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Fourth Quarter And Fiscal 2012 Results Presentation



Nov 28, 2012



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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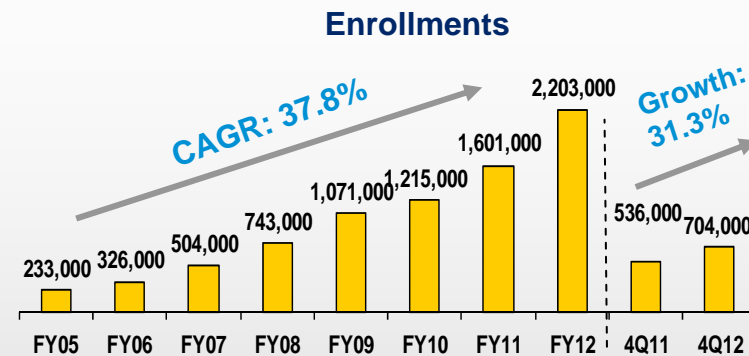
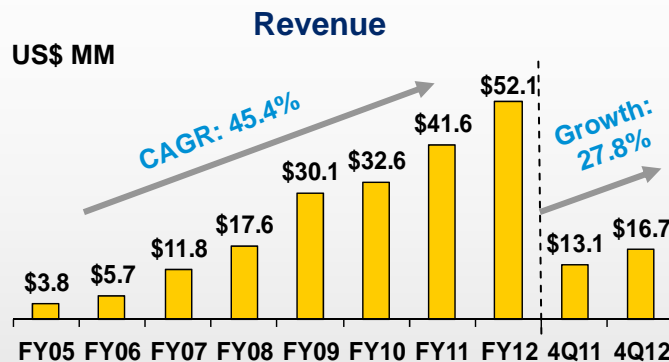
- ❖ **Results Overview**
- ❖ **Strategic and Operational Development**
- ❖ **Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**



Significant Top- and Bottom Line Growth with Steady Progress on Long-term Strategic Initiatives

Strong Performance Despite Exam Delays

Net Revenue Exceeds Guidance Range



➤ Non-GAAP net income from continuing operations:

- US\$3.5 mil ▲ 83.9% in Q4; US\$8.1mil ▲ 27.6% for full year

➤ Robust Performance despite APQE and CPA exam delays

- Delayed timing of CPA & APQE exams ▶ Deferral of US\$3.1 mil of relating revenue and a similar amount of EBIT to FY2013

• Excluding the delay:

- ✓ Revenue growth ▲ 32.9% for full fiscal year
- ✓ Non-GAAP Net income from continuing operations ▲ 69.7% for full fiscal year



Focusing on Core Competencies to Drive Sustainable, Long-term Growth

➤ Continued focus on professional education in selected verticals

- Professional test preparation courses
- Continuing education courses
- Life-long professional development courses
- Accounting, healthcare and construction engineering

➤ Continue to provide industry leading comprehensive online learning system

- Combine lecture-led, pre-recorded high definition audio-video courses and best-in-class learning support system
- Exercises, tutoring support, mock exams and simulation and learning management tools
- Online learning system supplemented by in-person training course and other forms of tutoring and students learning support

➤ Focus on developing and maintaining most advanced, robust and convenient technology platform to improve our students' learning experience

- High-quality, regular and mobile based comprehensive online learning platform
- Accessible across products and platforms: smart phones, tablets, computers; Microsoft, Apple and Android operating systems
- Provide streaming or downloadable audio-video courses, practice exercise questions, ask questions, review course materials and other learning activities anytime, anywhere



Our Goal:

- Ensure the success of our students
- Improve our students' performance by delivering high-quality educational content and best supporting their learning process
- Constantly improve our learning technology to further enhance online and mobile learning experience

Future monetization opportunities:

- Demand for high-quality online education is strong and growing fast
- Utilizing our powerful online platform and years of experience in offering online learning in different areas
- Developed educational “open platform”
- Will continue exploring ways to monetize “open platform”
- Do not expect negative impact on operating margin

Operational Updates

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Strong results - Given Exam Timing Delays

