

2018年5月18日

增持
下调

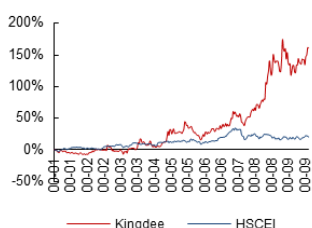
期待二代云产品，估值溢价有待夯实

金蝶国际 (268:HK)

Market Data: 17 May

Closing Price (HK\$)	8.56
Price Target (HK\$)	9.40
HSCEI	12,278
HSCCI	4,629
52-week High/Low (HK\$)	9.06/2.97
Market Cap (HK\$ bn)	28
Market Cap (US\$ bn)	3.6
Shares Outstanding (Mn)	3273
Exchange Rate (US\$-HK\$)	7.76

Price Performance Chart:



Source: Bloomberg

Analyst

Mae Huang

A0230517010002

BGT702

huangqian@swsresearch.com

"Property gains"

Kingdee International (268:HK)

Published 14 March 2018

"On cloud nine"

Kingdee International (268:HK)

Published 23 January 2018

"Interest income"

Kingdee International (268:HK)

Published 24 October 2017

The company does not hold any equities or derivatives of the listed company mentioned in this report ("target"), but then we shall provide financial advisory services subject to the relevant laws and regulations. Any affiliates of the company may hold equities of the target, which may exceed 1 percent of issued shares subject to the relevant laws and regulations. The company may also provide investment banking services to the target. The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for relevant disclosure materials or log into www.swsresearch.com under disclosure column for further information. The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	1,862	2,303	2,809	3,444	4,360
YoY (%)	22.8	23.7	22.0	22.6	26.6
Net income (Rmbm)	212	310	338	515	729
YoY (%)	100.2	46.4	9.1	52.3	41.5
EPS (Rmb)	0.07	0.11	0.11	0.16	0.22
Diluted EPS (Rmb)	0.07	0.11	0.10	0.15	0.21
ROE (%)	6.35	8.54	7.71	9.95	12.68
Debt/asset (%)	41	41	36	37	37
Dividend yield (%)	0.0	0.1	0.2	0.3	0.5
PE (x)	99.8	66.3	69.2	46.8	33.9
PB (x)	6.1	5.1	4.7	4.4	4.1
EV/Ebitda (x)	35.4	27.6	28.8	23.8	18.9

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

金蝶 5 月 15 日宣布了和中国长城的战略合作，给金蝶云二代的诞生又加上了一个强有力的合作伙伴，和长城的合作有利于金蝶云自主可控应用系统的开发，为基于国产化技术上的稳定应用发展奠定了基础。金蝶的二代云产品预计在八月上旬发布。二代云产品的目标客户是大公司，而一代云产品的目标客户主要是中型公司。二代云产品的亮点是支持混合云，可协同于线下 EAS 系统的协作，或者兼容其他任何公司大型线下 ERP 系统协作，比如 Oracle 和 SAP。二代云产品的单价超过 50 万，而一代云产品的单价仅为 5-10 万。虽然大公司的 ERP 系统基本都被国际 ERP 供应巨头垄断，但是金蝶在大集团内部的新业务和新结构的发展中仍然有机会，新业务的发展需求给了金蝶涉足该领域的机会，也给予了金蝶逐渐在大企业内部扩展其业务模块的机会。金蝶在中国线下传统的 ERP 软件的大企业中并没有强大的竞争优势，但金蝶在 SaaS 上布局较早，已经具备了一定的先发优势，可借势从竞争对手中拿回一定大企业 ERP 的市场份额。所以我们认为二代云产品的发布对于金蝶来说是一个重要的里程碑，对于金蝶是否能在 SAAS 领域重塑 ERP 市场地位至关重要。我们切换估值体系到 2019 年，基于对云业务 PS 估值法的 14 倍估值，我们把目标价从 7.1 港币提高到 9.4 港币。股价仍有 10% 的上升空间，我们评级下调至增持。

客户数量增加。金蝶云业务在 2018 年第 1 季度新增了约 1000 个左右的客户。今年的客户数量预计为 8000-9000 左右，对比于去年底的 5500 左右（年均增长 45.45%-63.63%）。客户数量增长于收入增速基本一致，受益于获客成本的降低。

