



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Third Quarter FY2017 Results Presentation



August 24, 2017

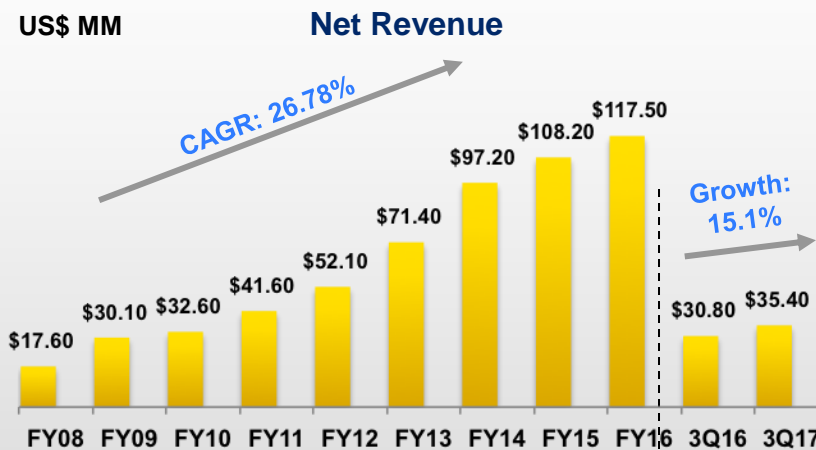
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**

Net Revenue Exceeded Guidance Range Steady Progress on Long-term Strategic Initiatives

Net Revenue Exceeded Guidance Range and Returned to Profitability



- **Course enrollments:**
 - 659,000 in 3QFY17
- **Net income:**
 - \$2.9 million in 3QFY17
- **Non-GAAP net income:**
 - \$3.4 million in 3QFY17
- **Operating cash inflow:**
 - \$7.8 million in 3QFY17
- **Cash receipts from online course registration**
 - ▲ Up 4.5 % to \$25.4 million in 3QFY17
- **Cash balance as of June 30, 2017:**
 - \$107.4 million

Strategic & Operational Updates



CPA	3Q FY17
Enrollments	↑ 21.6%
Average Student Payment (ASP)	↑ 12.9%

APQE	3Q FY17
Enrollments	↑ 25.0%
Average Student Payment (ASP)	↑ 37.9%

Accounting Continuing Education	3Q FY17
Enrollments	-53.3%
Average Student Payment (ASP)	-12.0%

Other Accounting Test-Preparation Courses	3Q FY17
Enrollments	-43.3%
Average Student Payment (ASP)	↑ 45.7%

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

❖ Healthcare Test Preparation

- Enrollments down 35.7% YoY in 3QFY17
- ASP up 0.8% YoY in 3QFY17

❖ E&C Test Preparation

- Enrollments down 9.4% YoY in 3QFY17
- ASP up 10.8% YoY in 3QFY17

❖ E&C Continuing Education

- Enrollments down 15.6% YoY in 3QFY17
- ASP up 12.4% YoY in 3QFY17

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in existing courses**
 - In 3QFY17, total course enrollments reached 659,000. Excluding accounting continuing education and Accounting Certificate enrollments, 3QFY17 total enrollment growth was 7.4% year-over-year.
 - As a result, we achieved \$25.4 million of cash receipts from online course registration in 3QFY17, a year-over-year increase of 9.7%, excluding the impact of the Renminbi depreciation against the U.S. Dollar.
- **Expanding course offerings in existing verticals and offering new courses in high-demand subject areas**
 - Offered K-12 teacher continuing education in 15 jurisdictions in China. Tens of thousands of teachers have completed our courses.
 - Introduced employment guidance services for accounting professionals, which bundle accounting practical skills training and employment guidance services.
 - Introduced bookkeeping services for corporate clients.
- **Further enhancing our educational delivery capabilities through innovation**
 - The 3QFY17 average number of daily active mobile users in our accounting and healthcare verticals increasing 17.1% and 10.5% year-over-year, respectively.
 - Livestreaming select courses to extend student reach and promote brand.
 - Offered 63 mobile applications with cumulative downloads of 22.7 million as of June 30, 2017.
- **Expanding into the large and growing college market through our College Cooperation Program**
 - Expanded the number of participating colleges to 417; Continue to develop our student internship program, as we build-out our network of small businesses seeking student interns.
 - Recent success in bundling accounting practical skills training and employment guidance services bodes well for College Cooperation Program.

Financial Highlights



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

	3Q FY16	3Q FY17	YoY Change%
Net revenues:			
Online education services	25,279	26,482	4.8%
Books and reference materials	1,942	3,970	104.4%
Others including in-person training	3,573	4,987	39.6%
Total net revenues	30,794	35,439	15.1%
Cost of sales	(13,218)	(16,250)	22.9%
Gross profit	17,576	19,189	9.2%
Gross margin	57.1%	54.1%	-300 bps
Operating expenses:			
Selling expenses	(7,674)	(10,388)	35.4%
General and administrative expenses	(4,080)	(4,252)	4.2%
Total operating expenses	(11,754)	(14,640)	24.6%
Operating Income/(loss)	5,985	4,684	-21.7%
Income tax benefit/(expense)	(1,779)	(747)	-58.0%
Net income/(loss) attributable to CDEL	7,414	2,927	-60.5%

(US\$ in Millions)

3Q FY16

3Q FY17

Net Operating Cash Inflow (Outflow)

8.8

7.8

❖ **The inflow in 3QFY17 was due to:**

- Net income before non-cash items generated in the third quarter of fiscal 2017;
- The decrease in accounts receivable, prepayment and other current assets, and the increase in amount due to a related party;
- Partially offset by the increase in other non-current assets, and decrease in deferred revenue.

Selected Balance Sheet Items (Unaudited) – 3Q FY2017



Assets	September 30, 2016	June 30, 2017	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	69.2	102.8	48.6%
Receivables	5.5	3.9	(28.8)%
Inventories	1.0	1.6	62.4%
Net PP&E	13.9	14.3	2.9%
Other Assets	59.4	72.5	22.1%
Total	148.9	195.1	31.0%
Liabilities and Shareholders' Equity	September 30, 2016	June 30, 2017	Change %
Accrued Expenses and Other Liabilities	30.6	30.8	0.7%
Deferred Revenues, current portion	36.3	58.9	62.0%
Refundable Fees	0.9	0.9	(0.3)%
Bank Debt	15.6	30.0	92.7%
Dividend Payable	-	-	-
Total Shareholder's Equity	56.5	63.3	12.1%
Total	148.9	195.1	31.0%

Business Outlook



**4QFY17 net revenue expected range:
US\$40.2 million – \$42.1 million, 5% - 10% year-over-year increase**

**FY17 net revenue expected range:
US\$129.4 million – \$131.3 million, 10.1% - 11.7% year-over-year
increase**