❖ Enrollment

- **Online CPA** enrollment increased 107% Y-o-Y in Q4, FY12 enrollment increased 5.2%
- Q4 Enrollment in **online APQE** decreased 37.7% Y-o-Y due to delayed exam timing, FY12 enrollment increased 6.8% despite the impact
- **Other Accounting Test Preparation courses** enrollment increased 3.2% in Q4, FY12 enrollment increased 20.5%
- Solid enrollment in **Accounting Continuing Education**, with 44.2% Y-o-Y growth in Q4, FY12 enrollment increased 53.7%

❖ Average Student Payment (ASP)

- Q4 ASP for **online APQE** decreased 1.7% Y-o-Y, FY12 ASP increased 19.8%
- Q4 ASP for **online CPA** decreased 25.5% Y-o-Y, FY12 ASP increased 15.1%
- ASP for **Other Accounting Test Preparation** courses, with 4.3% Y-o-Y growth

Entry Level and Intermediary Level APQE Exams Schedule in 2013

- Announced to be held in October 2013 instead of May time frame (norm prior to 2012)
- Will impact timing of related cash revenue and GAAP revenue, but will not have significant negative impact on the amount of revenue we anticipate to generate for 2013 test season
- Anticipate bulk of APQE enrollments will come in Q2 and Q3 FY2013
- Expect revenue contribution from APQE will decrease significantly during 1H FY2013, but increase significantly during 2H FY2013
- Meaningful portion of anticipated 2013 APQE course revenue will be deferred into FY2014
- As about US\$3.1 mil of 2012 APQE & CPA course revenue has been deferred into 2013, net impact will be to revenue distribution across the 4 quarters and will not have major impact on anticipated full year growth rate



Strong Enrollment Growth in Construction Engineering; Continued Growth from Healthcare and Self-taught

❖ Online Healthcare Courses

- Q4 enrollment increased 12.1% Y-o-Y
- ASP grew 13.3% Y-o-Y

❖ Online Construction Continuing Education enrollment grow 150.1% y-o-y

❖ Online Construction Engineering Test Preparation enrollment grow 26.3% y-o-y

❖ Self-Taught Higher Education

- Q4 enrollments increased 5.7% Y-o-Y
- ASP slightly decreased by 1.3% Y-o-Y

❖ Business Start-up Training Subsidiary, Yucai

- Generated revenue of US\$0.4 million in the fourth quarter, decrease of 19.7% Y-o-Y

Financial Highlights

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Selected Income Statement Items (Unaudited) – 4Q FY2012

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

	4Q FY11 GAAP	4Q FY12 GAAP	YoY Change% GAAP	4Q FY11 Non-GAAP	4Q FY12 Non-GAAP	YoY Change% Non-GAAP
Net revenues:						
Online education services	9,896	13,989	41.4%	9,896	13,989	41.4%
Books and reference materials	1,290	1,096	-15.0%	1,290	1,096	-15.0%
Others including in-person training	1,912	1,651	-13.7%	1,912	1,651	-13.7%
Total net revenues	13,098	16,736	27.8%	13,098	16,736	27.8%
Cost of sales	(6,332)	(6,814)	7.6%	(5,419)	(6,816)	25.8%
Gross profit	6,766	9,922	46.6%	7,679	9,920	29.2%
Gross margin	51.7%	59.3%	+7.6 ppt	58.6%	59.3%	+0.7 ppt
Operating expenses:						
Selling expenses	(2,450)	(3,241)	32.3%	(2,148)	(3,255)	51.5%
General and administrative expenses	(4,935)	(1,714)	-65.3%	(3,068)	(1,889)	-38.4%
Total operating expenses	(7,385)	(4,955)	-32.9%	(5,216)	(5,144)	-1.4%
Operating Income (Loss)	(615)	5,008	-914.3%	2,467	4,817	95.3%
Income tax benefit (expense)	(823)	(1,596)	93.9%	(823)	(1,596)	93.9%
Net income (loss) from continuing operations	(1,166)	3,713	NM	1,916	3,522	83.8%
Net income (loss) from discontinued operations	(2,958)	0	NM	(978)	0	NM
Net income (loss) attributable to CDEL	(4,124)	3,713	NM	938	3,522	275.5%