稀释风险仍然存在。由于可转换债券已全部被转换，在外发行的股份数提高到了 32.73 亿股。2018 年基本和稀释的每股收益很可能会持平或者负增长，2019 年恢复正常增速水平。虽然市场更关注云业务收入的增长，而不是利润，但是我们认为金蝶关注度在今年年初的迅猛提升，有相当一部分源于 2017 年年报利润的超预期。如果 2018 年每股收益为负增长或者持平，也许市场反应会相对复杂或有一定冲突。

当前估值偏高。虽然我们认为在短期金蝶仍有催化剂比如二代云产品的发布，而且可转债的抛售风险已经被释放，我们建议投资者保持谨慎。即使我们把今年云业务总体增速定在 70%（比公司的当前指引高 10 个百分点），金蝶当前的估值对应 2018 年 PS 已经到达了 18 倍，对应 19 年的 PS 水平达到了 12.5 倍。

下调到增持。我们将 2018 年预测的稀释每股收益从人民币 0.11 元调整为 0.10 元（同比降低 6%），维持 2019 年预测的稀释每股收益为人民币 0.15 元（同比增加 50%），预测 2020 年的稀释每股收益为人民币 0.21 元（同比增加 42%）。我们把估值切换到 2019 年，基于 PS 估值法下云业务的 14 倍估值，我们把目标价从 7.1 港币调整为 9.4 港币，相当于 51x 19E PE, 37x 20E PE, 4.7x 19E PB, and 4.3x 20E PB。股价仍有 10% 的上升空间，我们将评级下降为增持。

Target in sight

On 15 May 2018, Kingdee International introduced China Greatwall Technology Group (000066:CH – N-R) as a strategic partner, which will benefit the second generation of Kingdee Cloud, expected to be released in early August. We lower our diluted EPS forecast from Rmb0.11 to Rmb0.10 in 18E (-6% YoY), but maintain our forecasts at Rmb0.15 in 19E (+50% YoY) and Rmb0.21 in 20E (+40% YoY). We raise our target price from HK\$7.10 to HK\$9.40, representing 51x 19E PE and 4.7x 19E PB. With 10% upside, we downgrade our rating from BUY to Outperform.

New milestone. The second generation of Kingdee Cloud will target large companies (vs medium-sized firms for the first generation). It will be based on hybrid cloud technology, compatible with the firm's offline EAS system or any other large offline enterprise resource planning (ERP) system, such as Oracle or SAP. The unit price will be c.Rmb500k, compared to Rmb50-100k for the first generation. Although traditional ERP systems, like Oracle and SAP, already occupy a large share of the market for large companies, the development of new businesses and new structures within conglomerates creates demand for new, innovative solutions, like Kingdee Cloud. Despite a lack of competitiveness in the offline segment for large companies, we believe Kingdee will take advantage of its first-mover advantage in the online segment to gain market share. As such, we see the release of the second generation of Kingdee Cloud as a milestone for the company, and expect it to reshape China's software as a service (SaaS) landscape further.

Growing client base. Kingdee Cloud gained an additional c.1,000 customers in 1Q18. We expect the total number of customers to reach 8-9k by end-2018E, vs 5.5k in end-2017 (+45.5-63.6% YoY). We note the growth in client numbers has been in line with the company's guidance, along with declining customer acquisition costs.

Share dilution. We note all convertible bonds have been converted into shares, bringing the total number of shares outstanding to 3.3bn. We believe this will have a negative impact on basic EPS growth in 18E, which we expect to be flat YoY, before turning positive again in 19E. Although the market seems to focus more on cloud revenue growth than bottom-line growth at the moment, we believe a flat or negative 18E EPS YoY growth figure would raise concerns among investors.

High valuation. Despite short-term catalysts for the stock, as the company prepares the release of the second generation of Kingdee Cloud, we suggest investors remain cautious, given a current valuation at 18x 18E PS for Kingdee Cloud, with 70% YoY growth this year and 12.5x 19E PS.

Downgrade to Outperform. We lower our diluted EPS forecast from Rmb0.11 to Rmb0.10 in 18E (-6% YoY), but maintain our forecasts at Rmb0.15 in 19E (+50% YoY) and Rmb0.21 in 20E (+40% YoY). We roll over our valuation multiples to 19E and, based on 14x PS for the cloud business, raise our target price from HK\$7.10 to HK\$9.40, representing 51x 19E PE, 37x 20E PE, 4.7x 19E PB, and 4.3x 20E PB. With 10% upside, we downgrade our rating from BUY to Outperform.

