



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

**Fourth Quarter and Fiscal Year 2017 Results Presentation**



**November 29, 2017**

# Safe Harbor Statement



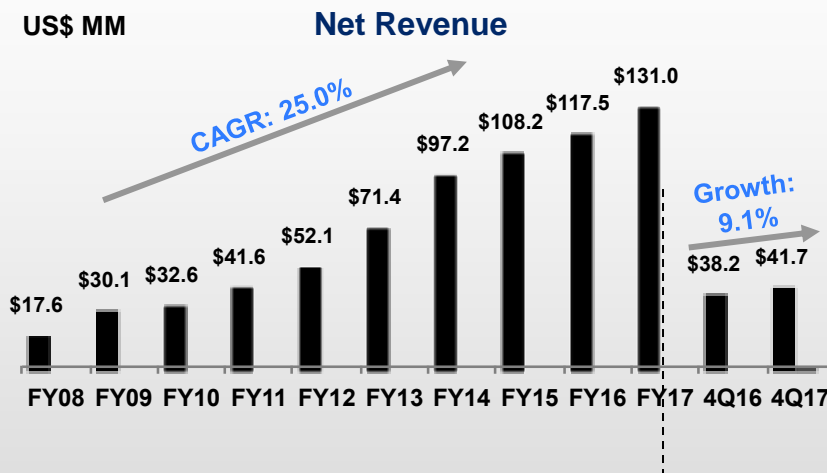
This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “may,” “should,” “potential,” “continue,” “expect,” “predict,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the first quarter and fiscal year 2018 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 strategic growth initiatives, including bundling accounting practical skills training and employment guidance services; offering bookkeeping services, tax advisory services and tax training to corporate clients; acquisition and strategic investments such as the acquisition of 40% equity interest in Beijing Ruida; as well as cost control) 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: goals and growth strategies; future prospects and market acceptance of online and offline courses and other products and services; future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; plans to expand and enhance 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 29, 2017.

- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**

## Net Revenue at High-end of Guidance Range Steady Progress on Long-term Strategic Initiatives

### Strong Performance



- **Non-GAAP net income:**
  - \$7.2 million in 4Q17
  - \$17.7 million in FY17
- **Operating cash inflow:**
  - \$2.9 million in 4Q17
  - \$37.1 million in FY17
- **Cash receipts from online course registration**
  - ↑ Up 22.2% to \$22.3 million in 4Q17
  - ↑ Up 12.5% to \$109.5 million in FY17
- **Cash balance as of September 30, 2017:**
  - \$100.6 million
- **Cash Dividend:**
  - Approved a special cash dividend of \$0.1125 per ordinary share, or \$0.45 per ADS

# Strategic & Operational Updates



CPA	4Q FY17	FY17
Enrollments	-18.7%	-9.5%
Average Student Payment (ASP)	37.4%↑	
Cash Receipts		4.5%↑

APQE	4Q FY17	FY17
Enrollments	34.1%↑	10.3%↑
Average Student Payment (ASP)	50.4%↑	
Cash Receipts		46.9%↑

Accounting Continuing Education	4Q FY17	FY17
Enrollments	-32.5%	-14.2%
Average Student Payment (ASP)	-12.7%	
Cash Receipts		-26.3%

Other Accounting Courses	4Q FY17	FY17
Enrollments	-51.8%	-41.6%
Average Student Payment (ASP)	168.0%↑	
Cash Receipts		22.0%↑

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

### ❖ **Healthcare Test Preparation**

- Enrollments down 11.4% and 7.9% YoY in 4Q and FY17, respectively
- ASP up 18.6% YoY in 4Q
- Cash registration revenue up 2.5% in FY17

### ❖ **E&C Test Preparation**

- Enrollments down 21.6% and 19.4% YoY in 4Q and FY17, respectively
- ASP up 38.9% YoY in 4Q
- Cash registration revenue down 4.5% in FY17

### ❖ **E&C Continuing Education**

- Enrollments up 36.3% and 11.4% YoY in 4Q and FY17, respectively
- ASP up 1.5% YoY in 4Q
- Cash registration revenue up 13.0% in FY17

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

### ➤ **Increasing enrollments in existing courses**

- In 4QFY17, total course enrollments reached 830,000. Excluding accounting continuing education and Accounting Certificate enrollments, 4QFY17 total enrollment growth was 28.2% year-over-year.
- As a result, we achieved \$22.3 million of cash receipts from online course registration in 4QFY17, a year-over-year increase of 22.2%.

### ➤ **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**

- Offered K-12 teacher continuing education in 16 jurisdictions in China. Tens of thousands of teachers have completed our courses.
- Made significant progress extending employment guidance services for accounting professionals, which bundle accounting practical skills training and employment guidance services.

### ➤ **Further enhancing our educational delivery capabilities through innovation**

- The 4QFY17 average number of daily active mobile users in our accounting and healthcare verticals increased 22.3% and 14.6% year-over-year, respectively.
- Livestreaming select courses to extend student reach and promote brand.
- Offered 65 mobile applications with cumulative downloads of 25.0 million as of September 30, 2017.

