



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Fourth Quarter and Fiscal Year 2014 Results Presentation



November 19, 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 first quarter of fiscal year 2015 and the full fiscal year 2015 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.

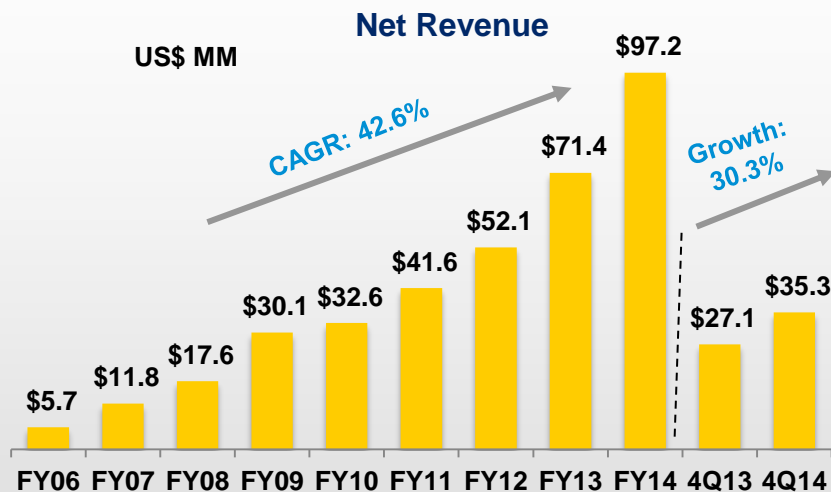
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- ❖ **Results Overview**
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Significant Top- and Bottom Line Growth Steady Progress on Long-term Strategic Initiatives

Strong Performance

Net Revenue Exceeding Guidance



- **Course enrollments:**
 - ↑ up 14.7% reaching 880,000 in 4Q
 - ↑ up 20.0% exceeding 3.2 million for full year
- **Net income:**
 - ↑ up 47.5% to \$13.4 million in 4Q
 - ↑ up 72.6% to \$23.4 million for full year
- **Cash receipts from online course registration:**
 - ↑ up 28.6% to \$16.8 million in 4Q
 - ↑ up 32.4% to \$84.8 million for full year
- **Operating cash inflow:**
 - \$7.4 million in 4Q
 - \$44.1 million for full year
- **Cash balance as of September 30, 2014:**
 - \$140.4 million
- **Dividend:**
 - \$0.20 per ordinary share, or \$0.80 per ADS

Strategic & Operational Updates



CPA	4Q FY14	FY2014
Enrollments	↑22.0% ⁽¹⁾	↑ 10.6%
Average Student Payment (ASP)	↑79.6% ⁽²⁾	
Cash Receipts		↑21.3%

APQE	4Q FY14	FY2014
Enrollments	-7.5% ⁽³⁾	↑ 9.7%
Average Student Payment (ASP)	↑ 1.3%	
Cash Receipts		↑ 9.7%

Accounting Continuing Edu	4Q FY14	FY2014
Enrollments	↑ 5.6%	↑ 12.4%
Average Student Payment (ASP)	↑ 20.2%	
Cash Receipts		↑24.1%

Other Accounting Test Prep	4Q FY14	FY2014
Enrollments	-1.3%	↑ 12.3%
Average Student Payment (ASP)	↑ 15.9%	
Cash Receipts		↑21.3%

(1) due to CPA Exam administration was one month earlier than last year.

(2) due to a change in revenue mix as the Company introduced more comprehensive course offerings in which students can pre-pay for six courses to be taken over a five-year period.

(3) due to the shift in enrollment peak season for elementary level APQE courses

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

❖ **Healthcare Test Preparation**

- Enrollments up 63.3% and 57.5% YoY in 4Q and FY14, respectively
- ASP up 13.9% YoY in 4Q
- Cash registration revenue up 86% and 92% YoY in 4Q and FY14, respectively

❖ **E&C Test Preparation**

- Enrollments up 22.4% and 43.7% YoY in 4Q and FY14, respectively
- ASP up 8.9% YoY in 4Q
- Cash registration revenue up 33.2% and 53.3% YoY in 4Q and FY14, respectively

❖ **E&C Continuing Education**

- Enrollments up 218.6% and 163.0% YoY in 4Q and FY14, respectively
- ASP decreased 46.1% YoY in 4Q
- Cash registration revenue up 164% YoY in FY14

