

# China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

First Quarter FY2020 Results Presentation

March 18, 2020

# 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 second quarter and full fiscal year 2020 and quotations from management in this presentation, as well as the Company’s strategic and operational plans (in particular, the impact of the COVID-19 outbreak on our businesses, the solutions we adopt to address the outbreak, and the revision of revenue guidance; the anticipated benefits of strategic growth initiatives, including the promotion of the Company’s lifelong learning ecosystem; as well as balancing growth and profitability) 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: the impact of the COVID-19 outbreak, 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 March 18, 2020.



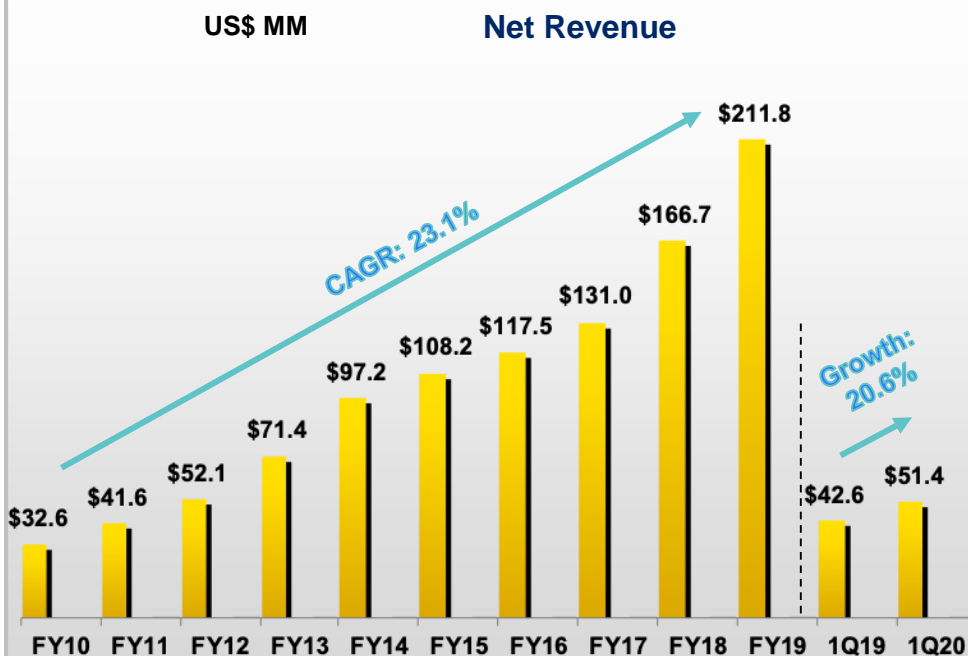
# Agenda

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



# Results Overview

## Steady Progress on Long-term Strategic Initiatives



### ➤ Non-GAAP operating income:

- \$2.6 million in 1QFY20

### ➤ Non-GAAP net loss:

- \$1.2 million in 1QFY20

### ➤ Operating cash inflow:

- ↓ Down 15.6% y/y to \$22.5 million in 1QFY20

### ➤ Cash receipts from online course registration:

- ↑ Up 13.9% y/y to \$68.9 million in 1QFY20

### ➤ Cash balance as of December 31, 2019:

- \$145.9 million





# Strategic & Operational Updates



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# Accounting Courses

| CPA                           | 1QFY20  |
|-------------------------------|---------|
| Enrollments                   | -3.3%   |
| Average Student Payment (ASP) | ↑ 23.9% |

| APQE                          | 1QFY20 |
|-------------------------------|--------|
| Enrollments                   | ↑ 9.1% |
| Average Student Payment (ASP) | ↑ 3.8% |

| Accounting Continuing Education | 1QFY20        |
|---------------------------------|---------------|
| Enrollments                     | Remained Flat |
| Average Student Payment (ASP)   | ↑ 3.6%        |

| Other Accounting Courses      | 1QFY20  |
|-------------------------------|---------|
| Enrollments                   | ↑ 28.1% |
| Average Student Payment (ASP) | -44.9%  |



# Non-Accounting Courses

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

### ❖ Healthcare Test Preparation

- Enrollments up 3.4% YoY in 1QFY2020
- ASP down 5.8% YoY in 1QFY2020

### ❖ E&C Test Preparation

- Enrollments up 27.8% YoY in 1QFY2020
- ASP up 9.1% YoY in 1QFY2020

### ❖ E&C Continuing Education

- Enrollments up 47.2% YoY in 1QFY2020
- ASP down 3.9% YoY in 1QFY2020



# Achievements and Goals

## Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

### ➤ **Total course enrollments**

- In 1QFY20, total course enrollments reached 1,310,000, an increase of 2% from the first quarter of fiscal 2019

### ➤ **Increasing cash receipts from online course registration**

- We achieved \$68.9 million of cash receipts from online course registration in 1QFY20, a year-over-year increase of 13.9%.