Selected Income Statement Items (Unaudited) – FY2012

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

	FY2011 GAAP	FY2012 GAAP	YoY Change% GAAP	FY2011 Non-GAAP	FY2012 Non-GAAP	YoY Change% Non-GAAP
Net revenues:						
Online education services	30,788	40,281	30.8%	30,788	40,281	30.8%
Books and reference materials	4,743	4,438	-6.4%	4,743	4,438	-6.4%
Others including in-person training	6,033	7,383	22.4%	6,033	7,383	22.4%
Total net revenues	41,564	52,102	25.4%	41,564	52,102	25.4%
Cost of sales	(19,634)	(23,081)	17.6%	(17,635)	(23,044)	30.7%
Gross profit	21,930	29,021	32.3%	23,929	29,058	21.4%
Gross margin	52.8%	55.7%	+2.9 ppt	57.6%	55.8%	-1.8 ppt
Operating expenses:						
Selling expenses	(9,771)	(11,337)	16.0%	(9,093)	(11,321)	24.5%
General and administrative expenses	(12,221)	(8,248)	-32.5%	(8,874)	(8,160)	-8.1%
Impairment of purchased call option	(1,115)	0	NM	0	0	NM
Total operating expenses	(23,107)	(19,585)	-15.2%	(17,967)	(19,481)	8.4%
Operating Income (Loss)	(574)	9,494	NM	6,565	9,635	46.8%
Income tax benefit (expense)	(971)	(2,600)	167.8%	(1,249)	(2,600)	108.2%
Net income (loss) from continuing operations	(502)	7,973	NM	6,358	8,114	27.6%
Net income (loss) from discontinued operations	(3,300)	236	NM	(1,169)	236	NM
Net income (loss) attributable to CDEL	(3,802)	8,209	NM	5,189	8,350	60.9%



Cash Flow Highlights

<i>(US\$ in Thousands)</i>	Q4 FY11	Q4FY12	FY11	FY12
Net Operating Cash Flow	4.4	2.5	9.2	14.6

- ❖ **Net operating cash flow for FY2012 was US\$14.6 million; US\$9.2 million for FY2011**

Selected Balance Sheet Items (Unaudited) – 4Q FY2012

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Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2012	Jun 30, 2012	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	57.7	55.6	3.7%
Receivables	4.1	3.6	12.1%
Inventories	0.7	0.8	-17.8%
Net PP&E	9.7	9.7	-0.6%
Other Assets	17.9	18.9	-5.4%
Total	90.0	88.7	1.5%
Liabilities and Shareholders' Equity	Sep 30, 2012	Jun 30, 2012	Change %
Accrued Expenses and other liabilities	9.6	8.6	12.2%
Deferred Revenues, current portion	9.5	13.9	-31.8%
Refundable Fees	3.5	3.0	16.2%
Total Shareholder's Equity	64.6	61.3	5.5%
Total	90.0	88.7	1.5%

Business Outlook

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Outlook

- ❖ **Confident in our business model – continued focus on organic growth, technological advancement, commitment to providing students with best possible user experience and high quality result-oriented courses and services**
- ❖ **Confidence in long-term growth outlook**

Board Announced Special Dividend Payment

- ❖ **Another special dividend of US\$0.48 per ADS to shareholders**

Future Dividend Strategy

Board commitment to annually consider future dividend payments based on assessment of:

- ❖ Cash balance
- ❖ Cash flow for the year
- ❖ Company strategies and growth plans
- ❖ Demand for cash



**1Q FY13 revenue expected to be in the range of US\$12.0 million to US\$12.5 million, compared with US\$9.9 million in 1Q FY12;
21.2% - 26.3% year-over-year growth**

* Assumes results for the delayed APQE exams will be published in November 2012
Should exam results be published in December or later, up to US\$1.3 million of guided revenue could be deferred to 2Q2013

FY13 revenue expected to be in the range of US\$63.5 million to US\$66.5 million, representing year-over-year growth of 21.2%-27.6%

Thank You

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