### ➤ **Expanding into the large and growing college market through our College Cooperation Program**

- Expanded the number of participating colleges to 443.
- Extension of Accounting Ecosystem to include accounting and related advisory services to SMEs will offer superb internship opportunities to students enrolled in our College Cooperation Program.



# Financial Highlights



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

	4Q FY16	4Q FY17	YoY Change%
<b>Net revenues:</b>			
Online education services	30,454	32,045	5.2%
Books and reference materials	2,755	2,093	-24.0%
Others including in-person training	5,030	7,570	50.5%
<b>Total net revenues</b>	<b>38,239</b>	<b>41,708</b>	<b>9.1%</b>
<b>Cost of sales</b>	<b>(13,085)</b>	<b>(16,555)</b>	<b>26.5%</b>
<b>Gross profit</b>	<b>25,154</b>	<b>25,153</b>	<b>0.0%</b>
<b>Gross margin</b>	<b>65.8%</b>	<b>60.3%</b>	<b>-550 bps</b>
<b>Operating expenses:</b>			
Selling expenses	(6,175)	(8,906)	44.2%
General and administrative expenses	(4,841)	(6,037)	24.7%
<b>Total operating expenses</b>	<b>(11,016)</b>	<b>(14,943)</b>	<b>35.6%</b>
<b>Operating Income/(loss)</b>	<b>14,583</b>	<b>10,538</b>	<b>-27.7%</b>
<b>Income tax benefit/(expense)</b>	<b>(2,653)</b>	<b>(2,051)</b>	<b>-22.7%</b>
<b>Net income/(loss) attributable to CDEL</b>	<b>12,225</b>	<b>5,866</b>	<b>-52.0%</b>

# Select Income Statement Items (Unaudited) – FY2017



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

	FY2016	FY2017	YoY Change%
<b>Net revenues:</b>			
Online education services	93,923	95,503	1.7%
Books and reference materials	8,067	8,980	11.3%
Others including in-person training	15,558	26,505	70.4%
<b>Total net revenues</b>	<b>117,548</b>	<b>130,988</b>	<b>11.4%</b>
<b>Cost of sales</b>	<b>(48,334)</b>	<b>(57,412)</b>	<b>18.8%</b>
<b>Gross profit</b>	<b>69,214</b>	<b>73,576</b>	<b>6.3%</b>
<b>Gross margin</b>	<b>58.9%</b>	<b>56.2%</b>	<b>-270 bps</b>
<b>Operating expenses:</b>			
Selling expenses	(24,517)	(34,910)	42.4%
General and administrative expenses	(16,778)	(19,468)	16.0%
<b>Total operating expenses</b>	<b>(41,295)</b>	<b>(54,378)</b>	<b>31.7%</b>
<b>Operating Income/(loss)</b>	<b>28,725</b>	<b>21,110</b>	<b>-26.5%</b>
<b>Income tax benefit/(expense)</b>	<b>(6,150)</b>	<b>(4,620)</b>	<b>-24.9%</b>
<b>Net income/(loss) attributable to CDEL</b>	<b>26,290</b>	<b>14,935</b>	<b>-43.2%</b>

# Selected Cash Flow Items (Unaudited) – 4Q FY2017



<i>(US\$ in Millions)</i>	4Q FY16	4Q FY17	FY16	FY17
<b>Net Operating Cash Inflow (Outflow)</b>	5.8	2.9	38.9	37.1

❖ **The decrease in operating cash inflow in 4QFY17 was due to:**

- The decrease in net income before non-cash items generated in the fourth quarter of fiscal 2017.
- The increase in accounts receivable, prepayments and other current assets, and the decrease in deferred revenue and deferred tax liabilities also contributed to the operating cash outflow.
- Operating cash outflow was partially offset by the increase in accrued expenses and other liabilities, and income tax payable.

# Selected Balance Sheet Items (Unaudited) – 4Q FY2017



Assets	Sept 30, 2016	Sept 30, 2017	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	70.5	100.6	42.8%
Receivables	5.5	5.5	1.3%
Inventories	1.0	0.9	(11.0)%
Net PP&E	13.9	14.0	0.8%
Other Assets	58.0	103.6	78.6%
<b>Total</b>	<b>148.9</b>	<b>224.6</b>	<b>50.8%</b>
Liabilities and Shareholders' Equity	Sept 30, 2016	Sept 30, 2017	Change %
Accrued Expenses and Other Liabilities	39.6	70.2	77.3%
Deferred Revenues, current portion	36.3	50.5	38.9%
Refundable Fees	0.9	1.1	24.6%
Bank Debt	15.6	30.0	92.7%
Dividend Payable	-	-	-
Total Equity	56.5	72.8	28.9%
<b>Total</b>	<b>148.9</b>	<b>224.6</b>	<b>50.8%</b>

# Business Outlook



**1QFY18 net revenue expected range:  
US\$33.6 million – \$35.2 million, 5% - 10% year-over-year increase**

**FY18 net revenue expected range:  
US\$150.6 million – \$157.2 million, 15% - 20% year-over-year  
increase**