



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

## Second Quarter Fiscal 2015 Results Presentation



May 20, 2015

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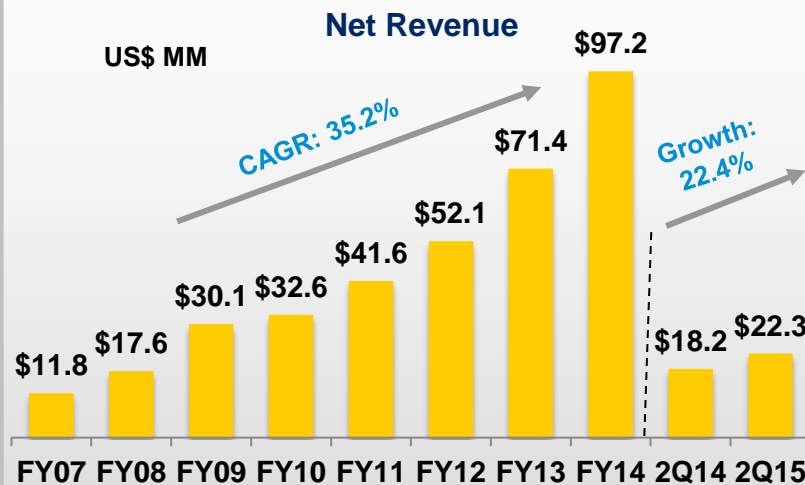
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## Healthy Revenue Growth Steady Progress on Long-term Strategic Initiatives

### Strong Performance

#### Net Revenue Meeting Guidance



- **Course enrollments:**
  - ↑ up 4.6% reaching 516,000 in 2Q
- **Net income:**
  - Down 5.8% to \$1.2 million in 2Q
- **Non-GAAP Net Income:**
  - ↑ up 21.8% to \$1.8 million in 2Q
- **Cash receipts from online course registration:**
  - ↑ up 16.2% to \$28.6 million in 2Q
- **Operating cash inflow:**
  - \$13.0 million in 2Q
- **Cash balance as of March 31, 2015:**
  - \$130.4 million

# Strategic & Operational Updates



CPA	2Q FY15
<b>Enrollments<sup>1</sup></b>	- 10.0%
<b>Average Student Payment (ASP)</b>	↑ 30.4%

APQE	2Q FY15
<b>Enrollments</b>	↑ 30.2%
<b>Average Student Payment (ASP)<sup>2</sup></b>	- 3.3%

Accounting Continuing Education	2Q FY15
<b>Enrollments</b>	↑ 0.3%
<b>Average Student Payment (ASP)<sup>3</sup></b>	- 16.1%

Other Accounting Test-Preparation Courses	2Q FY15
<b>Enrollments<sup>4</sup></b>	- 32.3%
<b>Average Student Payment (ASP)</b>	- 1.5%

Notes:

- 1.The decrease in CPA enrollments was mainly because CPA exams will be held in October 2015, one month later than last year
- 2.The decrease in APQE ASP was mainly due to relatively more enrollments in lower ASP courses
- 3.The decrease in Accounting Continuing Education ASP was mainly due to greater enrollments from some districts where the ASPs were relatively lower
- 4.The decrease in Other Accounting Test-Prep Courses enrollments was due to lower enrollments for the RTA exam caused by government policy changes which created uncertainty as to when or if the RTA exam will be administered in 2015 or in the future

## Healthcare and Engineering & Construction (“E&C”)

### ❖ Healthcare Test Preparation

- 2Q enrollments increased by 48.0% YoY
- 2Q ASP increased by 2.0% YoY

### ❖ E&C Test Preparation

- Enrollments down 29.5% YoY in 2Q, primarily due to a government policy change which negatively impacted the demand for the certification exam for associate constructors
- 2Q ASP up 17.2% YoY

### ❖ E&C Continuing Education

- Enrollments decreased 43.9% in 2Q, mainly due to seasonality
- 2Q ASP up 111.5% YoY

## Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Continued to execute the strategy that places a priority on delivering high quality courses**
  - Increasing enrollments in existing courses
  - Expanding course offerings in existing verticals and offering new courses in high-demand subject areas
  - Launching life-long learning programs to serve students' life-long learning needs, from test prep and continuing education to career enhancement and hobby-based skills training
  - Further enhancing educational delivery capabilities through innovation
- **Expanding our reach to China's college market through College Cooperation Program**
  - A four-step program tailored for the accounting vertical including Online and Offline Blended Learning, Practical Training courses, virtual internship opportunities on accounting cloud platform and employment guidance services
  - More than 100 colleges and universities joining this program
- **Developing our comprehensive and integrated mobile learning platform**
  - Offered 9 stand-alone fee-based mobile courses across four verticals in 2QFY15
  - Offered 57 mobile applications with cumulative downloads of 8.7 million as the end of March 2015
  - Continued to develop mobile learning platform and add products and features to improve students' learning experience and learning outcomes, thus driving customer adoption and expanding user base
- **Cultivating our open learning platform**
  - 2Q cash registration for courses and services involving this platform reached \$1.8 million
  - Over 800 fee-based courses on the platform; Continue to grow that number according to revenue and market opportunities



# Financial Highlights



# Select Income Statement Items (Unaudited) – 2Q FY2015



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

	2Q FY14	2Q FY15	YoY Change%
<b>Net revenues:</b>			
Online education services	14,196	16,930	19.3%
Books and reference materials	1,765	2,140	21.2%
Others including in-person training	2,286	3,266	42.9%
<b>Total net revenues</b>	<b>18,247</b>	<b>22,336</b>	<b>22.4%</b>
<b>Cost of sales</b>	<b>(9,695)</b>	<b>(11,158)</b>	<b>15.1%</b>
<b>Gross profit</b>	<b>8,552</b>	<b>11,178</b>	<b>30.7%</b>
<b>Gross margin</b>	<b>46.9%</b>	<b>50.0%</b>	<b>+310 ppt</b>
<b>Operating expenses:</b>			
Selling expenses	(5,708)	(7,259)	27.2%
General and administrative expenses	(2,331)	(3,088)	32.5%
<b>Total operating expenses</b>	<b>(8,039)</b>	<b>(10,347)</b>	<b>28.7%</b>
<b>Operating Income</b>	<b>518</b>	<b>871</b>	<b>68.1%</b>
<b>Income tax expense</b>	<b>(325)</b>	<b>(312)</b>	<b>(4)%</b>
<b>Net income attributable to CDEL</b>	<b>1,301</b>	<b>1,225</b>	<b>(5.8)%</b>

# Selected Cash Flow Items (Unaudited) – 2QFY2015

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(US\$ in Millions)	2Q FY14	2Q FY15
<b>Net Operating Cash Inflow</b>	36.9*	13.0

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❖ **The inflow in 2QFY15 was due to:**

- Net income before non-cash items generated in the second quarter of fiscal 2015
- The decrease in deferred cost, and the increase in deferred revenue also contributed to the cash inflow
- Partially offset by the increase in accounts receivable, and other non-current assets, and decrease in refundable fees

*Note\*:* Net operating cash inflow in the second quarter of fiscal 2014 included \$25 million of net proceeds received on behalf of certain selling shareholders in the follow-on public offering completed in March 2014.

# Selected Balance Sheet Items (Unaudited) – 2Q FY15



## Balance Sheet Summary

*(US\$ in Millions)*

Assets	Sep 30, 2014	Mar 31, 2015	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	140.4	130.4	(7.1)%
Receivables	1.6	2.8	70.0%
Inventories	0.5	1.1	144.8%
Net PP&E	10.7	10.8	0.4%
Other Assets	18.4	19.8	7.6%
<b>Total</b>	<b>171.6</b>	<b>164.9</b>	<b>(3.9)%</b>
Liabilities and Shareholders' Equity	Sep 30, 2014	Mar 31, 2015	Change %
Accrued Expenses and Other Liabilities	28.0	27.0	(3.4)%
Deferred Revenues, current portion	23.4	40.6	73.3%
Refundable Fees	5.2	3.2	(39.1)%
Bank Debt	16.6	16.6	0.2%
Dividend Payable	-	1.0	-
Total Shareholder's Equity	98.4	76.5	(22.3)%
<b>Total</b>	<b>171.6</b>	<b>164.9</b>	<b>(3.9)%</b>

# Business Outlook



**3Q FY15 net revenue expected range: US\$27.5 million –28.7 million, 10% - 15% year-over-year growth**

**FY15 net revenue guidance: US\$116.6 million – 121.5 million, 20% - 25% year-over-year growth**

**Prior FY15 net revenue guidance: US\$123.4 million – 128.3 million**