



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

First Quarter FY2018 Results Presentation



March 8, 2018

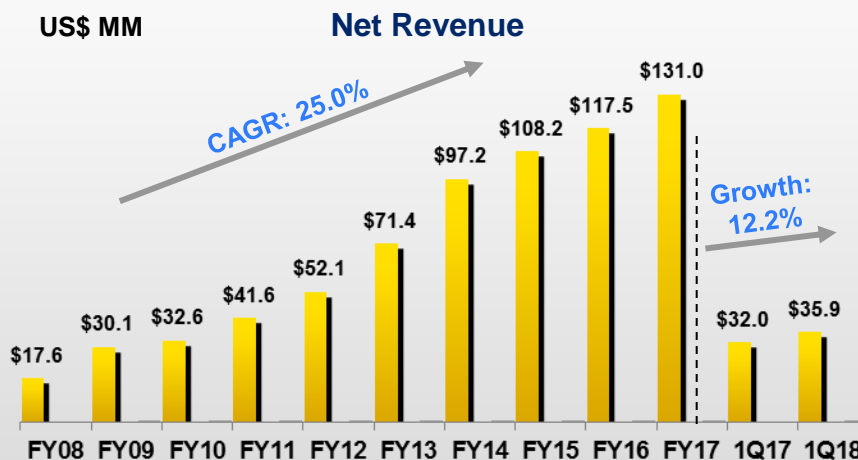
This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “may,” “should,” “potential,” “continue,” “expect,” “predict,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the first quarter and fiscal year 2018 and certain statements from management made in conjunction with this presentation, as well as the Company’s strategic and operational plans (in particular, the anticipated benefits of strategic growth initiatives, including the promotion of the Company’s lifelong learning ecosystem; mobile related products; bundling accounting practical skills training and employment guidance services; offering bookkeeping services, tax advisory services and tax training to corporate clients; acquisitions and strategic investments such as the acquisition of the 40% equity interest in Beijing Ruida and the 80% interest in Jiangsu Asset; as well as cost control) contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic and annual reports to the SEC, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: goals and growth strategies; future prospects and market acceptance of online and offline courses and other products and services; future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; plans to expand and enhance online and offline courses and other products and services; competition in the education and test preparation markets; and changes of Chinese laws, regulations and policies, including those applicable to the Internet and Internet content providers, the education and telecommunications industries, mergers and acquisitions, taxation and foreign exchange.

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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
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Net Revenue Exceeded High-End of Guidance Range Steady Progress on Long-term Strategic Initiatives

Strong Performance



➤ Non-GAAP net income:

- \$0.6 million in 1QFY18

➤ Operating cash inflow:

- \$13.2 million in 1QFY18

➤ Cash receipts from online course registration

- ▲ Up 50.4% y/y to \$40.3 million in 1QFY18

➤ Cash balance as of December 31, 2017:

- \$103.0 million

➤ Cash Dividend:

- Paid a special cash dividend of \$0.1125 per ordinary share, or \$0.45 per ADS to shareholders of record on January 12, 2018

Strategic & Operational Updates



CPA	1QFY18
Enrollments	38.2% ↑
Average Student Payment (ASP)	43.5% ↑

APQE	1QFY18
Enrollments	71.9% ↑
Average Student Payment (ASP)	20.3% ↑

Accounting Continuing Education	1QFY18
Enrollments	-17.0%
Average Student Payment (ASP)	-2.9%

Other Accounting Courses	1QFY18
Enrollments	-27.4%
Average Student Payment (ASP)	99.5% ↑

Healthcare and Engineering & Construction (“E&C”)

❖ Healthcare Test Preparation

- Enrollments up 10.5% YoY in 1QFY18
- ASP up 7.2% YoY in 1QFY18

❖ E&C Test Preparation

- Enrollments up 37.4% YoY in 1QFY18
- ASP down 11.5% YoY in 1QFY18

❖ E&C Continuing Education

- Enrollments down 12.1% YoY in 1QFY18
- ASP down 20.6% YoY in 1QFY18

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in existing courses**
 - In 1QFY18, total course enrollments reached 1,227,000. Excluding accounting continuing education, 1QFY18 total enrollment growth was 26.4% year-over-year.
 - As a result, we achieved \$40.3 million of cash receipts from online course registration in 1QFY18, a year-over-year increase of 50.4%.
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
 - In 1QFY18, cash receipts for employment guidance services for accounting professionals increased 47% year-over-year to \$1.9 million.
- **Further enhancing our educational delivery capabilities through innovation**
 - The 1QFY18 average number of daily active mobile users in our accounting and healthcare verticals increased 46% and 60% year-over-year, respectively.
 - Livestreaming select courses to extend student reach and promote brand.
 - Offered 65 mobile applications with cumulative downloads of 27.4 million as of December 31, 2017.
- **Expanding Accounting Ecosystem**
 - Extension of Accounting Ecosystem to include accounting and related advisory services to SMEs.

Financial Highlights



Select Income Statement Items (Unaudited) – 1Q FY2018

Income Statement Summary *(US\$ in Thousands, except per ADS data)*

	1Q FY17	1Q FY18	YoY Change%
Net revenues:			
Online education services	20,106	22,433	11.6%
Books and reference materials	1,641	2,377	44.8%
Others including in-person training	10,236	11,068	8.1%
Total net revenues	31,983	35,878	12.2%
Cost of sales	(12,810)	(18,381)	43.5%
Gross profit	19,173	17,497	-8.7%
Gross margin	59.9%	48.8%	
Operating expenses:			
Selling expenses	(7,185)	(9,121)	27.0%
General and administrative expenses	(4,530)	(4,996)	10.3%
Total operating expenses	(11,715)	(14,117)	20.5%
Operating Income/(loss)	7,957	5,109	-35.8%
Income tax benefit/(expense)	(2,394)	(671)	-72.0%
Net income/(loss) attributable to CDEL	8,555	94	

Selected Cash Flow Items (Unaudited) – 1Q FY2018

<i>(US\$ in Millions)</i>	1Q FY17	1Q FY18
Net Operating Cash Inflow (Outflow)	16.5	13.2

❖ **The decrease in operating cash inflow in 1QFY18 was due to:**

- The decrease in net income before non-cash items generated in the first quarter of fiscal 2018.
- The increase in accounts receivable, inventories, prepayments and other current assets, and the decrease in income tax payable also contributed to the operating cash outflow.
- Operating cash outflow was partially offset by the increase in accrued expenses and other liabilities, and deferred revenue.

Selected Balance Sheet Items (Unaudited) – 1Q FY2018

(US\$ in Millions)

Assets	Sept 30, 2017	Dec 31, 2017	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	100.6	103.0	2.3%
Receivables	5.5	7.4	34.3%
Inventories	0.9	2.8	229.2%
Net PP&E	14.0	17.0	21.4%
Other Assets	103.6	129.0	24.5%
Total	224.6	259.2	15.5%
Liabilities and Shareholders' Equity	Sept 30, 2017	Dec 31, 2017	Change %
Accrued Expenses and Other Liabilities	50.2	53.8	7.2%
Deferred Revenues, current portion	50.5	67.1	32.8%
Refundable Fees	1.1	0.8	(22.4)%
Borrowings	49.9	55.4	11.2%
Dividend Payable	0.04	15.0	
Total Shareholder's Equity	72.8	67.1	(7.9)%
Total	224.6	259.2	15.5%

Business Outlook



**1QFY18 net revenue expected range:
US\$27.8 million – \$28.9 million, 27% - 32% year-over-year increase**