



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter Fiscal 2015 Results Presentation



August 19, 2015

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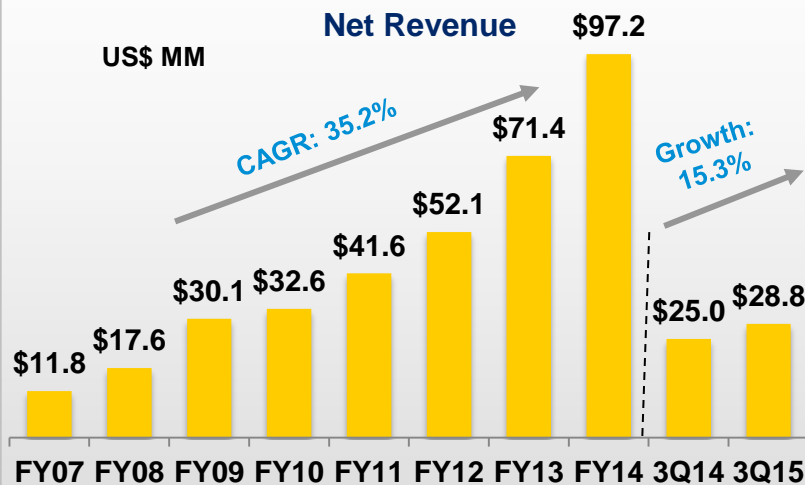
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- ❖ **Results Overview**
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Healthy Revenue Growth Steady Progress on Long-term Strategic Initiatives

Strong Performance

Net Revenue Exceeding Guidance



- **Course enrollments:**
 - 850,000 in 3Q, down 8.1%
- **Net income:**
 - Down 0.3% to \$5.2 million in 3Q
- **Non-GAAP Net Income:**
 - ▲ up 6.0% to \$5.7 million in 3Q
- **Cash receipts from online course registration:**
 - ▲ up 9.7% to \$28.7 million in 3Q
- **Operating cash inflow:**
 - \$13.5 million in 3Q
- **Cash balance as of June 30, 2015:**
 - \$142.6 million

Strategic & Operational Updates



CPA	3Q FY15
Enrollments¹	- 10.8%
Average Student Payment (ASP)	↑ 38.0%

APQE	3Q FY15
Enrollments²	- 33.5%
Average Student Payment (ASP)	↑ 20.7%

Accounting Continuing Education	3Q FY15
Enrollments	- 18.0%
Average Student Payment (ASP)	↑ 20.3%

Other Accounting Test-Preparation Courses	3Q FY15
Enrollments³	- 3.0%
Average Student Payment (ASP)	Remained flat

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 enrollments was mainly due to the earlier timing of the elementary-level APQE exam in fiscal year 2015 compared with fiscal year 2014
- 3.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

- 3Q enrollments increased by 42.4% YoY
- 3Q ASP increased by 6.4% YoY

❖ E&C Test Preparation

- Enrollments down 23.8% YoY in 3Q, primarily due to continued strict enforcement of a government policy related to constructors and associate constructors which negatively impacted the demand for the related certification exams
- 3Q ASP up 23.6% YoY

❖ E&C Continuing Education

- Enrollments increased 231.2% in 3Q, mainly due to seasonality
- 3Q ASP down 43.2% YoY, mainly due to greater enrollments from some districts where the ASPs were relatively lower

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' long term learning needs
 - Further enhancing educational delivery capabilities through innovation
 - Expanding into the large and growing college market through our College Cooperation Program

- **On track to officially kick off the College Cooperation Program in September**
 - Conducted training sessions for colleges participating in the program in the summer
 - Developed a teaching management system to enable professors to interact with students, manage classroom activities, and track student study progress
 - Launched “accounting cloud” platform, which enables the uploading of accounting documents by off-campus student mentors, providing students with real-world accounting work experience

- **Developing our comprehensive and integrated mobile learning platform**
 - Offered 9 fee-based stand-alone mobile courses across four verticals in 3QFY15
 - Offered 57 mobile applications with cumulative downloads of 10.0 million as the end of June 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**
 - 3Q cash registration for courses and services involving this platform reached \$2.0 million
 - Approximately 900 fee-based courses on the platform; Continue to grow that number according to revenue and market opportunities

Financial Highlights



Select Income Statement Items (Unaudited) – 3Q FY2015



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

	3Q FY14	3Q FY15	YoY Change%
Net revenues:			
Online education services	20,595	24,353	18.2%
Books and reference materials	1,747	1,796	2.8%
Others including in-person training	2,635	2,643	0.3%
Total net revenues	24,977	28,792	15.3%
Cost of sales	(10,466)	(11,387)	8.8%
Gross profit	14,511	17,405	19.9%
Gross margin	58.1%	60.5%	+240 ppt
Operating expenses:			
Selling expenses	(6,276)	(8,253)	31.5%
General and administrative expenses	(2,410)	(3,265)	35.5%
Total operating expenses	(8,686)	(11,518)	32.6%
Operating Income	5,991	5,900	(1.5)%
Income tax expense	(1,316)	(1,340)	1.8%
Net income attributable to CDEL	5,266	5,249	(0.3)%

Selected Cash Flow Items (Unaudited) – 3QFY2015

<i>(US\$ in Millions)</i>	3Q FY14	3Q FY15
Net Operating Cash Inflow (Outflow)	(8.0)*	13.5

❖ **The inflow in 3QFY15 was due to:**

- Net income before non-cash items generated in the third quarter of fiscal 2015
- The decrease in accounts receivable and the increase in accrued expenses and other liabilities, income tax payable, deferred revenue, and refundable fees also contributed to the cash inflow
- Partially offset by the increase in deferred cost

Note:* Net operating cash outflow in the third quarter of fiscal 2014 included the payback of \$25.0 million of net proceeds held temporarily on behalf of certain selling shareholders in the follow-on public offering.

Selected Balance Sheet Items (Unaudited) – 3Q FY15



Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2014	Jun 30, 2015	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	140.4	142.6	1.6%
Receivables	1.6	2.4	44.3%
Inventories	0.4	1.0	132.7%
Net PP&E	10.7	12.1	12.4%
Other Assets	18.5	19.3	4.3%
Total	171.6	177.4	3.4%
Liabilities and Shareholders' Equity	Sep 30, 2014	Jun 30, 2015	Change %
Accrued Expenses and Other Liabilities	28.0	30.2	7.9%
Deferred Revenues, current portion	23.4	42.5	81.5%
Refundable Fees	5.2	4.9	(6.7)%
Bank Debt	16.6	16.7	0.9%
Dividend Payable	-	0.8	-
Total Shareholder's Equity	98.4	82.2	(16.4)%
Total	171.6	177.4	3.4%

Business Outlook



4Q FY15 net revenue expected range: US\$35.3 million – 37.0 million, 0% - 5% year-over-year growth

FY15 net revenue guidance: US\$107.8 million – 109.6 million, 11% – 13% year-over-year growth

Prior FY15 net revenue guidance: US\$116.6 million – 121.5 million