

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Second Quarter FY2020 Results Presentation

May 22, 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 third quarter of 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 COVID-19 on our business; the solutions we adopt to address such impact of COVID-19; the revision of revenue guidance; and balancing growth and profitability; as well as the anticipated benefits of strategic growth initiatives, including the promotion of the Company’s lifelong learning ecosystem) 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 COVID-19, 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 22, 2020.



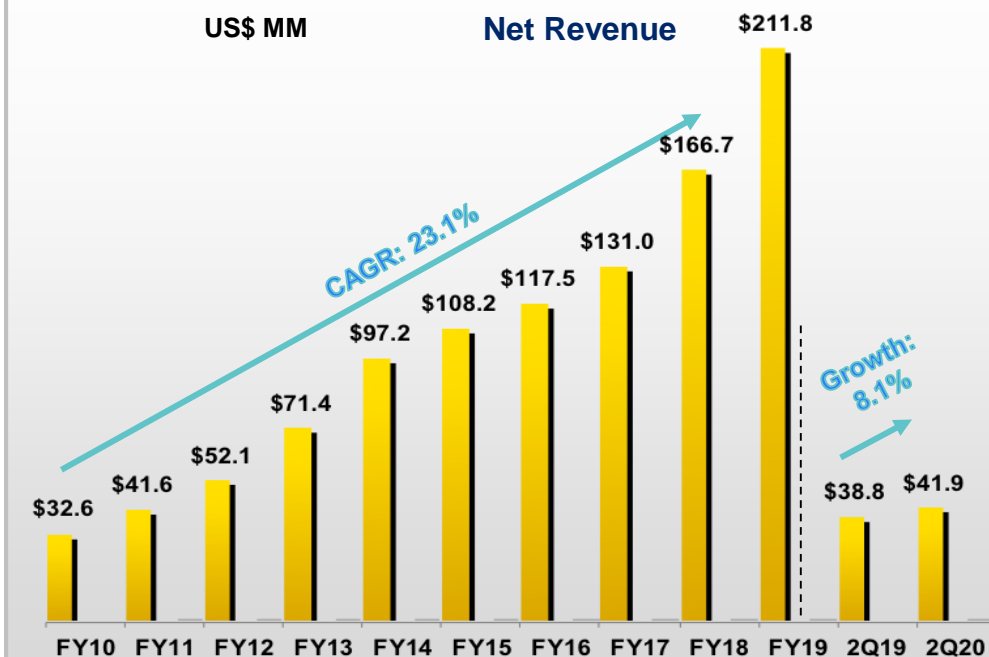
Agenda

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



Results Overview

Improvement in Operating Profitability



- **Non-GAAP operating income:**
 - \$2.0 million in 2QFY20
- **Non-GAAP net income:**
 - \$5.0 million in 2QFY20
- **Operating cash inflow:**
 - ↓ Down 28.7% y/y to \$11.7 million in 2QFY20
- **Cash receipts from online course registration:**
 - ↓ Down 34.5% y/y to \$37.3 million in 2QFY20
- **Cash balance as of March 31, 2020:**
 - \$130.2 million





Strategic & Operational Updates



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Accounting Courses

CPA	2QFY20
Enrollments	↑446.0%
Average Student Payment (ASP)	-90.1%

APQE	2QFY20
Enrollments	↑324.7%
Average Student Payment (ASP)	-85.7%

Accounting Continuing Education	2QFY20
Enrollments	-38.4%
Average Student Payment (ASP)	↑56.7%

Other Accounting Courses	2QFY20
Enrollments	↑56.6%
Average Student Payment (ASP)	-65.5%



Non-Accounting Courses

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

❖ Healthcare Test Preparation

- Enrollments up 155.1% YoY in 2QFY2020
- ASP down 74.5% YoY in 2QFY2020

❖ E&C Test Preparation

- Enrollments up 481.1% YoY in 2QFY2020
- ASP down 91.4% YoY in 2QFY2020

❖ E&C Continuing Education

- Enrollments up 29.8% YoY in 2QFY2020
- ASP up 0.4% YoY in 2QFY2020



Achievements and Goals

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

➤ **Commitment to social responsibility**

- CDEL took 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. As a result, paid enrollments increased significantly, while cash receipts from online course registration were negatively impacted in the second quarter of fiscal 2020.

