

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter FY2020 Results Presentation

August 27, 2020

Safe Harbor Statement

This announcement 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 2020 and quotations from management in this announcement, as well as the Company’s strategic and operational plans (in particular, the impact of COVID-19 on our businesses; the solutions we adopt to address such impact of COVID-19; balancing growth and profitability; the growth prospects of online professional education in China; as well as the anticipated benefits of our strategic growth initiatives, including the promotion of the Company’s life-long 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 the COVID-19 outbreak, the potential impact of the Proposal and any transaction in connection with the Proposal, 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; anticipated benefits of acquisition or disposal of businesses, 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. In addition, with respect to the “going private” Proposal, there can be no assurance that the Buyer Group will make any definitive offer to the Company, that any definitive agreement relating to the Proposal will be entered into between the Company and the Buyer Group or that a transaction based on the Proposal or any other similar transaction will be approved or consummated.

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 27, 2020.



Agenda

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

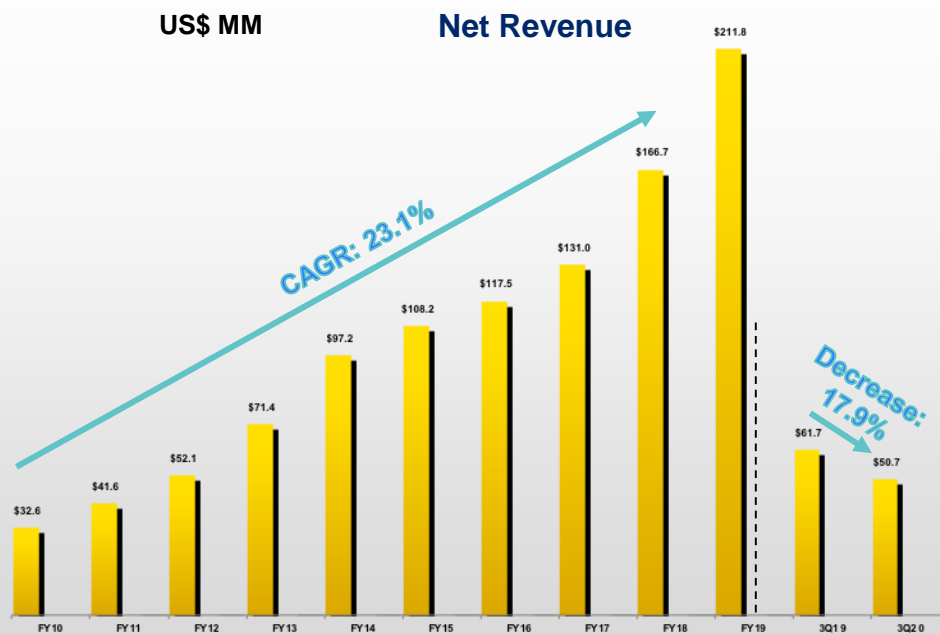


Results Overview

3Q Net Revenue Within Guidance Range

US\$ MM

Net Revenue



➤ **Non-GAAP operating income:**

- \$3.2 million in 3QFY20

➤ **Non-GAAP net income attributable to CDEL:**

- \$3.7 million in 3QFY20

➤ **Operating cash inflow:**

- ↓ Down 59.2% y/y to \$7.2 million in 3QFY20

➤ **Cash receipts from online course registration:**

- ↓ Down 31.3% y/y to \$34.6 million in 3QFY20

➤ **Cash balance as of June 30, 2020:**

- \$133.7 million



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Strategic & Operational Updates



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Accounting Courses

CPA	3QFY20
Enrollments	↑ 8.2%
Average Student Payment (ASP)	-50.6%

APQE	3QFY20
Enrollments	-16.8%
Average Student Payment (ASP)	-28.0%

Accounting Continuing Education	3QFY20
Enrollments	↑ 19.5%
Average Student Payment (ASP)	-23.7%

