



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL



August 2013

Strictly Private and Confidential

This presentation contains forward-looking statements intended to qualify for the “safe harbor” from liability established by the U.S. Private Securities Litigation Reform Act of 1995. These statements do not present historical facts, but include descriptions regarding the intent, belief or current expectations of the Company with respect to its business, consolidated results of operations and financial condition. These statements can be recognized by the use of words such as “expects,” “anticipates,” “plans,” “will,” “may,” “should,” “is/are/likely to,” “estimates,” “projects,” “intends,” “potential,” “future,” or words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Such factors include, but are not limited to, the following: the Company’s ability to attract course participants and to develop and introduce new products that meet its target customers’ expectations; the Company’s ability to compete with its competitors; the continued success of the Company’s key brand “Chinaacc” and the further enhancement of its newer brands; changes in the timing and requirements of professional examinations in China; the Company’s ability to attract and retain qualified lecturers, qualified personnel and experienced senior management; the Company’s ability to protect its intellectual property rights; the Company’s potential exposure to liability for information on its websites; the performance and reliability of the Internet infrastructure and telecommunications networks in China; the Company’s ability to manage its growth and expansion effectively; and Chinese laws, regulations and policies, including those applicable to the Internet and Internet content providers, the education and telecommunications industries, mergers and acquisitions, taxation and foreign exchange. Certain of these factors, as well as other risks and uncertainties which may cause actual results to differ materially from those in the forward-looking statements, are more fully described under the heading “Risk Factors” in the Company’s annual report on Form 20-F and other documents as filed with the U.S. Securities and Exchange Commission. Investors are cautioned not to place undue reliance on forward-looking statements contained in this presentation, which speak only as of the date of this presentation. The Company undertakes no obligation to revise forward-looking statements to reflect future events or circumstances.

Company Overview



- ❖ Founded in 2000 with focus on online professional education
- ❖ Current paid enrollments of over 2.2 million, with strong track record of growth
- ❖ Extensive content library targeting a diverse customer base
 - 17 websites covering 13 subjects
 - 215 courses offerings
 - 2,553 classes
 - Close to 22,000 hours of audio-video course content
- ❖ Results-oriented learning model with consistent student base
- ❖ Strong brands with nationwide recognition

Paid Course Enrollments (in Thousands)



- ❖ *DL : listed on the NYSE since July 2008 IPO*

- ❖ Robust and scalable online platform
 - Interactive mobile learning
 - High definition courses
 - Robust backbone & network system
 - Comprehensive IT & services support
- ❖ 19 million registered users as of Sep. 30, 2012
- ❖ High internet traffic across main websites
- ❖ Mission: To establish a lifelong and comprehensive on-line learning ecosystem



