



China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

**Second Quarter Fiscal Year 2016 Results Presentation**



**May 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 third 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 anticipated benefits of the Company's acquisition of Xiamen NetinNet and the implementation of expense control initiatives and its intended effect on the Company's net margin improvement, and the anticipated benefits of proposed 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.

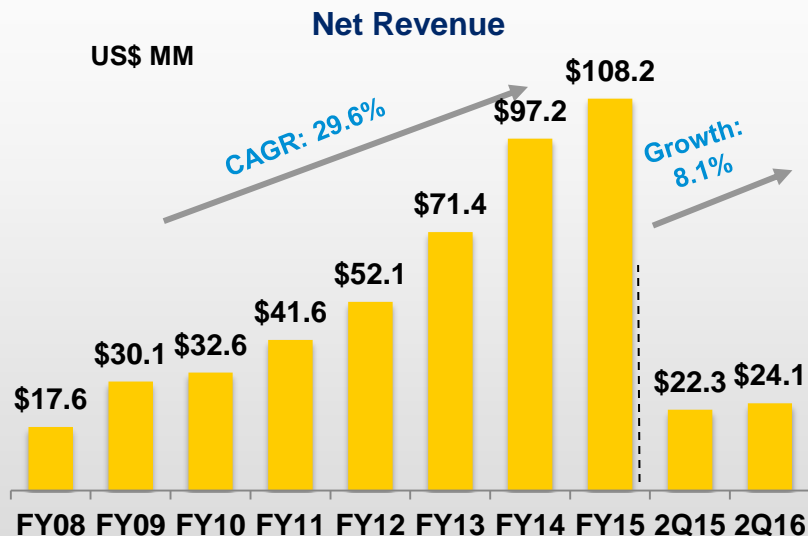
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## Strong Revenue Growth Steady Progress on Long-term Strategic Initiatives

### Strong Performance

#### Net Revenue In-Line with Guidance



- **Course enrollments:**
  - 593,000 in 2Q, up 14.9% YoY
- **Net income:**
  - ▲ up 107.7% to \$2.5 million in 2Q
- **Non-GAAP Net Income:**
  - ▲ up 73.1% to \$3.0 million in 2Q
- **Cash receipts from online course registration**
  - Down 1.8% to \$28.1 million in 2Q
- **Operating cash inflow:**
  - \$12.0 million in 2Q
- **Cash balance as of March 31, 2016:**
  - \$109.0 million

# Strategic & Operational Updates



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

- **Increasing enrollments in existing courses**
  - In 2QFY16, total course enrollments reached 593,000, a year-over-year increase of 14.9%
  - Achieved \$28.1 million of cash receipts from online course registration in 2QFY16, down 1.8% YoY
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
  - Look for opportunities to offer new courses and enter new vertical markets to broaden our market reach
  - Making good progress in K-12 teacher continuing education, and currently have agreements in place in 3 provinces
- **Cultivating our Open Learning Platform**
  - 2QFY16 cash registration for courses and services involving this platform grew 4.6% YoY to \$1.9 million
  - Plan to continue to focus on developing CDEL as students' premier life-long learning partner
- **Further enhancing our educational delivery capabilities through innovation**
  - The average number of daily active mobile users in 2QFY16 in our accounting and healthcare verticals increased 20% and 30% YoY, respectively
  - As of March 31, 2016, we offered 60 mobile applications with cumulative downloads of 14.5 million, up from 13 million, at the end of December 2015
- **Expanding into the large and growing college market through our College Cooperation Program**
  - Expanded the number of participating colleges to 340, compared with nearly 300 at the end of December 2015
  - We are working hard to ensure the business processes and infrastructure associated with this program are in place to provide students with a high quality learning experience in their upcoming 2016-2017 college school year

CPA	2Q FY16
Enrollments	↑ 11.8%
Average Student Payment (ASP)	-14.6%

APQE	2Q FY16
Enrollments	↑ 4.4%
Average Student Payment (ASP)	↑ 7.1%

Accounting Continuing Education	2Q FY16
Enrollments	↑ 38.4%
Average Student Payment (ASP)	↑ 0.9%