Other Accounting Courses	3QFY20
Enrollments	-5.0%
Average Student Payment (ASP)	-24.2%



Non-Accounting Courses

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

❖ Healthcare Test Preparation

- Enrollments down 43.0% YoY in 3QFY2020
- ASP up 35.3% YoY in 3QFY2020

❖ E&C Test Preparation

- Enrollments up 2.9% YoY in 3QFY2020
- ASP down 39.0% YoY in 3QFY2020

❖ E&C Continuing Education

- Enrollments up 13.7% YoY in 3QFY2020
- ASP down 8.9% YoY in 3QFY2020



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. This socially responsive actions resulted in a surge in enrollment in our second fiscal quarter of 2020, effectively pulling forward the demand for our courses and thus dampening enrollment and cash receipts growth in our third fiscal quarter.

➤ **Total course enrollments in 3QFY20**

- In 3QFY20, total course enrollments reached 738,300, an increase of 0.5% from the third quarter of fiscal 2019.

➤ **Cash receipts from online course registration**

- We achieved \$34.6 million of cash receipts from online course registration in 3QFY20, a year-over-year decrease of 31.3%.

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

- Strong growth in daily traffic to our mobile website, with 3QFY20 daily active users in our accounting, healthcare, and engineering and construction verticals increased by 46.3%, 13.8% and 118.5% year-over-year, respectively.
- Offered 59 mobile applications with cumulative downloads of 68.7 million as of June 30, 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) – 3Q FY2020

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

	3Q FY19	3Q FY20	YoY Change%
Net revenues:			
Online education services	43,529	39,996	-8.1%
Books and reference materials	9,826	6,507	-33.8%
Others including in-person training	8,392	4,211	-49.8%
Total net revenues	61,747	50,714	-17.9%
Cost of sales	(30,571)	(26,649)	-12.8%
Gross profit	31,176	24,065	-22.8%
Gross margin	50.5%	47.5%	
Operating expenses:			
Selling expenses	(17,043)	(17,828)	4.6%
General and administrative expenses	(4,947)	(5,383)	8.8%
Total operating expenses	(21,990)	(23,211)	5.6%
Operating Income	9,851	2,461	-75.0%
Income tax expenses	(2,460)	(564)	-77.1%
Net Income attributable to CDEL	9,447	3,016	-68.1%



Selected Cash Flow Items (Unaudited) – 3Q FY2020

3QFY20 Net Operating Cash Inflow Decreased by 59.2% Year-over-Year

<i>(US\$ in Millions)</i>	3Q FY19	3Q FY20
Net Operating Cash Inflow (Outflow)	\$17.6	\$7.2

❖ Operating cash inflow in 3QFY20:

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



Selected Balance Sheet Items (Unaudited) – 3Q FY2020

(US\$ in Millions)

Assets	Sept 30, 2019	June 30, 2020	Change %
Cash and Cash Equivalents, Term Deposits, Restricted Cash and Short-term investments	128.5	133.7	4.1%
Receivables	7.3	6.2	-15.7%
Inventories	4.2	5.7	35.0%
Net PP&E	37.9	40.7	7.4%
Other Assets	177.5	201.7	13.7%
Total	355.4	388.0	9.2%

Liabilities and Shareholders' Equity	Sept 30, 2019	June 30, 2020	Change %
Accrued Expenses and Other Liabilities	62.5	94.5	51.3%
Deferred Revenues	127.8	152.7	19.5%
Refundable Fees	2.9	4.0	38.0%
Borrowings	38.5	23.2	-39.7%
Total Shareholder's Equity	123.7	113.6	-8.2%
Total	355.4	388.0	9.2%





Business Outlook



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4QFY20 Net Revenue Expected Range:

US\$58.4 million to \$61.8 million, 15% to 10% year-over-year decrease

FY20 Net Revenue Expected Range:

US\$202.4 million to \$205.8 million, 4.4% to 2.8% year-over-year decrease