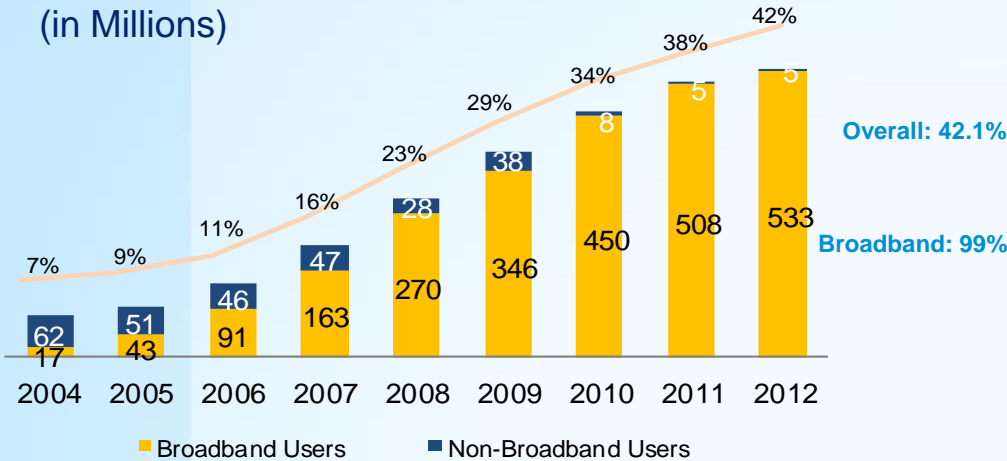
Investment Highlights



Sustainable Competitive Advantages to Drive Long-term Shareholder Returns

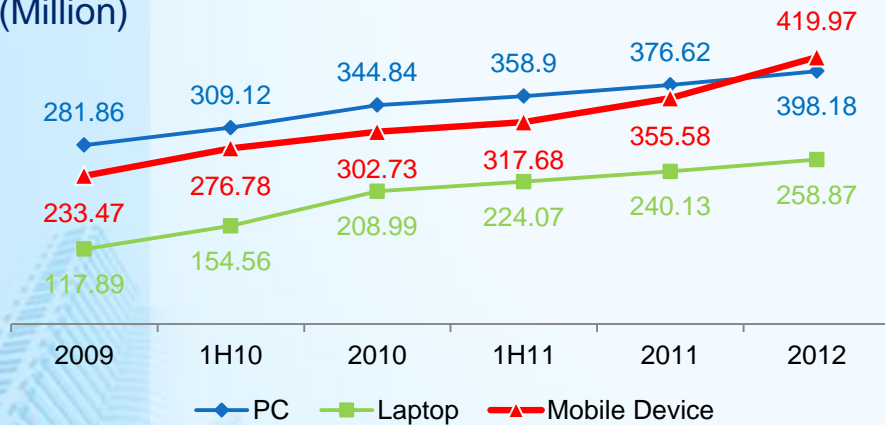
- 1. Huge Addressable Education Market & Increasing Online Spending**
- 2. Leading Online Education Provider in China**
- 3. High-Quality Courses with Superior Support & Services for Course Participants**
- 4. Highly Scalable & Replicable Online Education Platform with Multiple Delivery Channels**
- 5. Diverse Course Offerings Building a Life-long Learning System**
- 6. Strong Brand with Nationwide Recognition and Various Distribution Channels**
- 7. Experienced and Stable Management Team**

China's Internet Users and Penetration (in Millions)



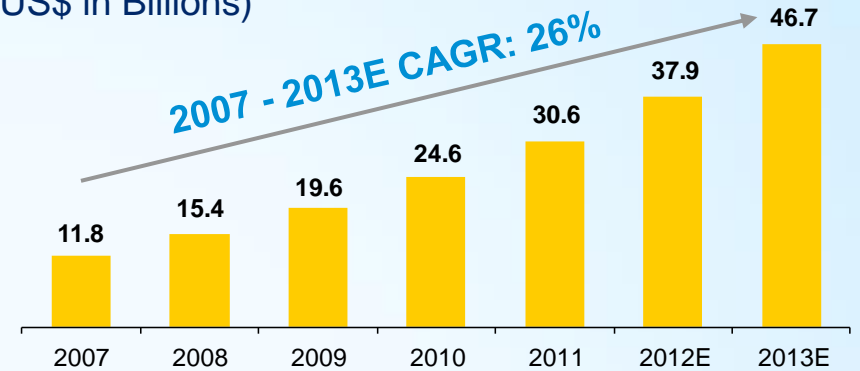
Source: CNNIC, Jan 2013

Distribution of Internet-enabled Devices in China (Million)



Source: CNNIC Report, Jan 2013

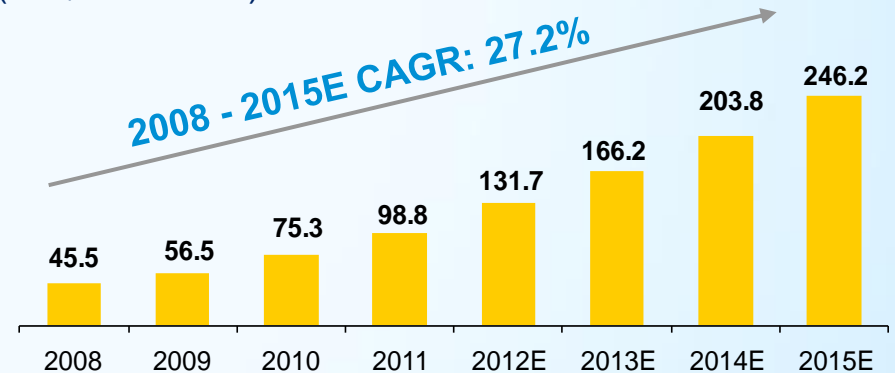
China Prof. Education & Test Prep Market Size (US\$ in Billions)