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

➤ **Balanced growth strategy that emphasizes quality and innovation**

- Consistently strive to balance focused growth in existing courses and controlled expansion into new courses and new verticals with high quality
- Balance growth and profitability, with a focus on quality and innovation, as well as disciplined spending
- Continuously improve innovative learning technologies, including more interactive courseware, more comprehensive learning management tools, as well as “big data” driven analysis to better serve students’ life-long learning needs

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

- Additional mobile apps downloaded reached 3.9 million for fiscal 2014, more than the sum of downloads for fiscal 2012 and 2013
- As of September 30, 2014, 34,400 registered enrollments for stand-alone fee-based mobile courses that we initiated in October 2013
- Through September 2014, over 58 thousand students had activated nearly 141 thousand e-books; During the study period of 2014, over 60% of our students utilized e-books online

➤ **Cultivating our open learning platform**

- 4Q and FY14 cash registration for courses and services involving this platform around \$2.2 million and \$7.2 million, respectively; around 3,600 and 19,400 paying students in 4Q and FY14, respectively
- We are pleased with the progress we made on our open learning platform, particularly in the early reception of our skills-enhancement training courses and our online-offline combined “tax school” business and our Photoshop micro-courses
- 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) – 4Q FY2014



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

	4Q FY13	4Q FY14	YoY Change%
Net revenues:			
Online education services	23,430	30,033	28.2%
Books and reference materials	1,601	1,769	10.5%
Others including in-person training	2,040	3,480	70.7%
Total net revenues	27,070	35,282	30.3%
Cost of sales	(8,638)	(11,212)	29.8%
Gross profit	18,432	24,070	30.6%
Gross margin	68.1%	68.2%	10 ppt
Operating expenses:			
Selling expenses	(4,308)	(5,639)	30.9%
General and administrative expenses	(2,978)	(4,227)	41.9%
Total operating expenses	(7,286)	(9,866)	35.4%
Operating Income	11,146	14,236	27.7%
Income tax expense	(2,538)	(1,555)	(38.8%)
Net income attributable to CDEL	9,099	13,419	47.5%

Select Income Statement Items (Unaudited) – FY2014

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

	FY2013	FY2014	YoY Change%
Net revenues:			
Online education services	58,573	80,545	37.5%
Books and reference materials	5,129	6,392	24.6%
Others including in-person training	7,658	10,259	34.0%
Total net revenues	71,360	97,195	36.2%
Cost of sales	(29,917)	(39,804)	33.0%
Gross profit	41,443	57,392	38.5%
Gross margin	58.1%	59.0%	90 ppt
Operating expenses:			
Selling expenses	(15,673)	(21,445)	36.8%
General and administrative expenses	(9,806)	(11,645)	18.8%
Total operating expenses	(25,479)	(33,090)	29.9%
Operating Income	16,023	24,555	53.2%
Income tax expense	(3,797)	(4,052)	6.7%
Net income attributable to CDEL	13,564	23,408	72.6 %

Selected Cash Flow Items (Unaudited) – 4Q and FY2014



(US\$ in Millions)

	4Q FY13	4Q FY14	FY13	FY14
Net Operating Cash Inflow	7.0	7.4	32.1	44.1

Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2013	Sep 30, 2014	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	72.7	140.4	93.0%
Receivables	3.5	1.6	(53.5)%
Inventories	0.7	0.4	(35.6)%
Net PP&E	10.2	10.7	5.1%
Other Assets	18.8	18.4	(2.3)%
Total	106.0	171.6	61.9%
Liabilities and Shareholders' Equity	Sep 30, 2013	Sep 30, 2014	Change %
Accrued Expenses and other liabilities	20.0	28.0	40.0%
Deferred Revenues, current portion	17.1	23.4	36.6%
Refundable Fees	4.3	5.2	20.9%
Bank Debt	-	16.6	-
Total Shareholder's Equity	64.5	98.4	52.5%
Total	106.0	171.6	61.9%

Business Outlook



1Q FY15 net revenue expected range: US\$20.0 million – 20.9 million, 7% - 12% year-over-year growth

FY15 net revenue guidance range: US\$123.4 million – 128.3 million, 27% - 32% year-over-year growth