



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Second Quarter Fiscal 2014 Results Presentation



May 20, 2014

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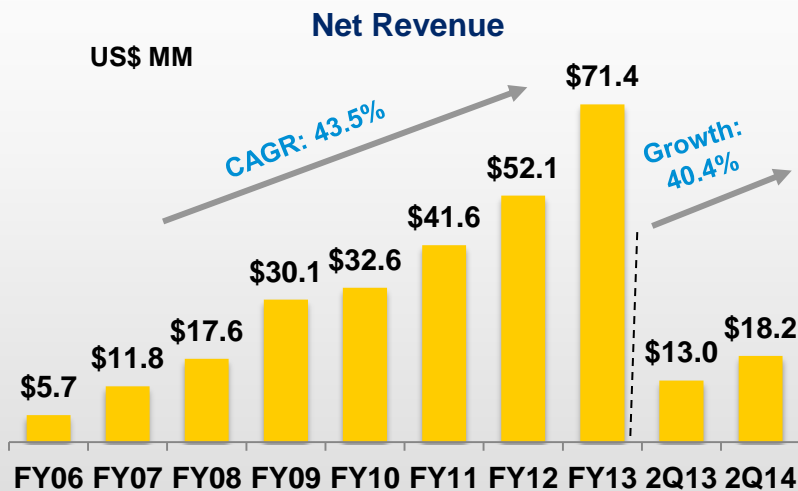
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
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Significant Top- and Bottom Line Growth with Strong Cash Flow Steady Progress on Long-term Strategic Initiatives

Strong Performance

Net Revenue Exceeding Guidance



- **Course enrollments:**
 - **↑** up 27.7% reaching 493,000 in 2Q
- **Net income:**
 - **↑** up 64.7% to \$1.3 million in 2Q
- **Cash receipts from online course registration:**
 - **↑** up 59.9% to \$24.6 million in 2Q
- **Operating cash flow:**
 - **↑** up 71.5% to \$11.9 million in 2Q*
- **Cash balance as of March 31, 2014:**
 - \$140.8 million

*Excluding \$25 million temporarily held for selling shareholders in the follow-on offering completed in March.

Strategic & Operational Updates



CPA	2Q FY14
Enrollments	↑ 18.1%
Average Student Payment (ASP)	↑ 7.2%
Cash Receipts	↑ 26.6%

APQE	2Q FY14
Enrollments	↑ 80.6%
Average Student Payment (ASP)*	-2.5%

Accounting Continuing Education	2Q FY14
Enrollments	↑ 45.0%
Average Student Payment (ASP)	↑ 43.5%

Other Accounting Test-Preparation Courses	2Q FY14
Enrollments	↑ 22.1%
Average Student Payment (ASP)	↑ 9.8%

*The primary reason for the decrease in APQE ASP was mainly due to more students signed up for lower ASP mobile courses and regular courses in 2QFY14.

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

❖ **Healthcare Test Preparation**

- Enrollments up 60.1% YoY in 2Q
- 2Q ASP up 24.4% YoY
- 2Q Cash registration revenue up 99.2% YoY

❖ **E&C Test Preparation**

- Enrollments up 66.2% YoY in 2Q
- 2Q ASP up 8.4% YoY
- 2Q Cash registration revenue up 80.2% YoY

❖ **E&C Continuing Education**

- Enrollments up 12.3% in 2Q
- 2Q ASP up 9.7% YoY

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

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

- Establishing life-long learning eco-systems for students with high-quality and results-oriented professional development courses
- Test preparation courses to help students become professionals; continuing education courses to maintain their professional licenses; and skills-enhancement training courses for career advancements
- Primarily adopting video-on-demand format for test preparation courses and continuing education courses. Online real-time, interactive audio-video format for skills-enhancement training courses

➤ **Cultivating our open learning platform**

- Exploring and developing new business models and revenue sources
- Utilizing advanced technology to build all major learning functionalities
- 2Q cash registration for courses and services involving this platform exceeded \$1.6 million; around 4,000 paying students in 2Q
- Expect to contribute modestly to revenues in the near term, with potential to fuel significant growth over the long term

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

- Continuous improvement of user experience on PC and mobile devices
- 26,000+ registered enrollments for fee-charging stand-alone mobile courses for a total cash registration revenue of about RMB 3 million as of April 30, 2014
- Cumulative mobile application downloads exceeded 4.6 million as of April 30, 2014

Financial Highlights



Select Income Statement Items (Unaudited) – 2Q FY2014



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

	2Q FY13	2Q FY14	YoY Change%
Net revenues:			
Online education services	9,675	14,196	46.7%
Books and reference materials	1,401	1,765	26.0%
Others including in-person training	1,920	2,286	19.1%
Total net revenues	12,996	18,247	40.4%
Cost of sales	(6,935)	(9,695)	39.8%
Gross profit	6,061	8,552	41.1%
Gross margin	46.6%	46.9%	30 ppt
Operating expenses:			
Selling expenses	(3,464)	(5,708)	64.8%
General and administrative expenses	(1,943)	(2,331)	20.0%
Total operating expenses	(5,407)	(8,039)	48.7%
Operating Income	706	518	(26.6)%
Income tax expense	(223)	(325)	45.9%
Net income attributable to CDEL	790	1,301	64.7%

Selected Cash Flow Items (Unaudited) – 2QFY2014

<i>(US\$ in Millions)</i>	2Q FY13	2Q FY14
Net Operating Cash Inflow	7.0	36.9

❖ **The inflow in 2Q was due to:**

- Net proceeds of \$25.0 million received on behalf of two selling shareholders in the follow-on offering completed in March
- Increased deferred revenue balance due to the increased cash receipts from online course registration
- Net income generated in the quarter
- Decrease in accounts receivable, prepayment and other current assets, and deferred costs
- Partially offset by increases in inventories and other non-current assets, and decreases in accrued expenses and other liabilities, income tax payable and refundable fees

Selected Balance Sheet Items (Unaudited) – 2Q FY14



Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2013	Mar 31, 2014	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	72.7	140.8	93.6%
Receivables	3.5	2.5	-28.9%
Inventories	0.7	1.1	59.0%
Net PP&E	10.2	10.2	-0.2%
Other Assets	18.8	18.2	-3.4%
Total	106.0	172.8	63.0%
Liabilities and Shareholders' Equity	Sep 30, 2013	Mar 31, 2014	Change %
Accrued Expenses and other liabilities	20.0	45.5	127.2%
Deferred Revenues, current portion	17.1	30.7	79.1%
Refundable Fees	4.3	2.5	-40.8%
Bank Debt	-	16.2	-
Total Shareholder's Equity	64.5	77.9	20.7%
Total	106.0	172.8	63.0%

Business Outlook



**3Q FY14 net revenue expected range: US\$23.2 – 24.1 million,
27% - 32% year-over-year growth**

**Raising FY14 net revenue guidance to: US\$90.6 – 94.2 million,
27% - 32% year-over-year growth;
The Company's prior FY14 net revenue guidance range: US\$88.5 -
92.7 million**