

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Second Quarter FY2019 Results Presentation

May 16, 2019

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 third quarter and full fiscal year 2019 and quotations from management in this presentation, as well as the Company’s strategic and operational plans (in particular, the anticipated benefits of strategic growth initiatives, including the promotion of the Company’s lifelong learning ecosystem, as well as cost control and year-over-year improvement of operating margins) 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: our goals and growth strategies; future prospects and market acceptance of our courses and other products and services; our future business development and results of operations; projected revenues, profits, earnings and other estimated financial information; projected enrollment numbers; our plans to expand and enhance our courses and other products and services; competition in the education and test preparation markets; and Chinese laws, regulations and policies, including those applicable to the Internet, 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 or furnished 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 May 16, 2019.



Agenda

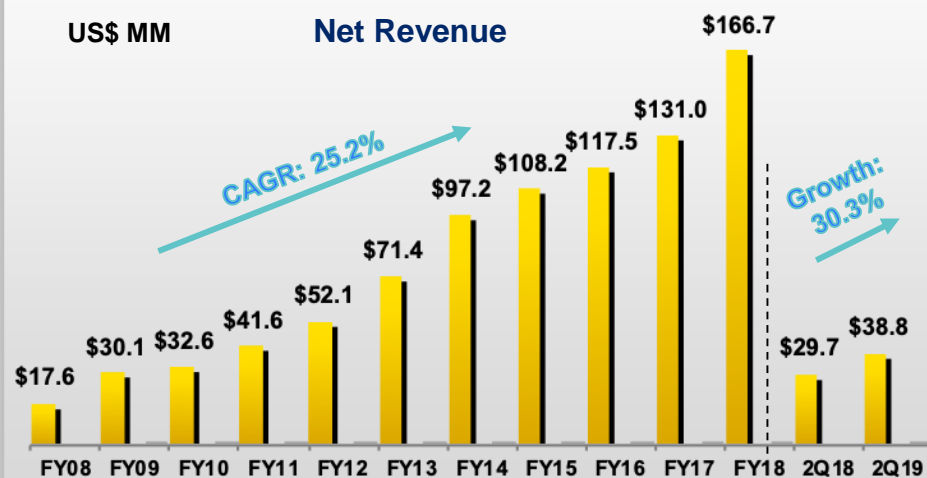
- Results Overview
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- Q&A



Results Overview

Steady Progress on Long-term Strategic Initiatives

Strong Performance



➤ Non-GAAP net loss:

- \$3.4 million in 2QFY19

➤ Operating cash inflow:

- ▲ Up 128.8 % y/y to \$16.5 million in 2QFY19

➤ Cash receipts from online course registration

- ▲ Up 29.8% y/y to \$57.0 million in 2QFY19

➤ Cash balance as of March 31, 2019:

- \$130.1 million





Strategic & Operational Updates



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Accounting Courses

CPA	2QFY19
Enrollments	-17.3%
Average Student Payment (ASP)	187.0%↑

APQE	2QFY19
Enrollments	-26.5%
Average Student Payment (ASP)	77.1%↑

Accounting Continuing Education	2QFY19
Enrollments	179.7%↑
Average Student Payment (ASP)	-4.3%

Other Accounting Courses	2QFY19
Enrollments	76.5%↑
Average Student Payment (ASP)	-74.8%



Non-Accounting Courses

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

❖ Healthcare Test Preparation

- Enrollments down 20.9% YoY in 2QFY19
- ASP up 24.6% YoY in 2QFY19

❖ E&C Test Preparation

- Enrollments down 9.8% YoY in 2QFY2019
- ASP up 30.5% YoY in 2QFY2019

❖ E&C Continuing Education

- Enrollments up 52.5% YoY in 2QFY2019
- ASP down 32.1% YoY in 2QFY2019



Achievements and Goals

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments of total courses**
 - In 2QFY19, total course enrollments reached 642,000, an increase of 8.9% from the second quarter of fiscal 2018.
- **Longer duration premium and elite classes helped fuel cash receipts growth in the second quarter**
 - We achieved \$57.0 million of cash receipts from online course registration in 2QFY19, a year-over-year increase of 29.8%.
 - 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**
 - In May 2019 CDEL decided to acquire an additional 9% equity interest in Beijing Ruida for a total consideration of RMB38.3 million (\$5.6 million), bringing the Company's total equity interest in Beijing Ruida to 60%. The transaction is expected to close in the third quarter of fiscal 2019.
- **Further enhancing our educational delivery capabilities through innovation**
 - The 2QFY19 daily active users in accounting, healthcare and engineering and construction verticals increased by 41.9%, 10.9% and 43.6% respectively year-over-year.
 - Offered 68 mobile applications with cumulative downloads of 54.0 million as of March 31, 2019.





Financial Highlights



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Select Income Statement Items (Unaudited) – 2Q FY2019

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

	2Q FY18	2Q FY19	YoY Change%
Net revenues:			
Online education services	23,396	27,878	19.2%
Books and reference materials	1,391	5,401	288.3%
Others including in-person training	4,961	5,482	10.5%
Total net revenues	29,748	38,761	30.3%
Cost of sales	(18,680)	(23,279)	24.6%
Gross profit	11,068	15,482	39.9%
Gross margin	37.2%	39.9%	
Operating expenses:			
Selling expenses	(8,341)	(13,801)	65.5%
General and administrative expenses	(5,766)	(6,581)	14.1%
Total operating expenses	(14,107)	(20,382)	44.5%
Operating loss	(2,911)	(4,058)	39.4%
Income tax benefit	1,431	1,335	-6.7%
Net loss attributable to CDEL	(3,265)	(3,875)	18.7%



Selected Cash Flow Items (Unaudited) – 2Q FY2019

2QFY19 Net Operating Cash Inflow Increased by 128.8% Year-over-Year

<i>(US\$ in Millions)</i>	2Q FY18	2Q FY19
Net Operating Cash Inflow (Outflow)	7.2	16.5

- ❖ **The operating cash inflow in 2QFY19 was due to:**
 - The increase in deferred revenue generated from our professional education services segment
 - The operating cash inflow was partially offset by the increase in accounts receivable, prepayments and other current assets, and the decrease in accrued expenses and other liabilities, income tax payable, deferred tax liabilities, and amount due to a related party.



Selected Balance Sheet Items (Unaudited) – 2Q FY2019

(US\$ in Millions)

Assets	Sept 30, 2018	Mar 31, 2019	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	99.6	130.1	30.5%
Receivables	7.3	6.5	-10.6%
Inventories	2.8	4.3	56.0%
Net PP&E	28.0	40.4	44.3%
Other Assets	191.3	199.3	4.2%
Total	328.9	380.6	15.7%
Liabilities and Shareholders' Equity	Sept 30, 2018	Mar 31, 2019	Change %
Accrued Expenses and Other Liabilities	64.1	89.7	39.9%
Deferred Revenues, current portion	78.2	103.0	31.8%
Refundable Fees	13.8	3.3	-76.3%
Borrowings	63.0	58.2	-7.6%
Total Shareholder's Equity	109.8	126.4	15.1%
Total	328.9	380.6	15.7%





Business Outlook



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Third Quarter and Fiscal Year 2019 Guidance

**3QFY19 net revenue expected range:
US\$61.6 million to \$64.0 million, 30% - 35% year-over-year
increase**

**FY19 net revenue expected range:
US\$210.0 million to \$218.3 million, 26% - 31% year-over-year
increase**