Source: CCID Report

Note: USD/RMB exchange rate of 6.378 assumed for conversion

E-Commerce market size in China (US\$ in Billions)



Source: iResearch Report, Aug 2012

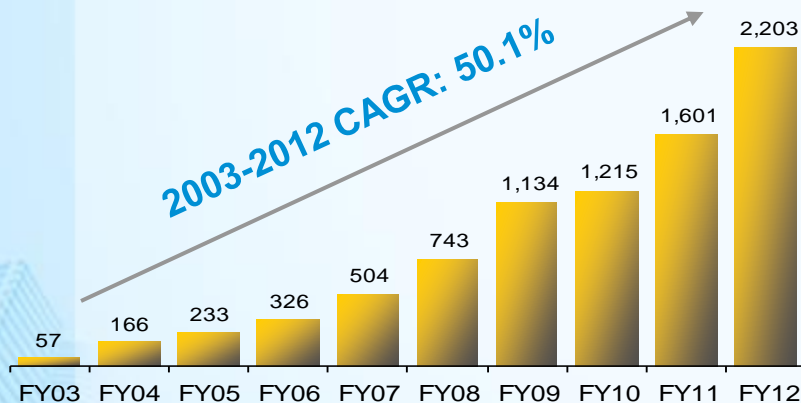
Note: USD/RMB exchange rate of 6.378 assumed for conversion

Note: Based on total transaction value

- ❖ One of the fastest growing and most highly visited online education sites in China
- ❖ Largest market share in core subject areas⁽¹⁾

- ✓ 19 million registered users as of Sep. 30, 2012
- ✓ Among the most visited sites in China's education industry, measured by daily independent IP hits and page views
- ✓ Successfully converting high traffic flow to enrollments

Highest Course Enrolments (in Thousands)