Fig 1: Segment fundamental forecast

Segments						
	2015	2016	2017	2018E	2019E	2020E
ERP Business						
Revenue	1349	1521	1735	1900	1990	2033
% growth		13%	14%	10%	5%	2%
% over total	89%	82%	75%	68%	58%	47%
Operating profit	308	233	392	430	398	407
% growth		-24%	69%	10%	-7%	2%
% margin	23%	15%	23%	23%	20%	20%
% over total	90%	93%	93%	96%	61%	45%
Segment results	191	208	289	317	298	305
% growth		9%	39%	10%	-6%	2%
% margin	14%	14%	17%	17%	15%	15%
% over total	89%	98%	93%	94%	58%	42%
Cloud services						
Revenue	168	341	568	909	1455	2327
% growth		103%	67%	60%	60%	60%
% over total	11%	18%	25%	32%	42%	53%
Operating profit	-52	-88	-136	-109	145	396
% growth		70%	54%	-20%	-233%	172%
% margin	-31%	-26%	-24%	-12%	10%	17%
% over total	-15%	-35%	-32%	-24%	22%	44%
Segment results	-46	-81	-114	-73	116	279
% growth		77%	40%	-36%	-260%	140%
% margin	-27%	-24%	-20%	-8%	8%	12%
% over total	-21%	-38%	-37%	-21%	23%	38%
Others						
Operating profit	86	104	165	128	112	106
% growth		22%	58%	-22%	-13%	-5%
% over total	25%	42%	39%	29%	17%	12%
Segment results	73	89	148	116	101	96
% growth		22%	67%	-22%	-13%	-5%
% margin	85%	85%	90%	90%	90%	90%
% over total	34%	42%	48%	34%	20%	13%

Source: Company, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	1,862	2,303	2,809	3,444	4,360
Cost of Sales	-348	-427	-521	-638	-808
Gross Profit	1,514	1,876	2,289	2,806	3,552
Other Income	264	349	320	350	380
Distribution expenses	-1,002	-1,236	-1,421	-1,635	-1,977
Administrative expenses	-278	-320	-379	-448	-567
EBITDA	609	780	808	962	1,185
EBIT	249	421	449	655	909
Finance Costs	-22	-27	-41	-42	-44
Profit before tax	209	378	391	594	844
Income tax expense	6	-55	-39	-65	-101
Minority interests	3	14	14	14	14
Profit attributable	212	310	338	515	729

Source: SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	162	289	378	391	594
Plus: Depr. and amortisation	275	364	360	359	307
Finance cost	54	35	27	41	42
Losses from investments	-15	-158	0	0	0
Change in working capital	143	107	279	-183	9
Others	-62	-26	-220	-80	-108
CF from operating activities	556	612	824	528	845
CAPEX	-301	-467	-377	-250	-250
Other CF from investing activities	-624	-94	-594	0	0
CF from investing activities	-924	-561	-971	-250	-250
Equity financing	1,108	24	18	737	40
Net change in liabilities	-447	-37	-80	45	44
Dividend and interest paid	-30	0	0	-51	-103
Other CF from financing activities	12	-111	-174	0	0
CF from financing activities	644	-125	-236	732	-19
Net cash flow	276	-74	-383	1,009	576

Source: SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	2,957	3,534	4,884	5,805	7,065
Bank balances and cash	1,465	1,057	2,117	2,796	3,709
Trade and other receivables	711	752	1,044	1,280	1,620
Inventories	6	14	13	19	26
Other current assets	775	1,710	1,710	1,710	1,710
Long-term investment	908	1,753	1,753	1,753	1,753
PP&E	796	510	533	554	575
Intangible and other assets	1,316	1,005	873	795	749
Total Assets	5,977	6,802	8,044	8,908	10,142
Current Liabilities	923	1,405	1,514	1,743	2,131
Borrowings	81	155	156	135	161
Trade and other payables	674	1,002	1,110	1,360	1,722
Other current liabilities	168	248	248	248	248
Long-term liabilities	1,518	1,354	1,398	1,463	1,504
Total Liabilities	2,441	2,759	2,912	3,206	3,634
Minority Interests	60	48	61	75	89
Shareholder Equity	3,476	3,995	5,071	5,626	6,419
Share Capital	73	72	80	80	81
Reserves	1,238	1,548	1,886	2,401	3,131
Equity attributable	3,476	3,995	5,071	5,626	6,419
Total Liabilities and equity	5,977	6,802	8,044	8,908	10,142

