



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Fourth Quarter and Fiscal Year 2015 Results Presentation



November 12, 2015

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 2016 and fiscal year 2016 and certain statements from management made in conjunction with this presentation, as well as the Company's strategic and operational plans (in particular, the opportunity of recent inclusion of innovative education reform in China's thirteenth five-year plan and its intended benefits, the launch and anticipated benefits of the CDEL's investment in innovative areas such as Open Learning Platform, mobile related products, Big Data initiative, and College Cooperation Program, CDEL's distribution of special cash dividends and CDEL's share repurchase program) 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.

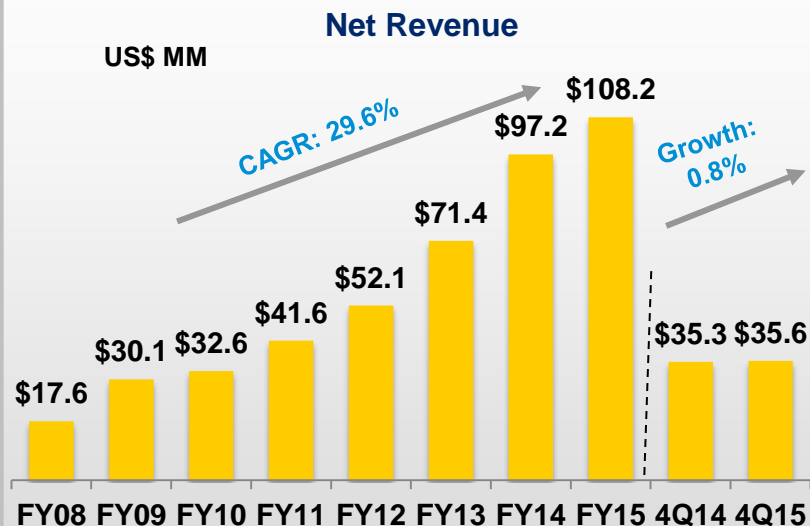
Further information regarding these and other risks is included in the Company's annual report on Form 20-F and other documents filed with the SEC. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this presentation is as of the date of November 12, 2015.

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

Strong Performance

Net Revenue Meeting Guidance



➤ Net income:

- ↑ up 0.7% to \$13.5 million in 4Q15
- ↑ up 5.0% to \$24.6 million in FY15

➤ Non-GAAP Net Income:

- ↑ up 3.4% to \$14.0 million in 4Q15
- ↑ up 10.2% to \$26.4 million in FY15

➤ Operating cash inflow:

- \$4.9 million in 4Q15
- \$37.6 million in FY15

➤ Cash balance as of September 30, 2015:

- \$138.8 million

➤ Cash Dividend:

- Approved a special cash dividend of \$0.225 per ordinary share, or \$0.90 per ADS

Strategic & Operational Updates



CPA	4Q FY15	FY15
Enrollments	- 12.6%	- 8.7%
Average Student Payment (ASP)	-17.0%	
Cash Receipts		↑13.7%

APQE	4Q FY15	FY15
Enrollments	- 4.4%	- 1.8%
Average Student Payment (ASP)	↑21.6%	
Cash Receipts		↑9.1%

Accounting Continuing Education	4Q FY15	FY15
Enrollments	↑3.8%	↑3.5%
Average Student Payment (ASP)	↑1.7%	
Cash Receipts		↑9.4%

Other Accounting Test-Preparation Courses	4Q FY15	FY15
Enrollments	- 11.0%	- 19.5%
Average Student Payment (ASP)	- 20.0%	
Cash Receipts		- 22.1%

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

❖ Healthcare Test Preparation

- Enrollments up 35.4% and 38.5% YoY in 4Q and FY15, respectively
- ASP down 10.0% YoY in 4Q
- Cash registration revenue up 38.8% in FY15

❖ E&C Test Preparation

- Enrollments down 36.0% and 24.3% YoY in 4Q and FY15, respectively
- ASP up 3.6% YoY in 4Q
- Cash registration revenue down 10.5% in FY15

❖ E&C Continuing Education

- Enrollments up 55.3% and 12.6% YoY in 4Q and FY15, respectively
- ASP increased 62.8% YoY in 4Q
- Cash registration revenue up 31.4% YoY in FY15

