

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter FY2019 Results Presentation

August 14, 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 fourth 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, regular class test prep enrollment growth, and cost control) 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 August 14, 2019.



Agenda

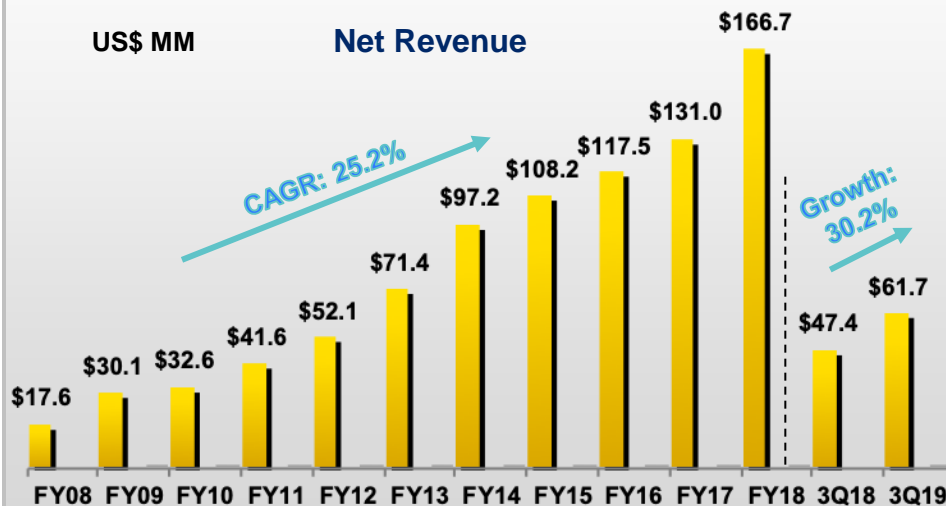
- Results Overview
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- Financial Highlights
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- Q&A



Results Overview

Steady Progress on Long-term Strategic Initiatives

Strong Performance



➤ Non-GAAP net income:

- Up 72.9% y/y to \$10.0 million in 3QFY19

➤ Operating cash inflow:

- Up 41.7% y/y to \$17.6 million in 3QFY19

➤ Cash receipts from online course registration:

- Up 30.7% y/y to \$50.4 million in 3QFY19

➤ Cash balance as of June 30, 2019:

- \$124.9 million





Strategic & Operational Updates



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Accounting Courses

CPA	3QFY19
Enrollments	-14.9%
Average Student Payment (ASP)	48.3% ↑

APQE	3QFY19
Enrollments	-14.9%
Average Student Payment (ASP)	66.6% ↑

Accounting Continuing Education	3QFY19
Enrollments	115.0% ↑
Average Student Payment (ASP)	-6.0%

Other Accounting Courses	3QFY19
Enrollments	126.3% ↑
Average Student Payment (ASP)	-75.2%



Non-Accounting Courses

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

❖ Healthcare Test Preparation

- Enrollments down 7.3% YoY in 3QFY2019
- ASP up 36.5% YoY in 3QFY2019

❖ E&C Test Preparation

- Enrollments up 0.6% YoY in 3QFY2019
- ASP up 8.1% YoY in 3QFY2019

❖ E&C Continuing Education

- Enrollments up 69.3% YoY in 3QFY2019
- ASP down 9.3% YoY in 3QFY2019



Achievements and Goals

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing total course enrollments**
 - In 3QFY19, total course enrollments reached 734,800, an increase of 29.2% from the third quarter of fiscal 2018.
- **Longer duration premium and elite classes helped fuel cash receipts growth in the third quarter**
 - We achieved \$50.4 million of cash receipts from online course registration in 3QFY19, a year-over-year increase of 30.7%.
 - 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 August 2019, CDEL completed the acquisition of 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%.
- **Further enhancing our educational delivery capabilities through innovation**
 - The 3QFY19 daily active users in accounting, healthcare and engineering and construction verticals increased by 15.3%, 11.6% and 50.0% year-over-year, respectively.
 - Offered 69 mobile applications with cumulative downloads of 57.6 million as of June 30, 2019.





Financial Highlights



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Select Income Statement Items (Unaudited) – 3Q FY2019

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

	3Q FY18	3Q FY19	YoY Change%
Net revenues:			
Online education services	34,658	43,529	25.6%
Books and reference materials	5,321	9,826	84.7%
Others including in-person training	7,437	8,392	12.8%
Total net revenues	47,416	61,747	30.2%
Cost of sales	(24,583)	(30,571)	24.4%
Gross profit	22,833	31,176	36.5%
Gross margin	48.2%	50.5%	
Operating expenses:			
Selling expenses	(12,967)	(17,043)	31.4%
General and administrative expenses	(4,698)	(4,947)	5.3%
Total operating expenses	(17,665)	(21,990)	24.5%
Operating Income	1,571	9,851	527.1%
Income tax expenses	(1,347)	(2,460)	82.6%
Net Income attributable to CDEL	5,131	9,447	84.1%



Selected Cash Flow Items (Unaudited) – 3Q FY2019

3QFY19 Net Operating Cash Inflow Increased by 41.7% Year-over-Year

<i>(US\$ in Millions)</i>	3Q FY18	3Q FY19
Net Operating Cash Inflow (Outflow)	12.4	17.6

❖ **The operating cash inflow in 3QFY19 was due to:**

-- Net income before non-cash items generated in the third quarter of fiscal 2019.

-- The increase in accrued expenses and other liabilities, income tax payable, and deferred revenue generated from the Company's professional education services segment.

-- The operating cash inflow was partially offset by the increase in accounts receivable, inventories, prepayments and other current assets, and other non-current assets.



Selected Balance Sheet Items (Unaudited) – 3Q FY2019

(US\$ in Millions)

Assets	Sept 30, 2018	June 30, 2019	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	99.6	124.9	25.3%
Receivables	7.3	7.1	-2.9%
Inventories	2.8	4.4	58.7%
Net PP&E	28.0	39.0	39.5%
Other Assets	191.3	198.2	3.6%
Total	328.9	373.5	13.6%
Liabilities and Shareholders' Equity	Sept 30, 2018	June 30, 2019	Change %
Accrued Expenses and Other Liabilities	64.1	56.6	-11.7%
Deferred Revenues	78.2	140.4	79.5%
Refundable Fees	13.8	3.1	-77.6%
Borrowings	63.0	44.8	-28.9%
Total Shareholder's Equity	109.8	128.6	17.2%
Total	328.9	373.5	13.6%





Business Outlook



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Fourth Quarter and Fiscal Year 2019 Guidance

**4QFY19 net revenue expected range:
US\$63.3 million to \$66.5 million, 18% - 24% year-over-year
increase**

**FY19 net revenue expected range:
US\$206.4 million to \$209.6 million, 23.8% - 25.8% year-over-year
increase**