Source: SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (Rmb)					
Earnings per share	0.07	0.11	0.11	0.16	0.22
Diluted earnings per share	0.07	0.11	0.10	0.15	0.21
Operating CF per share	0.21	0.29	0.16	0.26	0.31
Dividend per share	0.02	0.00	0.01	0.00	0.00
Net assets per share	1.20	1.42	1.58	1.70	1.90
Key Operating Ratios (%)					
ROIC	5.26	6.90	6.78	8.54	10.56
ROE	6.35	8.54	7.67	9.76	12.17
Gross profit margin	81.31	81.46	81.46	81.46	81.46
Ebitda margin	32.73	33.88	28.76	27.93	27.17
Ebit margin	13.37	18.27	15.98	19.02	20.84
Growth rate of Revenue(YoY)	22.77	23.70	21.96	22.60	26.59
Growth rate of Profit(YoY)	100.22	46.39	9.12	52.34	41.52
Debt-to-asset ratio	40.84	40.56	36.20	35.99	35.84
Turnover rate of net assets	0.53	0.57	0.55	0.60	0.67
Turnover rate of total assets	0.31	0.34	0.35	0.39	0.43
Effective tax rate (%)	(2.84)	14.48	10.00	11.00	12.00
Dividend yield (%)	0.15	0.00	0.13	0.00	0.00
Valuation Ratios (x)					
P/E	99.78	66.27	69.21	46.85	33.91
P/B	6.08	5.14	4.62	4.29	3.85
EV/Sale	11.60	9.35	8.27	6.60	5.06
EV/Ebitda	35.44	27.61	28.75	23.64	18.61

Source: SWS Research

Information Disclosure :

The views expressed in this report accurately reflect the personal views of the analyst. The analyst declares that neither he/she nor his/her associate serves as an officer of nor has any financial interests in relation to the listed corporation reviewed by the analyst. None of the listed corporations reviewed or any third party has provided or agreed to provide any compensation or other benefits in connection with this report to any of the analyst, the Company or the group company(ies). A group company(ies) of the Company confirm that they, whether individually or as a group (i) are not involved in any market making activities for any of the listed corporation reviewed; or (ii) do not have any individual employed by or associated with any group company(ies) of the Company serving as an officer of any of the listed corporation reviewed; or (iii) do not have any financial interest in relation to the listed corporation reviewed or (iv) do not, presently or within the last 12 months, have any investment banking relationship with the listed corporation reviewed.

Undertakings of the Analyst

I (We) am (are) conferred the Professional Quality of Securities Investment Consulting Industry by the Securities Association of China and have registered as the Securities Analyst. I hereby issue this report independently and objectively with due diligence, professional and prudent research methods and only legitimate information is used in this report. I am also responsible for the content and opinions of this report. I have never been, am not, and will not be compensated directly or indirectly in any form for the specific recommendations or opinions herein.

Disclosure with respect to the Company

The company is a subsidiary of Shenwan Hongyuan Securities. The company is a qualified securities investment consulting institute approved by China Securities Regulatory Commission with the code number ZX0065.

Releasing securities research reports is the basic form of the securities investment consulting services. The company may analyze the values or market trends of securities and related products or other relevant affecting factors, provide investment analysis advice on securities valuation/ investment rating, etc. by issuing securities research reports solely to its clients.

The Company fulfills its duty of disclosure within its sphere of knowledge. The clients may contact compliance@swsresearch.com for the relevant disclosure materials or log into www.swsresearch.com for the analysts' qualifications, the arrangement of the quiet period and the affiliates' shareholdings.

Introduction of Share Investment Rating

Security Investment Rating :

When measuring the difference between the markup of the security and that of the market's benchmark within six months after the release of this report, we define the terms as follows:

Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight : Industry performs better than that of the whole market ;

Equal weight : Industry performs about the same as that of the whole market ;

Underweight : Industry performs worse than that of the whole market.

