



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

## Third Quarter Fiscal 2013 Results Presentation



August 21, 2013

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,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the first quarter and full year of the fiscal year 2013 and the quotations from management in this announcement, the impact on us of the delayed timing of the APQE and CPA exams, as well as the Company’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic reports to the SEC in its annual report to shareholders, 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: our goals and growth strategies; our future prospects and market acceptance of our online and offline courses and other products and services; our future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; our plans to expand and enhance our online and offline courses and other products and services; competition in the education and test preparation markets; and 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.

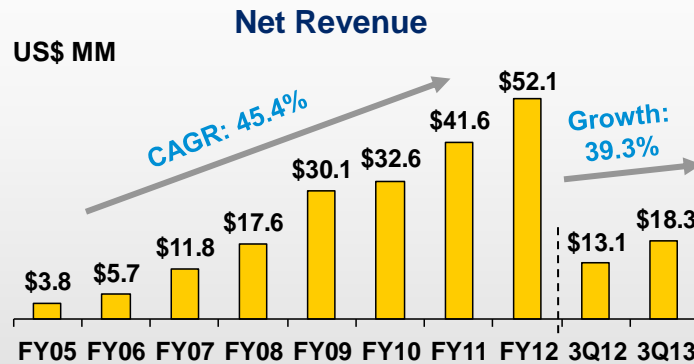
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## Strong Growth in Enrollment, Revenue, Net Income and Cash Balance

### Strong Performance

#### Net Revenue Exceeding Guidance



- **Course enrollments:**
  - **↑** up 71.7% reaching 648,400
- **Net revenue from continuing operations:**
  - **↑** up 39.3% to \$18.3 million
- **Net income:**
  - **↑** up 65.6% to \$2.2 million
- **Cash receipts from online course registration:**
  - **↑** up 92.4% to \$21.7 million
- **Free cash flow:**
  - \$12.2 million
- **Cash balance as of June 30, 2013:**
  - \$65.9 million

# Operational Updates



	3Q	YTD – 3Q
<b>Enrollment</b>	↑ 473.4%	↑ 38.4%
<b>Cash Receipts</b>	↑ 524.0%	↑ 71.0%

	Online CPA	Accounting Continuing Education	Other Accounting Test Preparation
<b>Enrollment</b>	↑ 14.8%	↑ 64.7%	↑ 34.9%
<b>Average Student Payment (ASP)</b>	↑ 7.2%	↓ -14.6%	↓ -24.7%

## Strong Growth in Healthcare & Construction Engineering

### ❖ Online Healthcare Test Preparation

- Enrollment increased 56.3% YoY
- ASP decreased 0.5% YoY

### ❖ Online Healthcare Continuing Education

- Enrollment increased 115.9% YoY
- ASP decreased 31.1% YoY

### ❖ Online Construction Engineering Test Preparation

- Enrollment increased 33.6% YoY
- ASP increased 22.1% YoY

### ❖ Online Construction Engineering Continuing Education

- Enrollment decreased 23.6% YoY
- ASP increased 22.6% YoY
- Delayed recognition of some students due to contract negotiation

### ❖ Self-Taught Higher Education

- Enrollment decreased 5.0% YoY, ASP decreased 5.0% YoY
- Due to low season



# Financial Highlights



# Selected Income Statement Items (Unaudited) – 3Q FY2013



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

	3Q FY12	3Q FY13	YoY Change%
<b>Net revenues:</b>			
Online education services	9,349	14,689	57.1%
Books and reference materials	1,105	1,366	23.6%
Others including in-person training	2,674	2,236	-16.4%
<b>Total net revenues</b>	<b>13,128</b>	<b>18,291</b>	<b>39.3%</b>
<b>Cost of sales</b>	<b>(6,320)</b>	<b>(8,232)</b>	<b>30.3%</b>
<b>Gross profit</b>	<b>6,808</b>	<b>10,059</b>	<b>47.8%</b>
<b>Gross margin</b>	<b>51.9%</b>	<b>55.0%</b>	<b>310 ppt</b>
<b>Operating expenses:</b>			
Selling expenses	(3,511)	(5,122)	45.9%
General and administrative expenses	(2,283)	(2,430)	6.4%
<b>Total operating expenses</b>	<b>(5,794)</b>	<b>(7,552)</b>	<b>30.3%</b>
<b>Operating Income</b>	<b>1,030</b>	<b>2,510</b>	<b>143.7%</b>
<b>Income tax expense</b>	<b>(260)</b>	<b>(620)</b>	<b>138.5%</b>
<b>Net income from continuing operations</b>	<b>1,108</b>	<b>2,199</b>	<b>98.5%</b>
<b>Net income (loss) from discontinued operations</b>	<b>220</b>	<b>-</b>	<b>NM</b>
<b>Net income (loss) attributable to CDEL</b>	<b>1,328</b>	<b>2,199</b>	<b>65.6%</b>

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<i>(US\$ in Millions)</i>	3Q FY12	3Q FY13
<b>Net Operating Cash Inflow</b>	2.2	12.9

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❖ **The inflow in the quarter was due to:**

- Net income generated in the quarter
- Significant increase in deferred revenue and refundable fees
- Increase in accrued expenses and other liabilities and income tax payable
- Decrease in prepayment and other current assets
- Such inflow partially offset by increase in deferred cost

# Selected Balance Sheet Items (Unaudited) – 3Q FY13



## Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2012	June 30, 2013	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	57.7	65.9	14.2%
Receivables	4.1	4.4	7.3%
Inventories	0.7	0.9	28.6%
Net PP&E	9.7	10.4	7.2%
Other Assets	17.9	19.0	6.1%
<b>Total</b>	<b>90.0</b>	<b>100.6</b>	<b>11.8%</b>
Liabilities and Shareholders' Equity	Sep 30, 2012	June 30, 2013	Change %
Accrued Expenses and other liabilities	12.4	16.7	34.7%
Deferred Revenues, current portion	9.5	24.9	162.1%
Refundable Fees	3.5	4.0	14.3%
Total Shareholder's Equity	64.6	54.7	-15.3%
<b>Total</b>	<b>90.0</b>	<b>100.6</b>	<b>11.8%</b>

# Business Outlook



**Raising FY13 revenue guidance to: US\$67.8 – 68.3 million,  
30% - 31% year-over-year growth**

**4Q FY13 revenue expected range: US\$23.5 -24.0 million,  
40% - 43% year-over-year growth**