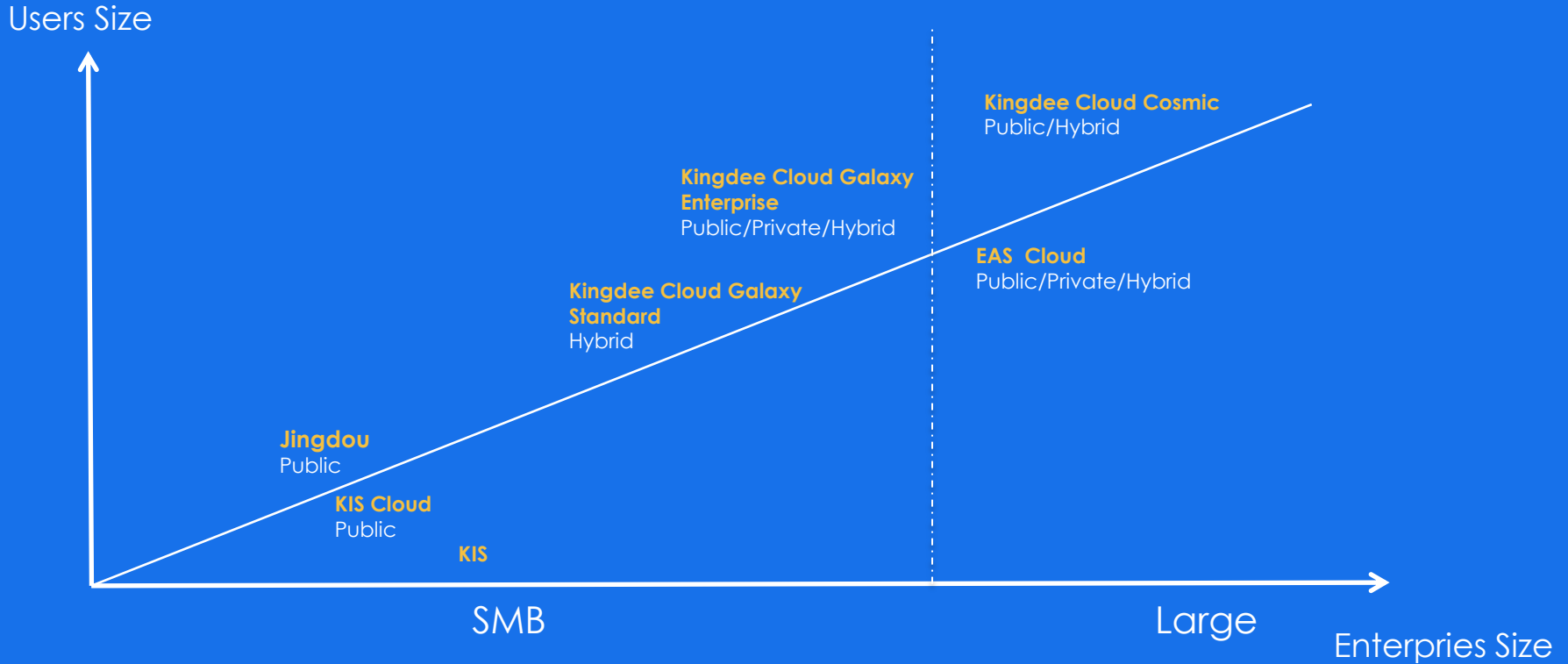
Cloud Service Business: Long-Term Value, Customer-centered, Ecosystem