We would like to remind you that different security research institutions adopt different rating terminologies and rating standards. We adopt the relative rating method to recommend the relative weightings of investment. The clients' decisions to buy or sell securities shall be based on their actual situation, such as their portfolio structures and other necessary factors. The clients shall read through the whole report so as to obtain the complete opinions and information and shall not rely solely on the investment ratings to reach a conclusion. The Company employs its own industry classification system. The industry classification is available at our sales personnel if you are interested.

HSCEI is the benchmark employed in this report.

Disclaimer :

This report is to be used solely by the clients of SWS Research Co., Ltd. (subsidiary of Shenwan Hongyuan Securities, hereinafter referred to as the "Company"). The Company will not deem any other person as its client notwithstanding his receipt of this report.

This report is based on public information, however, the authenticity, accuracy or completeness of such information is not warranted by the Company. The materials, tools, opinions and speculations contained herein are for the clients' reference only, and are not to be regarded or deemed as an invitation for the sale or purchase of any security or other investment instruments.

The clients understand that the text message reminder and telephone recommendation are no more than a brief communication of the research opinions, which are subject to the complete report released on the Company's website (<http://www.swsresearch.com>). The clients may ask for follow-up explanations if they so wish.

The materials, opinions and estimates contained herein only reflect the judgment of the Company on the day this report is released. The prices, values and investment returns of the securities or investment instruments referred to herein may fluctuate. At different periods, the Company may release reports which are inconsistent with the materials, opinions and estimates contained herein.

Save and except as otherwise stipulated in this report, the contactor upon the first page of the report only acts as the liaison who shall not provide any consulting services.

The clients shall consider the Company's possible conflict of interests which may affect the objectivity of this report, and shall not base their investment decisions solely on this report. The clients should make investment decisions independently and solely at your own risk. Please be reminded that in any event, the company will not share gains or losses of any securities investment with the clients. Whether written or oral, any commitment to share gains or losses of securities investment is invalid. The investment and services referred to herein may not be suitable for certain clients and shall not constitute personal advice for individual clients. The Company does not ensure that this report fully takes into consideration of the particular investment objectives, financial situations or needs of individual clients. The Company strongly suggests the clients to consider themselves whether the opinions or suggestions herein are suitable for the clients' particular situations; and to consult an independent investment consultant if necessary.

Under no circumstances shall the information contained herein or the opinions expressed herein forms an investment recommendation to anyone. Under no circumstances shall the Company be held responsible for any loss caused by the use of any contents herein by anyone. Please be particularly cautious to the risks and exposures of the market via investment.

Independent investment consultant should be consulted before any investment decision is rendered based on this report or at any request of explanation for this report where the receiver of this report is not a client of the Company.

The Company possesses all copyrights of this report which shall be treated as non-public information. The Company reserves all rights related to this report. Unless otherwise indicated in writing, all the copyrights of all the materials herein belong to the Company. In the absence of any prior authorization by the Company in writing, no part of this report shall be copied, photocopied, replicated or redistributed to any other person in any form by any means, or be used in any other ways which will infringe upon the copyrights of the Company. All the trademarks, service marks and marks used herein are trademarks, service marks or marks of the Company, and no one shall have the right to use them at any circumstances without the prior consent of the Company.

This report may be translated into different languages. The Company does not warrant that the translations are free from errors or discrepancies.

This report is for distribution in Hong Kong only to persons who fall within the definition of professional investors whether under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or the Securities and Futures (Professional Investor) Rules (Chapter 571D of the laws of the Hong Kong under the SFO).

This report is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) order 2001 (as amended) (the "Order") or (ii) are persons falling within Article 49(2)(a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc") of the Order (All such persons together being referred to as "Relevant Persons"). This document is directed only at Relevant Persons. Other Persons who are not Relevant Persons must not act or rely upon this document or any of its contents.

Distribution in Singapore

If distributed in Singapore, this report is meant only for Accredited Investors and Institutional Investors as defined under Section 4A of the Securities and Futures Act of Singapore. If you are not an Accredited Investor or an Institutional Investor, you shall ignore the report and its contents. The Singapore recipients of the report are to contact the Singapore office of Shenwan Hongyuan Singapore Private Limited. at 65-6323-5208, or 65-6323-5209 in respect of any matters arising from, or in connection with, the report.