



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Second Quarter FY2018 Results Presentation



May 17, 2018

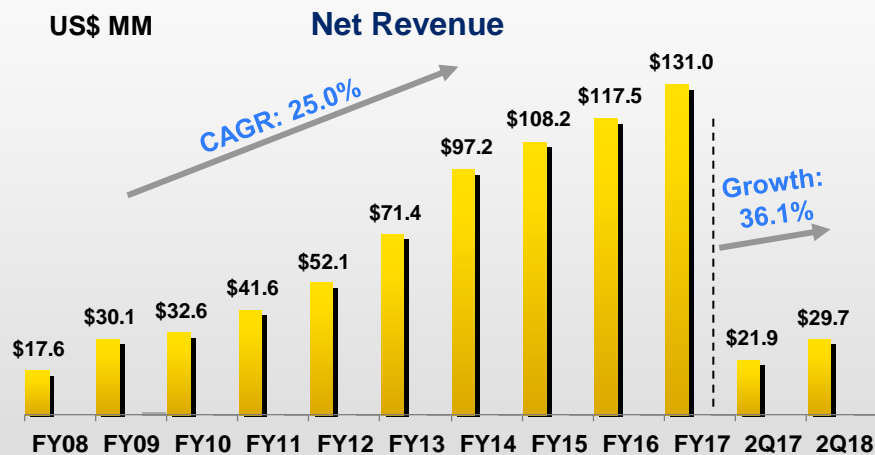
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**

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

Strong Performance



- **Non-GAAP net loss:**
 - \$2.7 million in 2QFY18
- **Operating cash inflow:**
 - \$7.2 million in 2QFY18
- **Cash receipts from online course registration**
 - **↑** Up 25.4% y/y to \$43.9 million in 2QFY18
- **Cash balance as of March 31, 2018:**
 - \$93.5 million

Strategic & Operational Updates



CPA	2QFY18
Enrollments	-1.2%
Average Student Payment (ASP)	67.2% ↑

APQE	2QFY18
Enrollments	1.5% ↑
Average Student Payment (ASP)	39.0% ↑

Accounting Continuing Education	2QFY18
Enrollments	-39.4%
Average Student Payment (ASP)	12.4% ↑

Other Accounting Courses	2QFY18
Enrollments	-9.7%
Average Student Payment (ASP)	68.6% ↑

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

❖ Healthcare Test Preparation

- Enrollments down 6.3% YoY in 2QFY18
- ASP up 12.1% YoY in 2QFY18

❖ E&C Test Preparation

- Enrollments up 13.5% YoY in 2QFY18
- ASP down 2.1% YoY in 2QFY18

❖ E&C Continuing Education

- Enrollments down 38.4% YoY in 2QFY18
- ASP up 55.7% YoY in 2QFY18

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in existing courses**
 - In 2QFY18, total course enrollments reached 589,000. Excluding continuing education enrollments, 2QFY18 total enrollment growth was 17.2% year-over-year.
 - As a result, we achieved \$43.9 million of cash receipts from online course registration in 2QFY18, a year-over-year increase of 25.4%.

- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
 - In 2QFY18, cash receipts for employment guidance services for accounting professionals increased 27.8% year-over-year to \$1.7 million.

- **Further enhancing our educational delivery capabilities through innovation**
 - The 2QFY18 average number of daily active mobile users in our accounting and healthcare verticals increased 24.0% and 12.5% year-over-year, respectively.
 - Livestreaming select courses to extend student reach and promote brand.
 - Offered 65 mobile applications with cumulative downloads of 32.5 million as of March 31, 2018.

- **Expanding Accounting Ecosystem**
 - Extension of Accounting Ecosystem to include accounting and related advisory services to SMEs.

Financial Highlights



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

	2Q FY17	2Q FY18	YoY Change%
Net revenues:			
Online education services	16,869	23,396	38.7%
Books and reference materials	1,276	1,391	9.0%
Others including in-person training	3,713	4,961	33.6%
Total net revenues	21,858	29,748	36.1%
Cost of sales	(11,797)	(18,680)	58.3%
Gross profit	10,061	11,068	10.0%
Gross margin	46.0%	37.2%	
Operating expenses:			
Selling expenses	(8,432)	(8,341)	-1.1%
General and administrative expenses	(4,648)	(5,766)	24.0%
Total operating expenses	(13,080)	(14,107)	7.9%
Operating Income/(loss)	(2,069)	(2,911)	40.7%
Income tax benefit/(expense)	572	1,431	150.2%
Net income/(loss) attributable to CDEL	(2,413)	(3,265)	35.3%

<i>(US\$ in Millions)</i>	2Q FY17	2Q FY18
Net Operating Cash Inflow (Outflow)	11.3	7.2

❖ **The decrease in operating cash inflow in 2QFY18 was due to:**

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

Selected Balance Sheet Items (Unaudited) – 2Q FY2018



(US\$ in Millions)

Assets	Sept 30, 2017	Mar 31, 2018	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	100.6	93.5	-7.1%
Receivables	5.5	6.8	22.7%
Inventories	0.9	1.7	96.3%
Net PP&E	14.0	17.6	25.7%
Other Assets	103.6	154.1	48.7%
Total	224.6	273.7	21.9%
Liabilities and Shareholders' Equity	Sept 30, 2017	Mar 31, 2018	Change %
Accrued Expenses and Other Liabilities	50.3	48.6	(3.2)%
Deferred Revenues, current portion	50.5	90.7	79.5%
Refundable Fees	1.1	1.2	10.2%
Borrowings	49.9	64.0	28.3%
Total Shareholder's Equity	72.8	69.2	(4.9)%
Total	224.6	273.7	21.9%

Business Outlook



**3QFY18 net revenue expected range:
US\$42.5 million – \$44.3 million, 20% - 25% year-over-year increase**

**FY18 net revenue expected range:
US\$155.8 million – \$162.4 million, 19% - 24% year-over-year
increase**