Platform + Finance & HR + Ecosystem



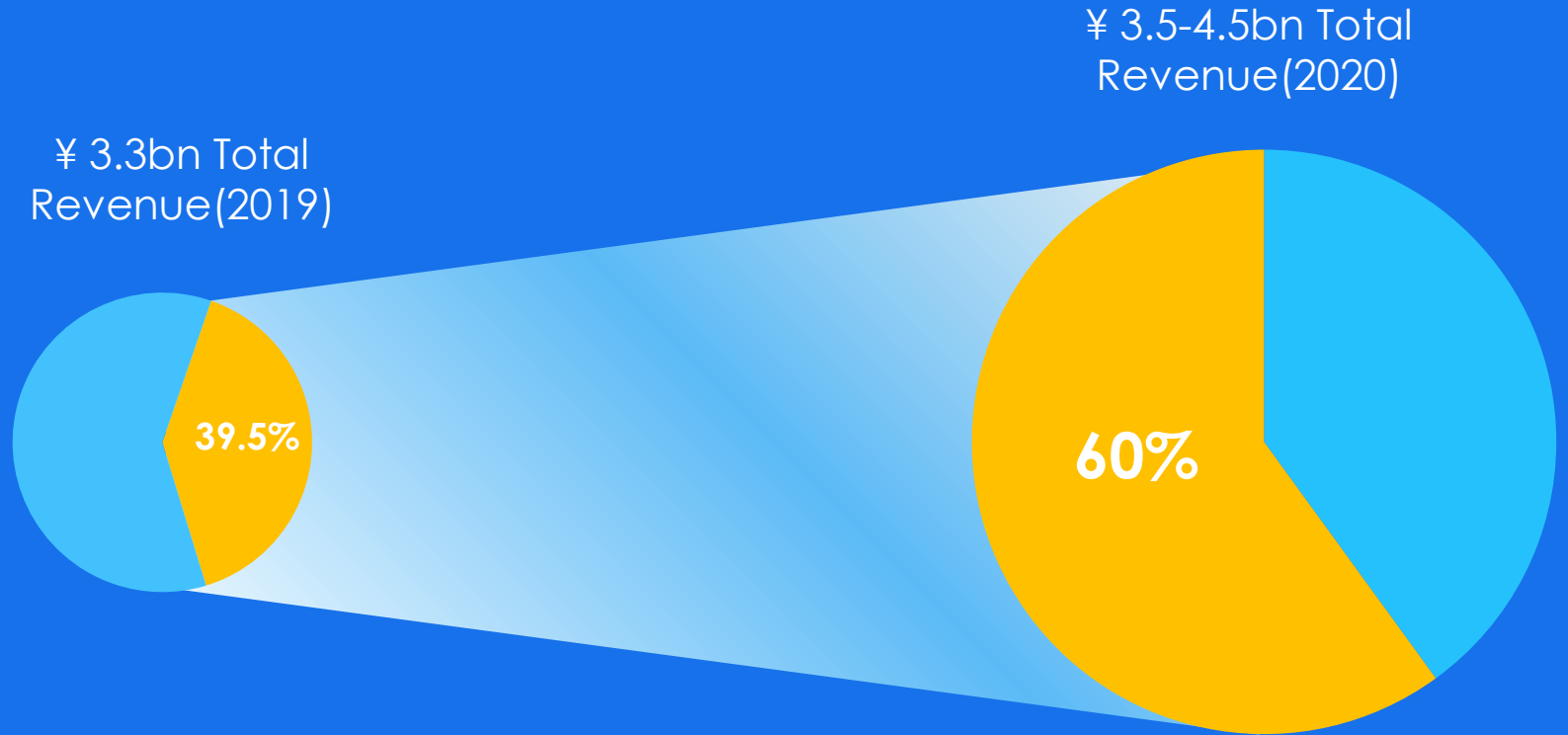
Product Strategy



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



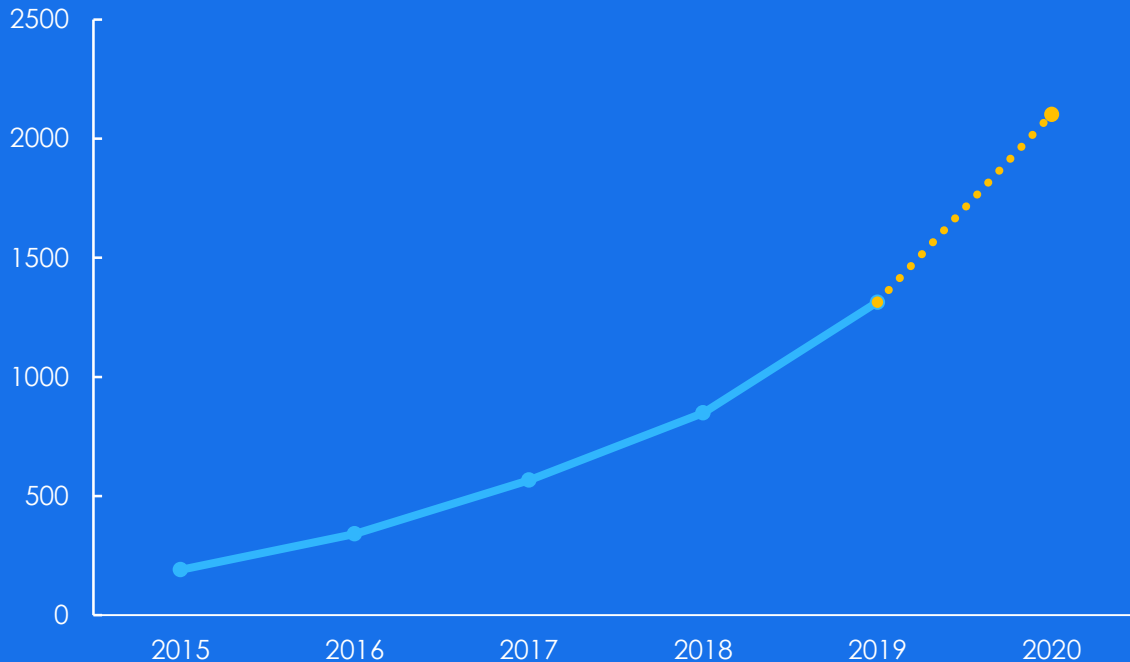
Cloud revenue contribution



Cloud Services Revenue Guidance



RMB mn



Guidance:
2020 Cloud
