



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter FY2018 Results Presentation



August 16, 2018

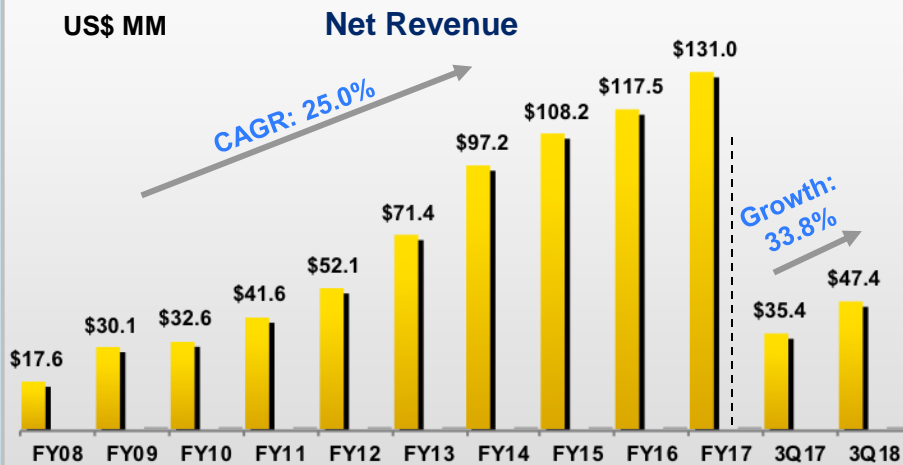
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Further information regarding these and other risks is included in the Company's annual report on Form 20-F and other documents filed with the SEC. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this presentation is as of the date of August 16, 2018.

- ❖ **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:**
 - Up 68.8% y/y to \$5.8 million in 3QFY18
- **Operating cash inflow:**
 - Up 59.6% y/y to \$12.4 million in 3QFY18
- **Cash receipts from online course registration**
 - Up 51.6% y/y to \$38.5 million in 3QFY18
- **Cash balance as of June 30, 2018:**
 - \$91.5 million



Strategic & Operational Updates



CPA	3QFY18
Enrollments	-9.4%
Average Student Payment (ASP)	137.6% 

APQE	3QFY18
Enrollments	20.1% 
Average Student Payment (ASP)	30.9% 

Accounting Continuing Education	3QFY18
Enrollments	-48.0%
Average Student Payment (ASP)	115.9% 

Other Accounting Courses	3QFY18
Enrollments	4.4% 
Average Student Payment (ASP)	31.4% 

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

❖ Healthcare Test Preparation

- Enrollments down 5.5% YoY in 3QFY18
- ASP up 27.2% YoY in 3QFY18

❖ E&C Test Preparation

- Enrollments up 0.9% YoY in 3QFY18
- ASP up 6.2% YoY in 3QFY18

❖ E&C Continuing Education

- Enrollments down 22.8% YoY in 3QFY18
- ASP up 27.8% YoY in 3QFY18

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in accounting test preparation courses**
 - In 3QFY18, total course enrollments reached 568,800.
 - Accounting test preparation course enrollments grew 9.9% year-over-year in 3QFY18.

- **Longer duration premium and elite classes helped fuel cash receipts growth in the third quarter**
 - We achieved \$38.5 million of cash receipts from online course registration in 3QFY18, a year-over-year increase of 51.6%.
 - Our premium and elite classes offer students additional services such as longer study periods, employment guidance services, more mock exams, personalized learning reports and study plans, among others, at higher price points compared with our regular classes.

- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
 - In July 2018 CDEL announced the acquisition of an additional 11% equity interest in Beijing Ruida for a total consideration of RMB52.8 million or \$8.0 million, subject to adjustments under certain pre-agreed conditions, bringing the Company's total equity interest in Beijing Ruida to 51%.
 - Beijing Ruida performed admirably in 2017, recording 2017 revenue and net income under PRC GAAP of over RMB200 million and approximately RMB50 million, respectively.

- **Further enhancing our educational delivery capabilities through innovation**
 - The 3QFY18 average number of daily active mobile users in our accounting and healthcare verticals increased 56.5% and 30.6% year-over-year, respectively.
 - Offered 67 mobile applications with cumulative downloads of 40.0 million as of June 30, 2018.

Financial Highlights



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

	3Q FY17	3Q FY18	YoY Change%
Net revenues:			
Online education services	26,482	34,658	30.9%
Books and reference materials	3,970	5,321	34.0%
Others including in-person training	4,987	7,437	49.1%
Total net revenues	35,439	47,416	33.8%
Cost of sales	(16,250)	(24,583)	51.3%
Gross profit	19,189	22,833	19.0%
Gross margin	54.1%	48.2%	
Operating expenses:			
Selling expenses	(10,388)	(12,967)	24.8%
General and administrative expenses	(4,252)	(4,698)	10.5%
Total operating expenses	(14,640)	(17,665)	20.7%
Operating Income/(loss)	4,684	1,571	-66.5%
Income tax benefit/(expense)	(747)	(1,347)	80.3%
Net income/(loss) attributable to CDEL	2,927	5,131	75.3%

3QFY18 Net Operating Cash Inflow Increased by 59.6% Year-over-Year

<i>(US\$ in Millions)</i>	3Q FY17	3Q FY18
Net Operating Cash Inflow (Outflow)	7.8	12.4

- ❖ **The operating cash inflow in 3QFY18 was due to:**
 - Net income before non-cash items generated in the third quarter of fiscal 2018.
 - The decrease in accounts receivable and the increase in accrued expenses and other liabilities, income tax payable and refundable fees also contributed to the operating cash inflow.
 - The operating cash inflow was partially offset by the increase in inventories, deferred cost, and the decrease in deferred revenue.

Selected Balance Sheet Items (Unaudited) – 3Q FY2018



(US\$ in Millions)

Assets	Sept 30, 2017	June 30, 2018	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	100.6	91.5	-9.1%
Receivables	5.5	5.2	-6.4%
Inventories	0.9	3.9	354.6%
Net PP&E	14.0	16.7	18.8%
Other Assets	103.6	152.3	47.1%
Total	224.6	269.5	20.0%
Liabilities and Shareholders' Equity	Sept 30, 2017	Mar 31, 2018	Change %
Accrued Expenses and Other Liabilities	50.3	55.4	10.2%
Deferred Revenues, current portion	50.5	84.0	66.3%
Refundable Fees	1.1	3.3	204.5%
Borrowings	49.9	63.5	27.2%
Total Shareholder's Equity	72.8	63.4	-12.9%
Total	224.6	269.5	20.0%

Business Outlook



**4QFY18 net revenue expected range:
US\$54.2 million – \$56.3 million, 30% - 35% year-over-year increase**

**FY18 net revenue expected range:
US\$167.3 million – \$169.3 million, 27.7% - 29.3% year-over-year
increase**