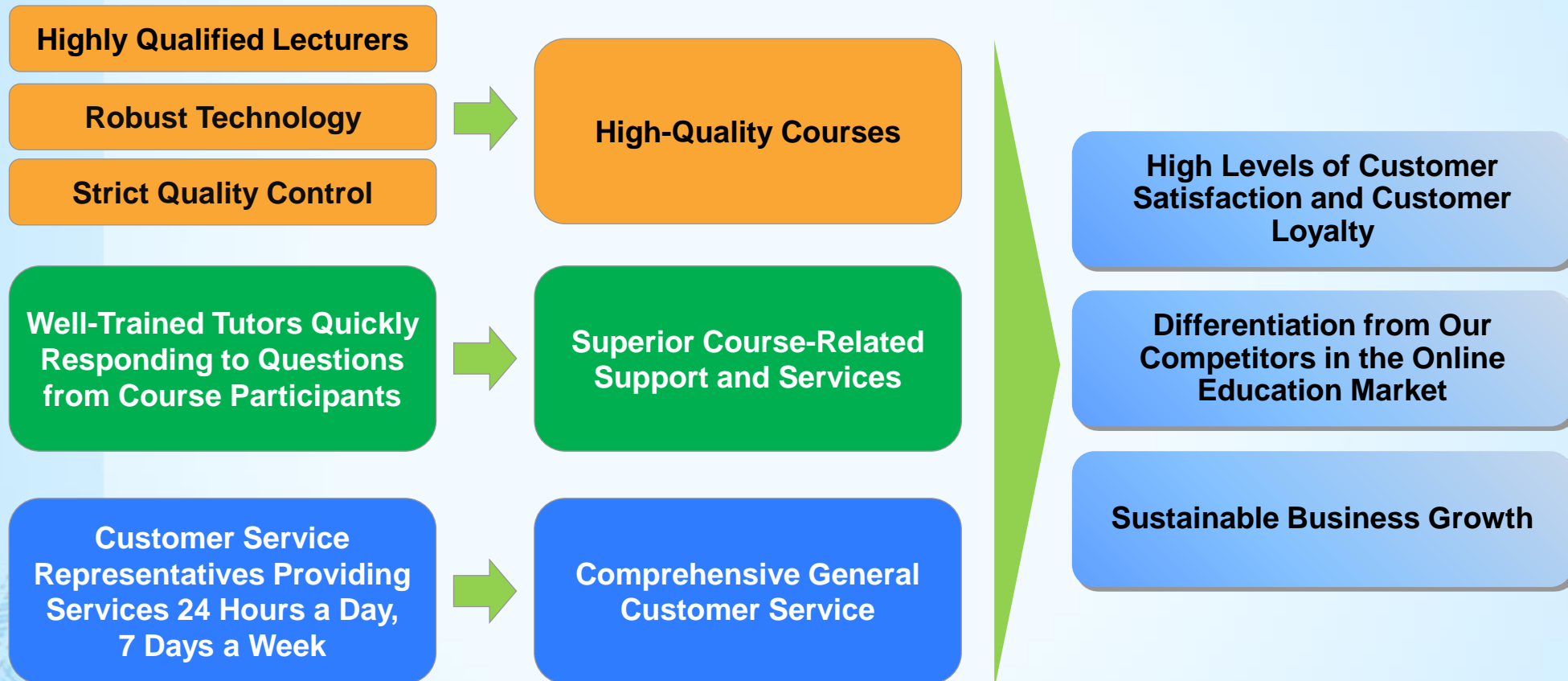


Largest Market Share in Core Subject Areas ⁽¹⁾

Rank	Subject Area	Market Share
#1	Accounting	71.5%
#1	Healthcare	72.9%
#1	Higher Education for Self-taught Learners	30.2%
#1	Law	44.1%
#1	Construction Engineering	37.1%

(1) As measured by total number of course enrollments in 2011, according to 2012 CCID reports commissioned by CDEL

Our high standards = high entry barriers for competitors



Delivering Life-long Learning Opportunities

Age 0-18





Age 18-22

Age 22-60

TEST PREPARATION

✓ K-12 after school


 Self-taught


-  Accounting
-  Healthcare
-  Construction Engineering
-  Law

Becker's US CPA; Other third party courses

Future Opportunities

PROFESSIONAL DEVELOPMENT & CONTINUOUS EDUCATION

 Business Start-up Training

-  Accounting
-  Healthcare
-  Construction Engineering
-  Business start-up training

Eleutian / Ellis English & English tutoring

Future Opportunities

OTHER OFFERINGS

✓ Famous school coalition

✓ Self-taught study process monitoring program

- ✓ Books and reference materials
- ✓ In-person training
- ✓ Online and offline combined course

EduComp Smart Class, Ellis English and others

Future Opportunities

Interactive Mobile Learning



- Apple iOS, Android, Windows platforms on smartphones and tablets
- Online and offline courses, exercise questions, and online tutoring support
- WiFi, 3G, GPRS and local versions

Online High-definition Courseware



- Virtual classroom environment
- Fully interactive, streaming or for download
- Adaptive format, tailored to different preferences



**Enhanced
learning
experience**

Value-added Learning Programs



- Mobile magazine – CDEL Learning Daily
- Free “question of the day” app
- Exam simulation system

**CDEL: owner of many of China's top online education and test preparation brands;
Chinaacc: our highest-valued brand, the clear leader in online accounting education**



Various distribution channels

- Online Coalition
- Offline distribution network
- Word-of-mouth referrals
- Repeat students



Branding and marketing

Scholarship Rewards

Free Apps:

- Daily learning magazine
- “question of the day”
- Subject vertical news letters
- Accounting BBS



National brands recognition

Selective Rewards Won in 2012:

- Top Ten Education Brands by NetEase
- Most Valuable Professional Education Company By Tencent
- Most Trusted Education Brands By Reference News

