



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

**First Quarter Fiscal Year 2016 Results Presentation**



**February 25, 2016**

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 second quarter 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 launch of new courses in both existing and new verticals, the anticipated benefits of the CDEL's investment in innovative areas such as Open Learning Platform, mobile related products, Big Data initiative, College Cooperation Program, the expansion of CDEL's share repurchase program, and the anticipated benefits of listing of Zhengbao Yucai on China's New Third Board) 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.

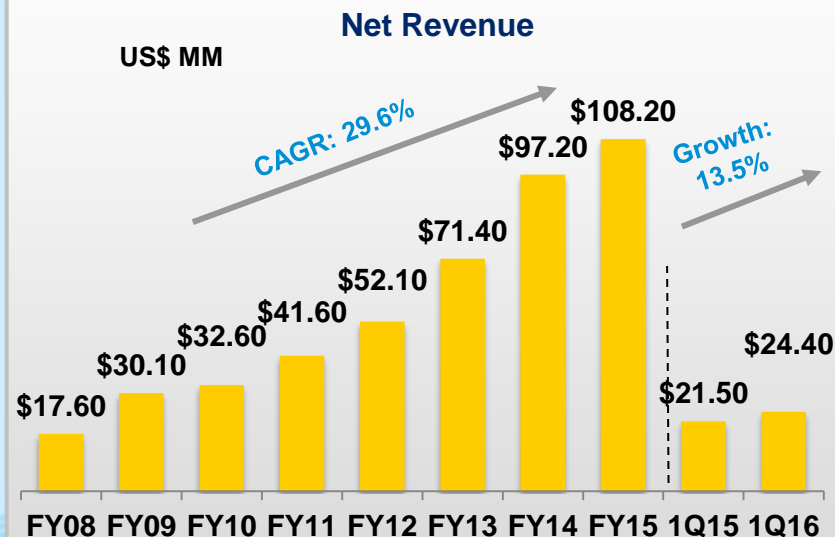
Further information regarding these and other risks is included in the Company's annual report on Form 20-F and other documents filed with the SEC. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this presentation is as of the date of February 25, 2016.

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

### Strong Performance

#### Net Revenue Exceeding Guidance



- **Course enrollments:**
  - 1,192,000 in 1Q, up 11.9%
- **Net income:**
  - down 10.4% to \$4.1 million in 1Q
- **Non-GAAP Net Income:**
  - down 4.6% to \$4.6 million in 1Q
- **Cash receipts from online course registration**
  - ▲ up 32.7% to \$26.7 million in 1Q
- **Operating cash inflow:**
  - \$12.3 million in 1Q
- **Cash balance as of December 31, 2015:**
  - \$135.9 million

# Strategic & Operational Updates



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

- **Increasing enrollments in existing courses**
  - In 1QFY16, total course enrollments reached 1,192,000, a year-over-year increase of 11.9%
  - As a result, we achieved \$26.7 million of cash receipts from online course registration in 1QFY16, a year-over-year increase of 32.7%
  
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
  - Offered healthcare and K-12 teacher continuing education courses and began generating revenue from these courses in 1QFY16
  - Expect these continuing education courses will generate meaningful revenue in the coming quarters
  
- **Cultivating our Open Learning Platform**
  - 1QFY16 cash registration for courses and services involving this platform reached \$2.6 million
  
- **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
  - Average number of daily active mobile users in 1QFY16 was up 59% year-over-year in accounting vertical
  - Offered 58 mobile applications with cumulative downloads of 13 million as of the end of Dec 2015
  
- **Expanding into the large and growing college market through our College Cooperation Program**
  - Expanded the number of participating colleges to nearly 300, building a solid foundation for sizable enrollment in the coming 2016-2017 school year.