Other Accounting Test-Preparation Courses	2Q FY16
Enrollments	-7.5%
Average Student Payment (ASP)	↑ 29.5%

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

### ❖ Healthcare Test Preparation

- Enrollments down 3.4% YoY in 2Q
- ASP down 11.9% YoY in 2Q

### ❖ E&C Test Preparation

- Enrollments down 11.0% YoY in 2Q
- ASP down 5.8% YoY in 2Q

### ❖ E&C Continuing Education

- Enrollments up 35.9% YoY in 2Q
- ASP up 1.8% YoY in 2Q



# Financial Highlights



# Select Income Statement Items (Unaudited) – 2Q FY2016



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

	2Q FY15	2Q FY16	YoY Change%
<b>Net revenues:</b>			
Online education services	16,930	19,003	12.2%
Books and reference materials	2,140	1,581	(26.1%)
Others including in-person training	3,266	3,563	9.1%
<b>Total net revenues</b>	<b>22,336</b>	<b>24,147</b>	<b>8.1%</b>
<b>Cost of sales</b>	<b>(11,158)</b>	<b>(10,413)</b>	<b>(6.7%)</b>
<b>Gross profit</b>	<b>11,178</b>	<b>13,734</b>	<b>22.9%</b>
<b>Gross margin</b>	<b>50.0%</b>	<b>56.9%</b>	<b>690 ppt</b>
<b>Operating expenses:</b>			
Selling expenses	(7,259)	(5,246)	(27.7%)
General and administrative expenses	(3,088)	(3,870)	25.3%
<b>Total operating expenses</b>	<b>(10,347)</b>	<b>(9,116)</b>	<b>(11.9%)</b>
<b>Operating Income</b>	<b>871</b>	<b>4,631</b>	<b>431.7%</b>
<b>Income tax expense</b>	<b>(312)</b>	<b>(706)</b>	<b>126.3%</b>
<b>Net income attributable to CDEL</b>	<b>1,225</b>	<b>2,544</b>	<b>107.7%</b>

(US\$ in Millions)

2Q FY15

2Q FY16

**Net Operating Cash Inflow**

13.0

12.0

❖ **The inflow in 2QFY16 was due to:**

- Net income before non-cash items generated in the second quarter of fiscal 2016
- The increase in accrued expenses and other liabilities, income tax payable and deferred revenue
- Partially offset by the increase in accounts receivable, inventories, prepayment and other current assets, and the decrease in refundable fees

# Selected Balance Sheet Items (Unaudited) – 2Q FY2016



## Balance Sheet Summary

*(US\$ in Millions)*

Assets	Sep 30, 2015	Mar 31, 2016	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	138.9	109.0	(21.6)%
Receivables	2.8	2.7	(2.7)%
Inventories	0.9	2.1	137.7%
Net PP&E	12.9	12.5	(3.1)%
Other Assets	18.6	27.2	46.4%
<b>Total</b>	<b>174.1</b>	<b>153.5</b>	<b>(11.8)%</b>
Liabilities and Shareholders' Equity	Sep 30, 2015	Mar 31, 2016	Change %
Accrued Expenses and Other Liabilities	32.0	33.0	3.0%
Deferred Revenues, current portion	29.6	49.9	68.8%
Refundable Fees	5.2	1.1	(80.0)%
Bank Debt	16.5	16.5	0.4%
Dividend Payable	-	-	-
Total Shareholder's Equity	90.8	53.0	(41.6)%
<b>Total</b>	<b>174.1</b>	<b>153.5</b>	<b>(11.8)%</b>

# Business Outlook



**3QFY16 net revenue expected range: US\$27.3 million – 28.8 million, 5% - 0% year-over-year decrease**

**FY16 net revenue guidance: US\$108.2 million –113.6 million, 0% – 5% year-over-year growth**

**Prior guidance range was \$124.4 million to \$129.8 million**