



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

First Quarter FY2019 Results Presentation



March 7, 2019

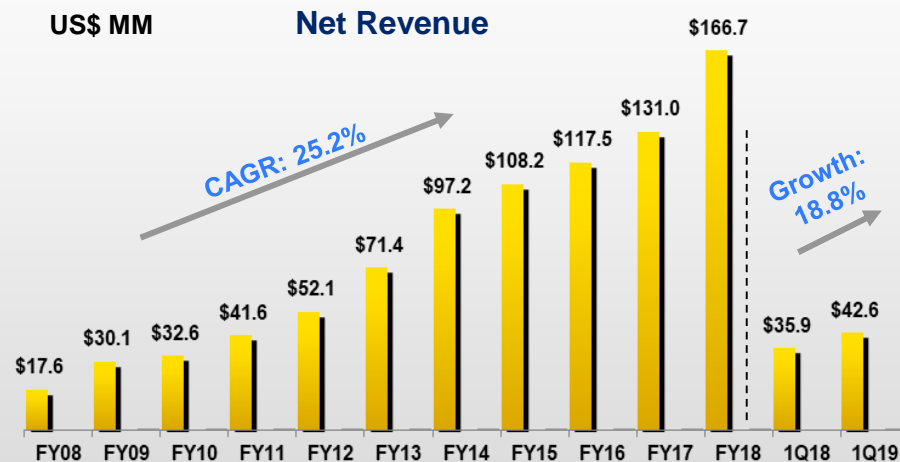
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Further information regarding these and other risks is included in the Company’s annual report on Form 20-F and other documents filed or furnished with the SEC. All information provided in this presentation is as of March 7, 2019. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
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Steady Progress on Long-term Strategic Initiatives

Q1 Revenue Exceeds Guidance



➤ **Non-GAAP net income:**

↑ Up 305.0% y/y to \$2.4 million in 1QFY19

➤ **Non-GAAP operating loss:**

(\$1.7) million in 1Q19 vs. \$5.6 million non-GAAP operating income y/y

➤ **Operating cash inflow:**

↑ Up 101.6 % y/y to \$26.6 million in 1QFY19

➤ **Cash receipts from online course registration**

↑ Up 50.1% y/y to \$60.5 million in 1QFY19

➤ **Cash balance as of December 31, 2018:**

• \$110.5 million

Strategic & Operational Updates



Accounting Courses

CPA	1QFY19
Enrollments	-8.5%
Average Student Payment (ASP)	145.0%↑

APQE	1QFY19
Enrollments	-8.5%
Average Student Payment (ASP)	47.3%↑

Accounting Continuing Education	1QFY19
Enrollments	2.9%↑
Average Student Payment (ASP)	47.5%↑

Other Accounting Courses	1QFY19
Enrollments	42.8%↑
Average Student Payment (ASP)	-62.1%

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

❖ **Healthcare Test Preparation**

- Enrollments up 15.6% YoY in 1QFY19
- ASP up 24.9% YoY in 1QFY19

❖ **E&C Test Preparation**

- Enrollments down 24.9% YoY in 1QFY2019
- ASP up 39.1% YoY in 1QFY2019

❖ **E&C Continuing Education**

- Enrollments up 51.9% YoY in 1QFY2019
- ASP down 10.1% YoY in 1QFY2019

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments**
 - In 1QFY19, total course enrollments reached 1,284,000, up 4.6% year-over-year
- **Longer duration premium and elite classes helped fuel cash receipts growth in the fourth quarter**
 - We achieved \$60.5 million of cash receipts from online course registration in 1QFY19, a year-over-year increase of 50.1%.
 - Our premium and elite classes offer students additional services such as more tutoring guidance, more mock exams, personalized study reports, longer study periods, and employment guidance, 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**
 - We have been working closely with majority-owned Beijing Ruida (provider of exam preparation services for China's national legal profession qualification examination) to further enhance its online presence and capabilities by leveraging our extensive experience and robust technologies for online course delivery.
 - Beijing Ruida contributed revenue of approximately \$6.8 million in the first quarter.
- **Further enhancing our educational delivery capabilities through innovation**
 - The 1QFY19 average number of daily active mobile users in our accounting vertical increased 37.3% year-over-year.
 - Offered 68 mobile applications with cumulative downloads of 48.8 million as of September 30, 2018.

Financial Highlights



Select Income Statement Items (Unaudited) – 1Q FY2019



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

	1Q FY18	1Q FY19	YoY Change%
Net revenues:			
Online education services	22,433	25,044	11.6%
Books and reference materials	2,377	6,404	169.5%
Others including in-person training	11,068	11,175	1.0%
Total net revenues	35,878	42,623	18.8%
Cost of sales	(18,381)	(25,609)	39.3%
Gross profit	17,497	17,014	-2.8%
Gross margin	48.8%	39.9%	
Operating expenses:			
Selling expenses	(9,121)	(14,483)	58.8%
General and administrative expenses	(4,996)	(6,327)	26.6%
Total operating expenses	(14,117)	(20,810)	47.4%
Operating Income/(loss)	5,109	(2,173)	N/A
Income tax benefit/(expense)	(671)	(952)	41.9%
Net income/(loss) attributable to CDEL	94	1,912	1938.1%

1QFY19 Net Operating Cash Inflow Increased by 101.6% Year-over-Year

<i>(US\$ in Millions)</i>	1Q FY18	1Q FY19
Net Operating Cash Inflow (Outflow)	13.2	26.6

- ❖ **The operating cash inflow in 1QFY19 was due to:**
- The decrease in accounts receivable and deferred tax assets.
 - The increase in deferred revenue generated from our professional education services segment, and amount due to related parties.
 - The operating cash inflow was partially offset by the increase in inventories, prepayments and other current assets, other non-current assets, and the decrease in accrued expenses and other liabilities, and refundable fees.

Selected Balance Sheet Items (Unaudited) – 1Q FY2019



(US\$ in Millions)

Assets	Sept 30, 2018	Dec 31, 2018	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	99.6	110.5	10.9%
Receivables	7.3	5.6	-22.2%
Inventories	2.8	4.1	48.1%
Net PP&E	28.0	37.8	35.3%
Other Assets	191.3	196.9	3.0%
Total	328.9	355.0	7.9%
Liabilities and Shareholders' Equity	Sept 30, 2018	Dec 31, 2018	Change %
Accrued Expenses and Other Liabilities	64.1	90.5	41.1%
Deferred Revenues, current portion	78.2	78.3	0.1%
Refundable Fees	13.8	3.0	-78.5%
Borrowings	63.0	57.9	-8.1%
Total Shareholder's Equity	109.8	125.4	14.2%
Total	328.9	355.0	7.9%

Business Outlook



**2QFY19 net revenue expected range:
US\$33.3 million to \$34.8 million , 12% - 17% year-over-year
increase**

**FY19 net revenue expected range:
US\$208.3 million to \$216.7 million , 25% - 30% year-over-year
increase**