



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

## First Quarter Fiscal 2014 Results Presentation



February 20, 2014

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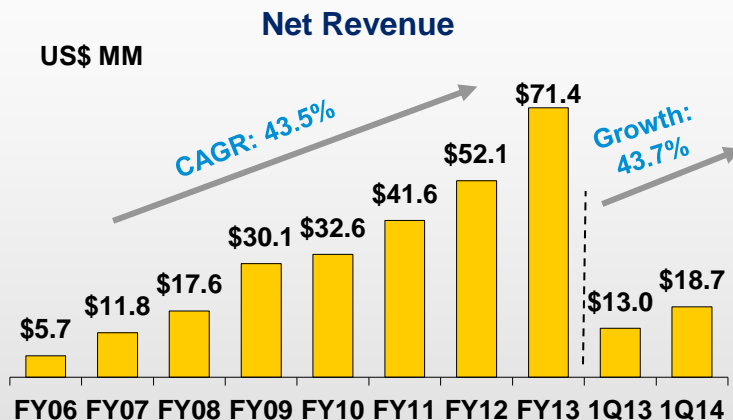
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- ❖ **Results Overview**
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## Significant Top- and Bottom Line Growth with Strong Cash Flow Steady Progress on Long-term Strategic Initiatives

### Record Results in a Low Enrollment Season

#### Net Revenue Exceeding Guidance



- **Course enrollments:**
  - ▲ up 4.6% reaching 939,300 in 1Q
- **Net income:**
  - ▲ up 131.9% to \$3.4 million in 1Q
- **Cash receipts from online course registration:**
  - ▲ up 23.7% to \$17.2 million in 1Q
- **Operating cash flow:**
  - ▲ up 53.1% to \$8.1 million in 1Q
- **Cash balance as of December 31, 2013:**
  - \$81.4 million

# Strategic & Operational Updates



CPA	1Q FY14
Enrollment	↑ 25.4%
Average Student Payment (ASP)	↑ 8.7%
Cash Receipts	↑ 36.3%

APQE	1Q FY14
Enrollment*	-12.2%
Average Student Payment (ASP)	↑ 9.6%

Accounting Continuing Education	1Q FY14
Enrollment	-12.5%
Average Student Payment (ASP)	↑ 2.2%

Other Accounting Courses	1Q FY14
Enrollment	↑ 18.4%
Average Student Payment (ASP)	↑ 2.1%

\*The primary reason for the decrease in APQE enrollment was due to uncharacteristically high enrollment in the comparable period in fiscal year 2013 as students registered earlier than normal ahead of a price increase that took place on January 1, 2013. APQE enrollment levels from beginning of January to date have already demonstrated increases.

## Fast Growth in Healthcare and Engineering & Construction (“E&C”)

### ❖ **Healthcare Test Preparation**

- Enrollment up 57.4% in 1Q
- 1Q ASP up 26.9% YoY
- 1Q Cash registration revenue up 99.8%

### ❖ **E&C Test Preparation**

- Enrollment up 38.5% in 1Q
- 1Q ASP up 10.2% YoY
- 1Q Cash registration revenue up 52.6%

### ❖ **E&C Continuing Education**

- Recorded 134,000 enrollments in 1Q, delayed from FY 2013
- 1Q ASP down 25.0% YoY

## Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

### ➤ **Cultivating our open learning platform**

- Developing revenue models and growth opportunities
- 1Q cash registration for courses and services involving this platform have exceeded \$1.4M
- 3,000+ paying students in 1Q

### ➤ **Further integration of online (PC) and mobile platforms**

- Continuous improvement of user experience on PC and mobile devices
- Cumulative mobile application downloads exceeded 3.4 million as of December 31, 2013
- Three mobile stand-alone accounting courses rolled out in October; 1,600+ fee-based registered enrollments

### ➤ **Focusing on three core verticals: accounting, healthcare and E&C**

- High-quality, results-oriented, life-long professional development courses
- CDEL as students' life-long online education partner



# Financial Highlights



# Select Income Statement Items (Unaudited) – 1Q FY2014



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

	1Q FY13	1Q FY14	YoY Change%
<b>Net revenues:</b>			
Online education services	10,799	15,722	45.9%
Books and reference materials	761	1,111	46.0%
Others including in-person training	1,463	1,858	27.0%
<b>Total net revenues</b>	<b>13,003</b>	<b>18,691</b>	<b>43.7%</b>
<b>Cost of sales</b>	<b>(6,113)</b>	<b>(8,430)</b>	<b>37.9%</b>
<b>Gross profit</b>	<b>6,890</b>	<b>10,261</b>	<b>48.9%</b>
<b>Gross margin</b>	<b>53.0%</b>	<b>54.9%</b>	<b>190 ppt</b>
<b>Operating expenses:</b>			
Selling expenses	(2,779)	(3,822)	37.5%
General and administrative expenses	(2,454)	(2,678)	9.1%
<b>Total operating expenses</b>	<b>(5,233)</b>	<b>(6,500)</b>	<b>24.2%</b>
<b>Operating Income</b>	<b>1,660</b>	<b>3,810</b>	<b>129.5%</b>
<b>Income tax expense</b>	<b>(416)</b>	<b>(856)</b>	<b>105.8%</b>
<b>Net income (loss) attributable to CDEL</b>	<b>1,476</b>	<b>3,423</b>	<b>131.9%</b>

# Selected Cash Flow Items (Unaudited) – 1QFY2014

(US\$ in Millions)

1Q FY13    1Q FY14

**Net Operating Cash Inflow**

5.3

8.1

❖ **The inflow in 1Q was due to:**

- Net income generated in the quarter
- Increases in deferred revenue and refundable fees, accrued expenses and other liabilities
- Decrease in accounts receivable
- Partially offset by the increase in prepayment and other current assets and decrease in income tax payable

# Selected Balance Sheet Items (Unaudited) – 1Q FY14



## Balance Sheet Summary

*(US\$ in Millions)*

Assets	Sep 30, 2013	Dec 31, 2013	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	72.7	81.4	11.9%
Receivables	3.5	2.8	-19.7%
Inventories	0.7	0.6	-11.3%
Net PP&E	10.2	10.7	4.5%
Other Assets	18.8	19.2	2.2%
<b>Total</b>	<b>106.0</b>	<b>114.7</b>	<b>8.2%</b>
Liabilities and Shareholders' Equity	Sep 30, 2013	Dec 31, 2013	Change %
Accrued Expenses and other liabilities	20.0	21.9	9.3%
Deferred Revenues, current portion	17.1	19.1	11.3%
Refundable Fees	4.3	4.6	7.8%
Total Shareholder's Equity	64.5	69.1	7.1%
<b>Total</b>	<b>106.0</b>	<b>114.7</b>	<b>8.2%</b>

# Business Outlook



**2Q FY14 revenue expected range: US\$16.2 – 16.9 million,  
25% - 30% year-over-year growth**

**FY14 revenue guidance to: US\$88.5 – 92.7 million,  
24% - 30% year-over-year growth**