



# CDEL

China Distance Education Holdings Limited

*Investor Presentation*

*NYSE: DL*

**First Quarter FY2018 Results Presentation**



**March 8, 2018**

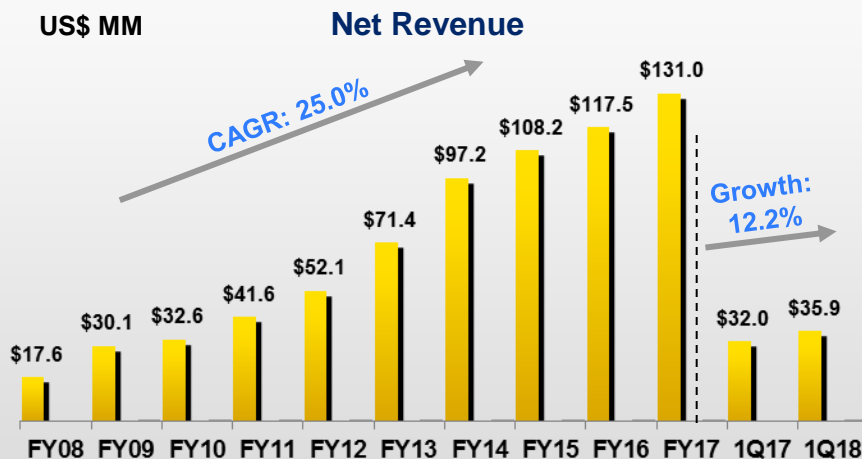
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**

## Net Revenue Exceeded High-End of Guidance Range Steady Progress on Long-term Strategic Initiatives

### Strong Performance



➤ **Non-GAAP net income:**

- \$0.6 million in 1QFY18

➤ **Operating cash inflow:**

- \$13.2 million in 1QFY18

➤ **Cash receipts from online course registration**

- ▲ Up 50.4% y/y to \$40.3 million in 1QFY18

➤ **Cash balance as of December 31, 2017:**

- \$103.0 million

➤ **Cash Dividend:**

- Paid a special cash dividend of \$0.1125 per ordinary share, or \$0.45 per ADS to shareholders of record on January 12, 2018

# Strategic & Operational Updates



CPA	1QFY18
Enrollments	38.2% ↑
Average Student Payment (ASP)	43.5% ↑

APQE	1QFY18
Enrollments	71.9% ↑
Average Student Payment (ASP)	20.3% ↑

Accounting Continuing Education	1QFY18
Enrollments	-17.0%
Average Student Payment (ASP)	-2.9%

Other Accounting Courses	1QFY18
Enrollments	-27.4%
Average Student Payment (ASP)	99.5% ↑

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

### ❖ **Healthcare Test Preparation**

- Enrollments up 10.5% YoY in 1QFY18
- ASP up 7.2% YoY in 1QFY18

### ❖ **E&C Test Preparation**

- Enrollments up 37.4% YoY in 1QFY18
- ASP down 11.5% YoY in 1QFY18

### ❖ **E&C Continuing Education**

- Enrollments down 12.1% YoY in 1QFY18
- ASP down 20.6% YoY in 1QFY18

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

- **Increasing enrollments in existing courses**
  - In 1QFY18, total course enrollments reached 1,227,000. Excluding accounting continuing education, 1QFY18 total enrollment growth was 26.4% year-over-year.
  - As a result, we achieved \$40.3 million of cash receipts from online course registration in 1QFY18, a year-over-year increase of 50.4%.
  
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
  - In 1QFY18, cash receipts for employment guidance services for accounting professionals increased 47% year-over-year to \$1.9 million.
  
- **Further enhancing our educational delivery capabilities through innovation**
  - The 1QFY18 average number of daily active mobile users in our accounting and healthcare verticals increased 46% and 60% year-over-year, respectively.
  - Livestreaming select courses to extend student reach and promote brand.
  - Offered 65 mobile applications with cumulative downloads of 27.4 million as of December 31, 2017.
  
- **Expanding Accounting Ecosystem**
  - Extension of Accounting Ecosystem to include accounting and related advisory services to SMEs.



# Financial Highlights



# Select Income Statement Items (Unaudited) – 1Q FY2018



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

	1Q FY17	1Q FY18	YoY Change%
<b>Net revenues:</b>			
Online education services	20,106	22,433	11.6%
Books and reference materials	1,641	2,377	44.8%
Others including in-person training	10,236	11,068	8.1%
<b>Total net revenues</b>	<b>31,983</b>	<b>35,878</b>	<b>12.2%</b>
<b>Cost of sales</b>	<b>(12,810)</b>	<b>(18,381)</b>	<b>43.5%</b>
<b>Gross profit</b>	<b>19,173</b>	<b>17,497</b>	<b>-8.7%</b>
<b>Gross margin</b>	<b>59.9%</b>	<b>48.8%</b>	
<b>Operating expenses:</b>			
Selling expenses	(7,185)	(9,121)	27.0%
General and administrative expenses	(4,530)	(4,996)	10.3%
<b>Total operating expenses</b>	<b>(11,715)</b>	<b>(14,117)</b>	<b>20.5%</b>
<b>Operating Income/(loss)</b>	<b>7,957</b>	<b>5,109</b>	<b>-35.8%</b>
<b>Income tax benefit/(expense)</b>	<b>(2,394)</b>	<b>(671)</b>	<b>-72.0%</b>
<b>Net income/(loss) attributable to CDEL</b>	<b>8,555</b>	<b>94</b>	

# Selected Cash Flow Items (Unaudited) – 1Q FY2018



<i>(US\$ in Millions)</i>	1Q FY17	1Q FY18
<b>Net Operating Cash Inflow (Outflow)</b>	16.5	13.2

❖ **The decrease in operating cash inflow in 1QFY18 was due to:**

- The decrease in net income before non-cash items generated in the first quarter of fiscal 2018.
- The increase in accounts receivable, inventories, prepayments and other current assets, and the decrease in income tax payable also contributed to the operating cash outflow.
- Operating cash outflow was partially offset by the increase in accrued expenses and other liabilities, and deferred revenue.

# Selected Balance Sheet Items (Unaudited) – 1Q FY2018



(US\$ in Millions)

Assets	Sept 30, 2017	Dec 31, 2017	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	100.6	103.0	2.3%
Receivables	5.5	7.4	34.3%
Inventories	0.9	2.8	229.2%
Net PP&E	14.0	17.0	21.4%
Other Assets	103.6	129.0	24.5%
<b>Total</b>	<b>224.6</b>	<b>259.2</b>	<b>15.5%</b>
Liabilities and Shareholders' Equity	Sept 30, 2017	Dec 31, 2017	Change %
Accrued Expenses and Other Liabilities	50.2	53.8	7.2%
Deferred Revenues, current portion	50.5	67.1	32.8%
Refundable Fees	1.1	0.8	(22.4)%
Borrowings	49.9	55.4	11.2%
Dividend Payable	0.04	15.0	
Total Shareholder's Equity	72.8	67.1	(7.9)%
<b>Total</b>	<b>224.6</b>	<b>259.2</b>	<b>15.5%</b>

# Business Outlook



**2QFY18 net revenue expected range:  
US\$27.8 million – \$28.9 million, 27% - 32% year-over-year increase**

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