services revenue
up by 60%+ y-o-y



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Highlights



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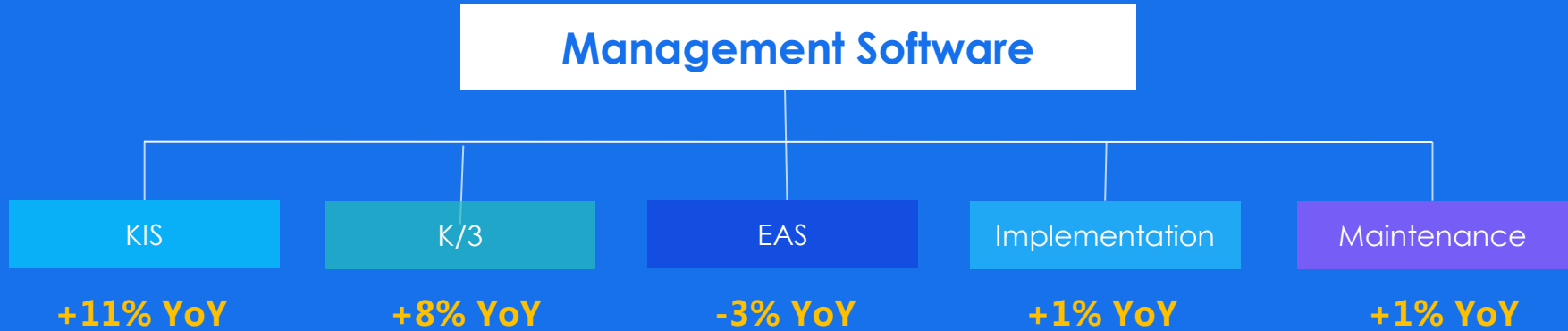


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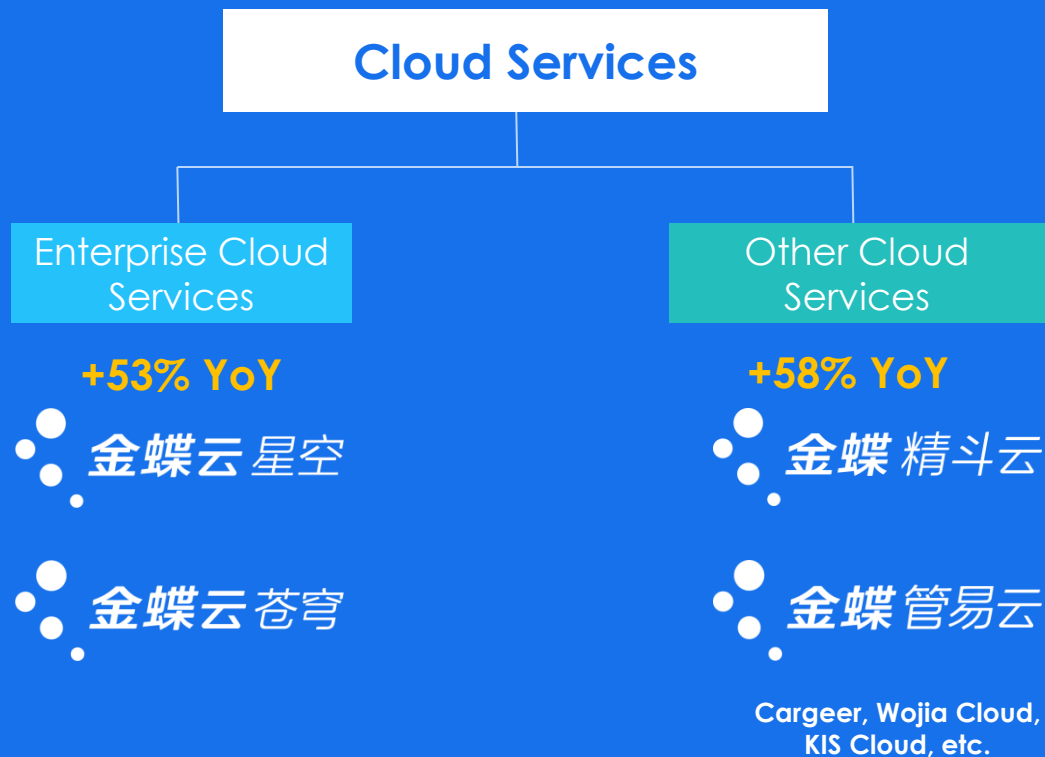


