



China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Fourth Quarter and Fiscal Year 2018 Results Presentation



November 21, 2018

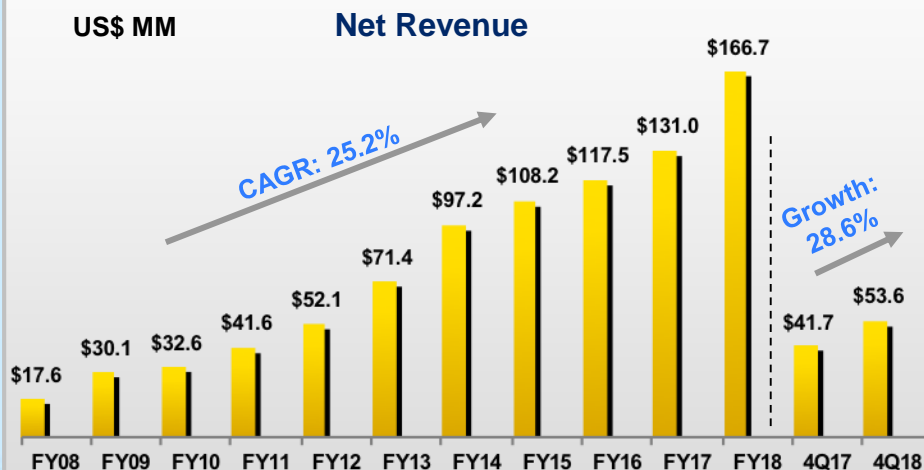
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- ❖ **Results Overview**
- ❖ **Strategic and Operational Updates**
- ❖ **Financial Highlights**
- ❖ **Business Outlook**
- ❖ **Q&A**

Steady Progress on Long-term Strategic Initiatives

Strong Performance



➤ **Non-GAAP net income:**

• Up 73.9% y/y to \$12.5 million in 4QFY18

➤ **Operating cash inflow:**

• Up 471.9 % y/y to \$16.7 million in 4QFY18

➤ **Cash receipts from online course registration**

• Up 61.7% y/y to \$36.0 million in 4QFY18

➤ **Cash balance as of September 30, 2018:**

• \$99.6 million

Strategic & Operational Updates



Accounting Courses

CPA	4QFY18	FY18
Enrollments	25.1%	10.0%
Average Student Payment (ASP)	445.2%↑	
Cash Receipts		152.0%↑

APQE	4QFY18	FY18
Enrollments	2.3% ↑	23.5%↑
Average Student Payment (ASP)	36.9%↑	
Cash Receipts		59.3%↑

Accounting Continuing Education	4QFY18	FY18
Enrollments	-33.0%	-27.6%
Average Student Payment (ASP)	47.7%↑	
Cash Receipts		-11.2%

Other Accounting Courses	4QFY18	FY18
Enrollments	-41.1%	-71.0%
Average Student Payment (ASP)	59.9%↑	
Cash Receipts		-8.5%

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

❖ Healthcare Test Preparation

- Enrollments down 3.7% and 2.0% YoY in 4Q and FY18, respectively
- ASP up 11.8% YoY in 4QFY18
- Cash registration revenue up 11.2% in FY18

❖ E&C Test Preparation

- Enrollments up 15.9% and 15.1% YoY in 4Q and FY18, respectively
- ASP up 3.2% YoY in 4QFY18
- Cash registration revenue up 13.5% in FY18

❖ E&C Continuing Education

- Enrollments up 89.6% and 7.0% YoY in 4Q and FY18, respectively
- ASP down 6.7% YoY in 4QFY18
- Cash registration revenue up 10.0% in FY18

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Increasing enrollments in accounting test preparation courses**
 - In 4QFY18, total course enrollments reached 805,500.
 - Accounting test preparation course enrollments grew 4.6% year-over-year in 4QFY18.

- **Longer duration premium and elite classes helped fuel cash receipts growth in the fourth quarter**
 - We achieved \$36.0 million of cash receipts from online course registration in 4QFY18, a year-over-year increase of 61.7%.
 - 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 July 2018 CDEL announced the acquisition of an additional 11% equity interest in Beijing Ruida for a total consideration of RMB52.8 million or \$8.0 million, subject to adjustments under certain pre-agreed conditions, bringing the Company's total equity interest in Beijing Ruida to 51%.

- **Further enhancing our educational delivery capabilities through innovation**
 - The 4QFY18 average number of daily active mobile users in our accounting vertical increased 26.7% year-over-year.
 - Offered 67 mobile applications with cumulative downloads of 44.8 million as of September 30, 2018.

Financial Highlights



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

	4Q FY17	4Q FY18	YoY Change%
Net revenues:			
Online education services	32,045	36,539	14.0%
Books and reference materials	2,093	1,125	-46.2%
Others including in-person training	7,570	15,962	110.9%
Total net revenues	41,708	53,626	28.6%
Cost of sales	(16,555)	(26,240)	58.5%
Gross profit	25,153	27,386	8.9%
Gross margin	60.3%	51.1%	
Operating expenses:			
Selling expenses	(8,906)	(14,287)	60.4%
General and administrative expenses	(6,037)	(5,793)	-4.0%
Total operating expenses	(14,943)	(20,080)	34.4%
Operating Income/(loss)	10,538	12,182	15.6%
Income tax benefit/(expense)	(2,051)	(1,720)	-16.1%
Net income/(loss) attributable to CDEL	5,866	9,666	64.8%

4QFY18 Net Operating Cash Inflow Increased by 437.4% Year-over-Year

<i>(US\$ in Millions)</i>	4Q FY17	4Q FY18
Net Operating Cash Inflow (Outflow)	2.9	16.7

❖ **The operating cash inflow in 4QFY18 was due to:**

- net income before non-cash items generated in the fourth quarter of fiscal 2018.
- The decrease in inventories, prepayments and other assets, and the increase in income tax payable and refundable fees generated from our longer duration elite classes, also contributed to the operating cash inflow.
- The operating cash inflow was partially offset by the increase in accounts receivable and the decrease in deferred revenue.

Selected Balance Sheet Items (Unaudited) – 4Q FY2018



(US\$ in Millions)

Assets	Sept 30, 2017	Sept 30, 2018	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	100.6	99.6	-1.0%
Receivables	5.5	7.2	31.1%
Inventories	0.9	2.8	222.0%
Net PP&E	14.0	28.0	99.5%
Other Assets	103.5	191.3	84.8%
Total	224.6	328.9	46.5%
Liabilities and Shareholders' Equity	Sept 30, 2017	Sept 30, 2018	Change %
Accrued Expenses and Other Liabilities	50.3	64.1	27.6%
Deferred Revenues, current portion	50.5	78.2	54.7%
Refundable Fees	1.1	13.8	1188.4%
Borrowings	49.9	63.0	26.3%
Total Shareholder's Equity	72.8	109.8	50.8%
Total	224.6	328.9	46.5%

Business Outlook



**1QFY19 net revenue expected range:
US\$38.7 million to \$40.5 million , 8% - 13% year-over-year
increase**

**FY19 net revenue expected range:
US\$208.3 million to \$216.7 million , 25% - 30% year-over-year
increase**