CPA	1Q FY16
Enrollments	↑ 52.0%
Average Student Payment (ASP)	-18.3%

APQE	1Q FY16
Enrollments	↑ 30.7%
Average Student Payment (ASP)	-8.8%

Accounting Continuing Education	1Q FY16
Enrollments	↑ 3.6%
Average Student Payment (ASP)	-2.4%

Other Accounting Test-Preparation Courses	1Q FY16
Enrollments	↑ 53.6%
Average Student Payment (ASP)	↑ 4.8%

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

### ❖ **Healthcare Test Preparation**

- Enrollments up 135.2% in 1Q
- ASP down 8.4% YoY in 1Q

### ❖ **E&C Test Preparation**

- Enrollments up 6.6% in 1Q
- ASP down 9.7% YoY in 1Q

### ❖ **E&C Continuing Education**

- Enrollments down 46.6% in 1Q
- ASP increased 68.4% YoY in 1Q



# Financial Highlights



# Select Income Statement Items (Unaudited) – 1Q FY2016



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

	1Q FY15	1Q FY16	YoY Change%
<b>Net revenues:</b>			
Online education services	17,359	19,187	10.5%
Books and reference materials	1,275	1,789	40.3%
Others including in-person training	2,837	3,392	19.6%
<b>Total net revenues</b>	<b>21,471</b>	<b>24,368</b>	<b>13.5%</b>
<b>Cost of sales</b>	<b>(9,828)</b>	<b>(11,617)</b>	<b>18.2%</b>
<b>Gross profit</b>	<b>11,643</b>	<b>12,751</b>	<b>9.5%</b>
<b>Gross margin</b>	<b>54.2%</b>	<b>52.3%</b>	<b>-190 ppt</b>
<b>Operating expenses:</b>			
Selling expenses	(4,338)	(5,422)	25.0%
General and administrative expenses	(2,659)	(3,987)	50.0%
<b>Total operating expenses</b>	<b>(6,997)</b>	<b>(9,409)</b>	<b>34.5%</b>
<b>Operating Income</b>	<b>4,803</b>	<b>3,527</b>	<b>(26.6)%</b>
<b>Income tax expense</b>	<b>(1,170)</b>	<b>(1,012)</b>	<b>(13.5)%</b>
<b>Net income attributable to CDEL</b>	<b>4,584</b>	<b>4,108</b>	<b>(10.4)%</b>

*(US\$ in Millions)*

1Q FY15

1Q FY16

**Net Operating Cash Inflow**

6.9

12.3

❖ **The inflow in 1QFY16 was due to:**

- Net income before non-cash items generated in the first quarter of fiscal 2016
- The increase in deferred revenue due to strong growth in cash receipts from online course registration
- The decrease in accounts receivable and increase in accrued expenses and other liabilities
- Partially offset by the increase in inventories, prepayment and other current assets, and the decrease in income tax payable and refundable fees

# Selected Balance Sheet Items (Unaudited) – 1Q FY2016



## Balance Sheet Summary

*(US\$ in Millions)*

Assets	Sep 30, 2015	Dec 31, 2015	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	138.9	135.9	(2.2)%
Receivables	2.8	1.9	(32.8)%
Inventories	0.9	1.3	54.1%
Net PP&E	12.9	12.6	(2.5)%
Other Assets	18.6	20.4	9.7%
<b>Total</b>	<b>174.1</b>	<b>172.1</b>	<b>(1.2)%</b>
Liabilities and Shareholders' Equity	Sep 30, 2015	Dec 31, 2015	Change %
Accrued Expenses and Other Liabilities	32.0	32.1	0.4%
Deferred Revenues, current portion	29.6	37.5	26.8%
Refundable Fees	5.2	3.0	(42.7)%
Bank Debt	16.5	16.3	(1.0)%
Dividend Payable	-	31.1	-
Total Shareholder's Equity	90.8	52.1	(42.6)%
<b>Total</b>	<b>174.1</b>	<b>172.1</b>	<b>(1.2)%</b>

# Business Outlook



**2QFY16 net revenue expected range: US\$24.1 million – 25.2 million, 8% - 13% year-over-year growth**

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