Appendix

Management Software Business Review



- EAS with Implementation and Maintenance revenue remained flattish growth





43%

YoY Revenue Growth

76%

Customer Retention Rate

>13,800

Customers

90%

Dollar Retention Rate

Breakeven in 2019

Kingdee Cloud Cosmic Highlights



130

New wins in 2019

145

Total customers

47%

New customers to Kingdee

100+

SaaS applications

Jingdou Cloud Highlights



88%

YoY Revenue
Growth

80%

Dollar Retention Rate

>117,000

Customers

45%

YoY Paying Customer Growth

Guanyi E-Commerce Highlights



14%

YoY Revenue Growth

82%

Dollar Retention Rate

>5400

Paying Customers

35%

YoY Customer Growth

Financial Overview



(RMB'000)	2019	2018	Change
Revenue	3,325,590	2,808,658	18.4%
Cost of Sales	-652,003	-514,339	26.8%
Gross Margin	80.4%	81.7%	-1.3pts
Total Operating Expenses	-2,665,951	-2,278,499	17.0%
Other Income & Gains	376,157	342,971	9.7%
Operating Profit	423,787	453,307	-6.5%
Operating Margin	12.7%	16.1%	-3.4pts
Finance Costs– net	5,370	-1,037	NA
Tax Expenses	-30,333	-38,760	-21.7%
Net Profit – equity holders	372,580	412,106	-9.6%
Net Profit Margin	11.2%	14.7%	-3.5pts
Diluted EPS(cents)	11.22	12.45	-9.9%
Gains on investment properties	-39,994	-94,516	-57.7%
Stock-based compensation	103,948	91,502	13.6%
Tax effects and adjustments*	7,994	-377	NA
Non-GAAP Net Profit	428,540	409,469	4.7%
Non-GAAP EPS(cents)	13.3	13.1	1.2%

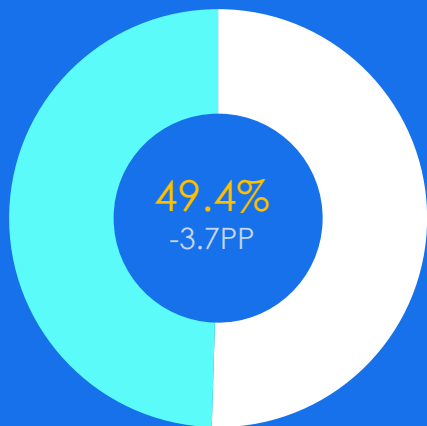
Note: The Group believes that providing non-GAAP financial measures may prove useful to investors and enable investors to evaluate financial results in the same way management does

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

Operating Expenses Breakdown

S&M

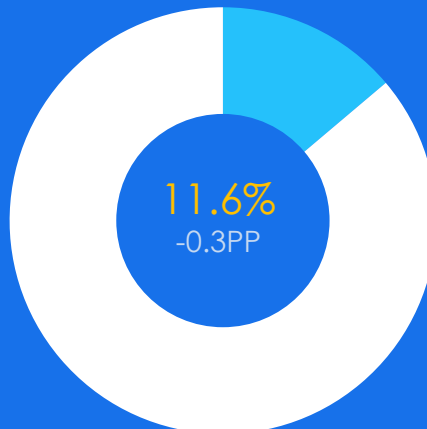
as a % of total revenue



RMB 1,644mn

G&A

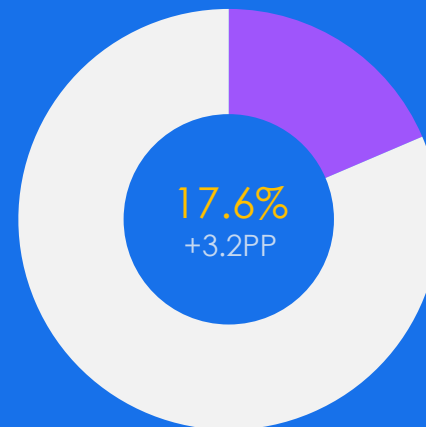
as a % of total revenue



RMB 386mn

R&D

as a % of total revenue



RMB 587mn

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 Rmb3.2bn+ in cash and equivalent assets