### ➤ **Further enhancing our educational delivery capabilities through innovation**

- The 1QFY20 daily active users in our accounting, healthcare, and engineering and construction verticals increased by 9.9%, 11.0% and 41.0% year-over-year, respectively.
- Offered 69 mobile applications with cumulative downloads of 63.0 million as of December 31, 2019

### ➤ **Commitment to social responsibility**

- CDEL has taken prompt action to support our students across China during the COVID-19 outbreak, offering free online courses covering popular professional examination categories to students in Hubei province, the epicenter of the epidemic, and significant discounts for certain online exam preparation courses to students outside of Hubei.







# Financial Highlights



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# Select Income Statement Items (Unaudited) – 1Q FY2020

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

|  | 1Q FY19         | 1Q FY20         | YoY Change%  |
|--|-----------------|-----------------|--------------|
| <b>Net revenues:</b>                   |                 |                 |              |
| Online education services              | 25,044          | 34,523          | 37.9%        |
| Books and reference materials          | 6,404           | 4,363           | -31.9%       |
| Others including in-person training    | 11,175          | 12,525          | 12.1%        |
| <b>Total net revenues</b>              | <b>42,623</b>   | <b>51,411</b>   | <b>20.6%</b> |
| Cost of sales                          | (25,609)        | (25,619)        | 0.0%         |
| Gross profit                           | 17,014          | 25,792          | 51.6%        |
| Gross margin                           | 39.9%           | 50.2%           |              |
| <b>Operating expenses:</b>             |                 |                 |              |
| Selling expenses                       | (14,483)        | (19,171)        | 32.4%        |
| General and administrative expenses    | (6,327)         | (5,558)         | -12.1%       |
| <b>Total operating expenses</b>        | <b>(20,810)</b> | <b>(24,729)</b> | <b>18.8%</b> |
| Operating (loss)/Income                | (2,173)         | 2,086           | NA           |
| Income tax (expenses)/benefit          | (952)           | 34              | NA           |
| Net Income/(loss) attributable to CDEL | 1,912           | (1,711)         | NA           |



# Selected Cash Flow Items (Unaudited) – 1Q FY2020

## 1QFY20 Net Operating Cash Inflow Decreased by 15.6% Year-over-Year

| <i>(US\$ in Millions)</i>                  | 1Q FY19 | 1Q FY20 |
|--|---------|---------|
| <b>Net Operating Cash Inflow (Outflow)</b> | \$26.6  | \$22.5  |

### ❖ Operating cash inflow in 1QFY20:

- Mainly attributable to net income before non-cash items generated in the first quarter of fiscal 2020.
- The decrease in accounts receivable, and the increase in accrued expenses and other liabilities, deferred revenue, and refundable fees also contributed to the operating cash inflow.
- The operating cash inflow was partially offset by the increase in inventories, prepayments and other current assets, and the decrease in lease liability, income tax payable, and deferred tax liabilities.



# Selected Balance Sheet Items (Unaudited) – 1Q FY2020

(US\$ in Millions)

| Assets   | Sept 30, 2019 | Dec 31, 2019 | Change %     |
|--|---------------|--------------|--------------|
| Cash and Cash Equivalents, Term Deposits, Restricted Cash and Short-term investments | 128.5         | 145.9        | 13.5%        |
| Receivables  | 7.3           | 6.6          | -10.3%       |
| Inventories  | 4.2           | 4.6          | 9.7%         |
| Net PP&E   | 37.9          | 42.3         | 11.5%        |
| Other Assets   | 177.5         | 218.2        | 23.0%        |
| <b>Total</b>   | <b>355.4</b>  | <b>417.6</b> | <b>17.5%</b> |

| Liabilities and Shareholders' Equity   | Sept 30, 2019 | Dec 31, 2019 | Change %     |
|--|---------------|--------------|--------------|
| Accrued Expenses and Other Liabilities | 62.5          | 96.2         | 54.0%        |
| Deferred Revenues                      | 127.8         | 158.8        | 24.3%        |
| Refundable Fees                        | 2.9           | 3.6          | 25.4%        |
| Borrowings                             | 38.5          | 27.7         | -28.1%       |
| Total Shareholder's Equity             | 123.7         | 131.4        | 6.2%         |
| <b>Total</b>                           | <b>355.4</b>  | <b>417.6</b> | <b>17.5%</b> |





# Business Outlook



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## Second Quarter and Fiscal Year 2020 Guidance

**2QFY20 net revenue expected range:  
US\$41.9 million to \$43.8 million, 8% - 13% year-over-year increase**

**FY20 net revenue expected range:  
US\$239.4 million to \$250.0 million, 13% - 18% year-over-year increase**

