



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter Fiscal 2014 Results Presentation



August 14, 2014

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 fourth quarter of fiscal year 2014 and the full fiscal year 2014 and certain statements from management made in conjunction with this presentation, as well as the Company's strategic and operational plans (including the Company's open-platform strategy) 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: 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 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.

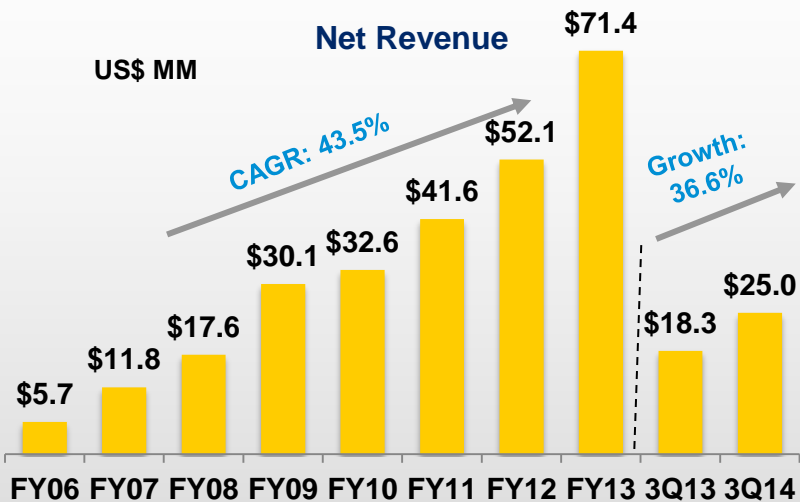
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
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Significant Top- and Bottom Line Growth Steady Progress on Long-term Strategic Initiatives

Strong Performance

Net Revenue Exceeding Guidance



- **Course enrollments:**
 - ↑ up 42.6% reaching 925,000 in 3Q
- **Net income:**
 - ↑ up 139.5% to \$5.3 million in 3Q
- **Cash receipts from online course registration:**
 - ↑ up 20.9% to \$26.2 million in 3Q
- **Operating cash inflow:**
 - \$17.0 million in 3Q*
- **Cash balance as of June 30, 2014:**
 - \$132.3 million

*Excluding the payback of \$25.0 million of proceeds that the Company temporarily held on behalf of certain selling shareholders in the Company's follow-on offering completed in March 2014

Strategic & Operational Updates



CPA	3Q FY14
Enrollments	- 5.9%
Average Student Payment (ASP)*	- 6.2%

APQE	3Q FY14
Enrollments	↑ 4.6%
Average Student Payment (ASP)*	-5.8%

Accounting Continuing Education	3Q FY14
Enrollments	↑ 70.9%
Average Student Payment (ASP)	-1.1%

Other Accounting Test-Preparation Courses	3Q FY14
Enrollments	↑ 9.8%
Average Student Payment (ASP)	↑ 2.5%

*The primary reason for the decrease in CPA & APQE ASP was mainly due to lower ASP for mobile courses.

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

❖ **Healthcare Test Preparation**

- Enrollments up 50.4% YoY in 3Q
- 3Q ASP up 23.5% YoY
- 3Q Cash registration revenue up 85.7% YoY

❖ **E&C Test Preparation**

- Enrollments up 37.8% YoY in 3Q
- 3Q ASP up 1.6% YoY
- 3Q Cash registration revenue up 40.0% YoY

❖ **E&C Continuing Education**

- Enrollments up almost 241.3% in 3Q
- 3Q ASP up 29.0% YoY

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

➤ **Focusing on providing a total-solution to deliver best learning experience**

- Continued commitment towards providing students with high-quality results-oriented course offerings
- Superior online learning experience enabled by innovative learning technologies
- Comprehensive student learning services

➤ **Developing our comprehensive and integrated mobile learning platform**

- DL is the only company that offers stand-alone mobile learning total solutions that include audio-video courses, adaptive practice question banks, self-generated mock exams and comprehensive learning support
- As of June 30, 2014, 31,000+ registered enrollments for fee-charging stand-alone mobile courses that we initiated in October 2013
- The interactive e-book applications we rolled out last quarter promoted an interactive learning environment; So far, over 51 thousand students have activated over 100 thousand e-books
- Cumulative mobile application downloads exceeded 5.8 million as of July 31, 2014

➤ **Cultivating our open learning platform**

- 3Q cash registration for courses and services involving this platform exceeded \$1.8 million; around 8,600 paying students in 3Q
- Continue to explore and develop new business models and revenue sources by further utilizing our open learning platform

Financial Highlights



Select Income Statement Items (Unaudited) – 3Q FY2014



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

	3Q FY13	3Q FY14	YoY Change%
Net revenues:			
Online education services	14,689	20,595	40.2%
Books and reference materials	1,366	1,747	27.9%
Others including in-person training	2,236	2,635	17.8%
Total net revenues	18,291	24,977	36.6%
Cost of sales	(8,232)	(10,466)	27.1%
Gross profit	10,059	14,511	44.3%
Gross margin	55.0%	58.1%	310 ppt
Operating expenses:			
Selling expenses	(5,122)	(6,276)	22.5%
General and administrative expenses	(2,430)	(2,410)	(0.8)%
Total operating expenses	(7,552)	(8,686)	15.0%
Operating Income	2,510	5,991	138.7%
Income tax expense	(620)	(1,316)	112.3%
Net income attributable to CDEL	2,199	5,266	139.5%

Selected Cash Flow Items (Unaudited) – 3QFY2014



<i>(US\$ in Millions)</i>	3Q FY13	3Q FY14
Net Operating Cash Inflow	12.9	(8.0)

❖ **The outflow in 3QFY14 was due to:**

- \$17.0 million of cash generated from operating activities due to increased cash revenue and increased profitability for the fiscal third quarter
- Offset by the payback of \$25.0 million of proceeds that the Company temporarily held for its certain selling shareholders related to the Company’s follow-on offering completed on March 17, 2014

Selected Balance Sheet Items (Unaudited) – 3Q FY14



Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2013	June 30, 2014	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	72.7	132.3	81.9%
Receivables	3.5	2.0	(42.1)%
Inventories	0.7	1.1	62.2%
Net PP&E	10.2	10.6	4.1%
Other Assets	18.8	17.6	(6.8)%
Total	106.0	163.7	54.4%
Liabilities and Shareholders' Equity	Sep 30, 2013	June 30, 2014	Change %
Accrued Expenses and other liabilities	20.0	24.0	19.9%
Deferred Revenues, current portion	17.1	35.2	105.6%
Refundable Fees	4.3	4.4	3.1%
Bank Debt	-	16.3	-
Total Shareholder's Equity	64.5	83.7	59.9%
Total	106.0	163.7	54.4%

Business Outlook



4Q FY14 net revenue expected range: US\$32.4 million – 33.6 million, 20% - 24% year-over-year growth

**Raising FY14 net revenue guidance to: US\$94.3 million – 95.5 million, 32% - 34% year-over-year growth;
The Company's prior FY14 net revenue guidance range: US\$90.6 million -94.2 million**