Business
Highlights



Cloud Market
Update



Cloud Strategy
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CFO Report



Appendix

Total Revenue by Segments



(RMB'000)	2019	% of Total Revenue	2018	% of Total Revenue	Change
Management Software business	2,011,995	60.5%	1,959,402	69.8%	2.7%
- Sales of software license	979,607	29.5%	936,620	33.3%	4.6%
- Implementation	516,717	15.5%	512,209	18.3%	0.9%
- Maintenance	490,881	14.8%	486,247	17.3%	1.0%
- Others	24,790	0.7%	24,326	0.9%	1.9%
Cloud services business	1,313,595	39.5%	849,256	30.2%	54.7%
Total	3,325,590	100.0%	2,808,658	100.0%	18.4%

Software License by Segments



(RMB'000)	2019	% of Total Revenue	2018	% of Total Revenue	Change
KIS	391,356	11.8%	351,963	12.5%	11.2%
K/3	180,800	5.4%	167,552	6.0%	7.9%
EAS	364,570	11.0%	374,544	13.3%	-2.7%
Others	42,881	1.3%	42,561	1.5%	0.8%
Total software license turnover	979,607	29.5%	936,620	33.3%	4.6%

Cloud Services Business – Recognised VS Contracted



(RMB'000)	2019	2018	Change
Revenue: Cloud services	1,313,595	849,256	54.7%
Contract liabilities: Cloud services (= subscription + others)	542,793	298,017	82.1%
Subscription related	421,541	221,953	89.9%
others related	121,252	76,064	59.4%

Other Gains



(RMB'000)	2019	2018	Change
VAT refund	164,308	178,529	-8.0%
Government projects	31,317	43,347	-27.8%
Rental income - net	73,243	72,941	0.4%
Gains on disposal of associates	47,426	-	/
Others	59,863	48,154	24.3%
Total	376,157	342,971	9.7%
VAT % of Total Revenue	4.9%	6.4%	

Selling & Marketing Expenses



(RMB'000)	2019	2018	Change
Advertising and marketing	115,516	109,476	5.5%
Sales promotion	132,792	123,562	7.5%
Salaries and staff welfare	957,172	880,029	8.8%
Project cooperation and outsourcing service fee	313,859	265,830	18.1%
Travelling expenses	43,463	37,020	17.4%
Fixed costs	73,078	66,745	9.5%
Others	8,504	8,640	-1.6%
Total	1,644,384	1,491,302	10.3%
S&M % of Total Revenue	49.4%	53.1%	-3.7pts

R&D Expenses



(RMB'000)	2019	2018	Change
Salaries and staff welfare	555,587	410,657	35.3%
Option & restricted stock expense	31,192	26,804	16.4%
Fixed costs	49,941	49,070	1.8%
Travelling costs	9,588	9,750	-1.7%
Others	4,191	4,020	4.3%
Total R&D costs	650,499	500,301	30.0%
Less: development costs capitalised	477,654	379,237	26.0%
Add: amortisation	413,982	284,094	45.7%
Total R&D Expenses	586,827	405,158	44.8%
R&D Expenses / Total Revenue	17.6%	14.4%	+3.2pts

Administrative Expenses



(RMB'000)	2019	2018	Change
Salaries and staff welfare	173,666	154,285	12.6%
Option & restricted stock expenses	72,756	64,698	12.5%
Professional service fees	21,791	22,212	-1.9%
Travelling costs	9,032	8,484	6.5%
Meeting expenses	3,723	7,035	-47.1%
Fixed costs	72,800	76,346	-4.6%
Impairment of goodwill	31,187	-	N/A
Others	1,369	1,282	6.8%
Total	386,324	334,342	15.5%
Admin. % of Total Revenue	11.6%	11.9%	-0.3pts

Balance Sheet Overview



(RMB'000)	31 Dec. 2019	31 Dec. 2018	Change
Trade and other receivables	330,153	286,615	15.2%
Cash at bank and in hand	3,273,577	2,101,021	55.8%
Total assets	8,420,153	7,578,553	11.1%
Current assets	4,241,447	3,159,513	34.2%
Borrowings	199,625	301,125	-33.7%
Trade and other payables	684,624	580,716	17.9%
Total equity	6,145,671	5,532,667	11.1%



感謝 ขอบคุณ ありがとうございます Thanks terima kasih 谢谢



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