➤ **Total course enrollments doubled year-over-year in 2QFY20**

- In 2QFY20, total course enrollments reached 1,276,000, an increase of 98.7% from the second quarter of fiscal 2019.

➤ **Cash receipts from online course registration**

- We achieved \$37.3 million of cash receipts from online course registration in 2QFY20, a year-over-year decrease of 34.5%.

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

- Strong growth in daily traffic to our mobile website, with 2QFY20 daily active users in our accounting, healthcare, and engineering and construction verticals increasing by 44.3%, 24.9% and 127.6% year-over-year, respectively.
- Offered 69 mobile applications with cumulative downloads of 66.0 million as of March 31, 2020.

➤ **Ended free and significantly discounted course pricing program as the pandemic situation improved**

- During April, as the spread of the pandemic slowed, we gradually began raising prices, and ended the free and significantly discounted pricing program at the end of April.





Financial Highlights



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Select Income Statement Items (Unaudited) – 2Q FY2020

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

	2Q FY19	2Q FY20	YoY Change%
Net revenues:			
Online education services	27,878	33,420	19.9%
Books and reference materials	5,401	4,881	-9.6%
Others including in-person training	5,482	3,586	-34.6%
Total net revenues	38,761	41,887	8.1%
Cost of sales	(23,279)	(20,510)	-11.9%
Gross profit	15,482	21,377	38.1%
Gross margin	39.9%	51.0%	
Operating expenses:			
Selling expenses	(13,801)	(15,275)	10.7%
General and administrative expenses	(6,581)	(6,075)	-7.7%
Total operating expenses	(20,382)	(21,350)	4.7%
Operating (loss)/Income	(4,058)	1,330	NA
Income tax (expenses)/benefit	1,335	(730)	NA
Net Income/(loss) attributable to CDEL	(3,875)	4,259	NA



Selected Cash Flow Items (Unaudited) – 2Q FY2020

2QFY20 Net Operating Cash Inflow Decreased by 28.7% Year-over-Year

<i>(US\$ in Millions)</i>	2Q FY19	2Q FY20
Net Operating Cash Inflow (Outflow)	\$16.5	\$11.7

❖ Operating cash inflow in 2QFY20:

- Mainly attributable to net income before non-cash items generated in the second quarter of fiscal 2020.
- The decrease in prepayments and other current assets, the increase in accrued expenses and other liabilities, and the decrease and increase in amount due from and to related parties, respectively, also contributed to the operating cash inflow.
- The operating cash inflow was partially offset by the increase in inventories and the decrease in deferred tax liabilities.



Selected Balance Sheet Items (Unaudited) – 2Q FY2020

(US\$ in Millions)

Assets	Sept 30, 2019	Mar 31, 2020	Change %
Cash and Cash Equivalents, Term Deposits, Restricted Cash and Short-term investments	128.5	130.2	1.3%
Receivables	7.3	6.7	-8.0%
Inventories	4.2	6.2	45.6%
Net PP&E	37.9	41.3	8.8%
Other Assets	177.5	207.6	17.0%
Total	355.4	392.0	10.3%

Liabilities and Shareholders' Equity	Sept 30, 2019	Mar 31, 2020	Change %
Accrued Expenses and Other Liabilities	62.5	115.1	84.2%
Deferred Revenues	127.8	156.0	22.1%
Refundable Fees	2.9	4.4	54.1%
Borrowings	38.5	6.0	-84.4%
Total Shareholder's Equity	123.7	110.5	-10.7%
Total	355.4	392.0	10.3%





Business Outlook



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Third Quarter Guidance

3QFY20 net revenue expected range:

US\$50.6 million to \$53.7 million, 18% to 13% year-over-year decrease