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in existing courses**
 - In 4QFY15 and FY15, total course enrollments reached 901,000 and 3.3 million, a year-over-year increase of 2.4% and 2.9%, respectively
 - As a result, we achieved \$17.0 million and \$94.4 million of cash receipts from online course registration in 4QFY15 and FY15, a year-over-year increase of 1.2% and 11.4%, respectively
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
 - Offered healthcare continuing education courses in 4 provinces across China in 4QFY15
 - In the early stages of launching new continuing education courses in the K-12 teacher license certification area
- **Cultivating our open learning platform**
 - FY15 cash registration for courses and services involving this platform reached \$8.3 million
 - Over 1,000 fee-based courses on the platform; Continue to grow that number according to revenue and market opportunities
- **Further enhancing our educational delivery capabilities through innovation**
 - Daily mobile traffic from both our mobile website and mobile applications in the accounting vertical is almost half of our daily regular Internet traffic in accounting
 - The average number of daily active mobile users in 4QFY15 was up 151% year-over-year in our healthcare vertical, and up 35% year-over-year in our accounting vertical
 - Offered 58 mobile applications with cumulative downloads of 11.6 million as the end of Sept 2015
- **Expanding into the large and growing college market through our College Cooperation Program**

Financial Highlights



Select Income Statement Items (Unaudited) – 4Q FY2015



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

	4Q FY14	4Q FY15	YoY Change%
Net revenues:			
Online education services	30,033	30,015	(0.1)%
Books and reference materials	1,769	1,661	(6.1)%
Others including in-person training	3,480	3,903	12.2%
Total net revenues	35,282	35,579	0.8%
Cost of sales	(11,212)	(11,970)	6.8%
Gross profit	24,070	23,609	(1.9)%
Gross margin	68.2%	66.4%	-180 ppt
Operating expenses:			
Selling expenses	(5,639)	(4,336)	(23.1)%
General and administrative expenses	(4,227)	(4,200)	(0.6)%
Total operating expenses	(9,866)	(8,536)	(13.5)%
Operating Income	14,236	15,087	6.0%
Income tax expense	(1,555)	(3,052)	96.3%
Net income attributable to CDEL	13,419	13,515	0.7%

Select Income Statement Items (Unaudited) – FY2015



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

	FY2014	FY2015	YoY Change%
Net revenues:			
Online education services	80,545	88,657	10.1%
Books and reference materials	6,392	6,873	7.5%
Others including in-person training	10,259	12,647	23.3%
Total net revenues	97,196	108,177	11.3%
Cost of sales	(39,803)	(44,343)	11.4%
Gross profit	57,393	63,834	11.2%
Gross margin	59.0%	59.0%	-
Operating expenses:			
Selling expenses	(21,445)	(24,186)	12.8%
General and administrative expenses	(11,645)	(13,211)	13.4%
Total operating expenses	(33,090)	(37,397)	13.0%
Operating Income	24,556	26,661	8.6%
Income tax expense	(4,052)	(5,874)	45.0%
Net income attributable to CDEL	23,409	24,573	5.0 %

Selected Cash Flow Items (Unaudited) – 4Q and FY2015



<i>(US\$ in Millions)</i>	4Q FY14	4Q FY15	FY14	FY15
Net Operating Cash Inflow (Outflow)	7.4	4.9	44.1	37.6

❖ **The inflow in 4QFY15 was due to:**

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

Selected Balance Sheet Items (Unaudited) – 4Q FY15



Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2014	Sep 30, 2015	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	140.4	138.8	(1.2)%
Receivables	1.6	2.8	71.0%
Inventories	0.4	0.9	93.9%
Net PP&E	10.7	12.9	20.5%
Other Assets	18.5	18.8	1.6%
Total	171.6	174.2	1.5%
Liabilities and Shareholders' Equity	Sep 30, 2014	Sep 30, 2015	Change %
Accrued Expenses and Other Liabilities	28.0	32.1	14.5%
Deferred Revenues, current portion	23.4	29.6	26.2%
Refundable Fees	5.2	5.2	0.9%
Bank Debt	16.6	16.5	(0.7)%
Dividend Payable	-	-	-
Total Shareholder's Equity	98.4	90.8	(7.7)%
Total	171.6	174.2	1.5%

Business Outlook



1QFY16 net revenue expected range: US\$21.5 million – 22.6 million, 0% - 5% year-over-year growth

FY16 net revenue guidance: US\$124.4 million – 129.8 million, 15% – 20% year-over-year growth