Experienced and Stable Management Team



Zheng LIANG

Chief Operating Officer



Zhengdong ZHU

Chairman,
Chief Executive Officer and Co-Founder



Ping WEI

Chief Financial Officer

Proven track record in the education industry

Dedication towards China's education market

Stable management team working together since inception

In-depth knowledge and extensive experience in online education

Well-respected in China's education sector



Songjiang QIN

Chief Technical Officer



Hongfeng SUN

Chief Learning Officer



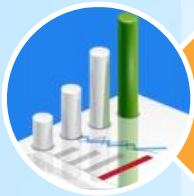
Feijia JI

Chief Service Officer

Growth Strategies



Multi-Pronged Strategy



Increase enrollments & ASP in existing courses



Expand content offerings



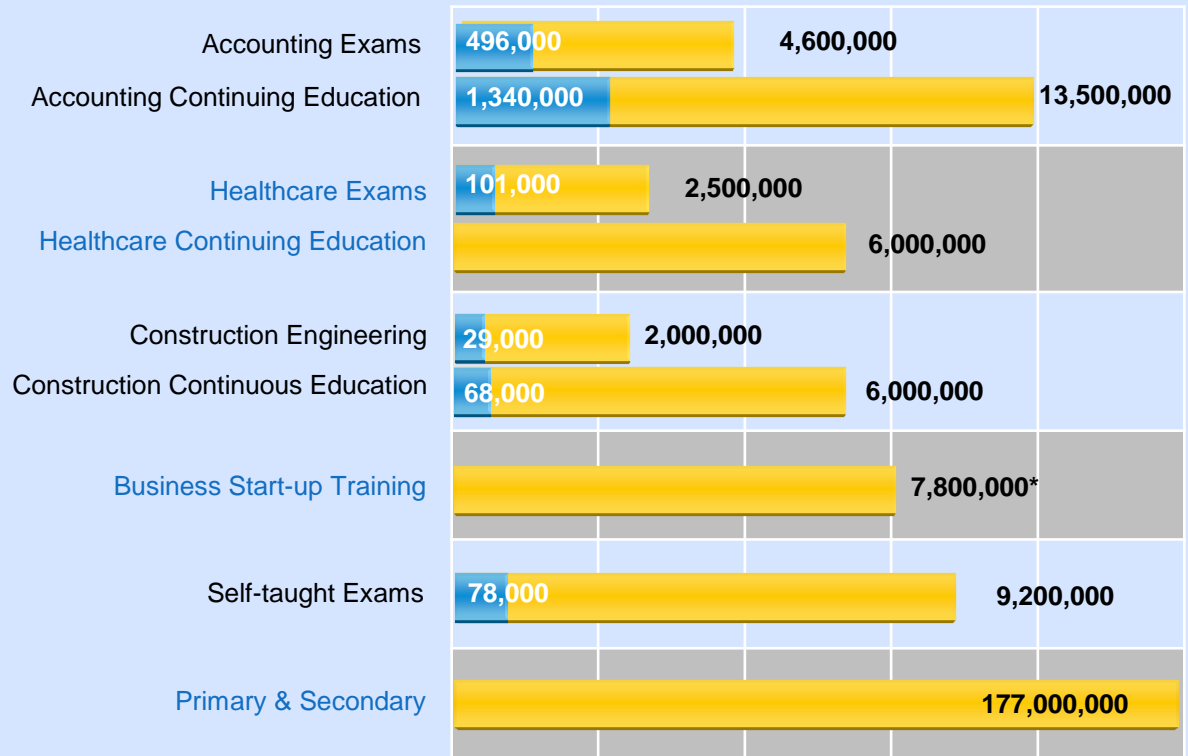
Develop lifelong programs



Leverage Open Platform concept to generate new revenue streams

Enrollments in CDEL vs Immediate Market Potential in Selected Courses

■ CDEL FY12 Enrollments ■ Market Size



As of September 30, 2012

Source: 2009 iResearch report commissioned by CDEL.

Note: Bars are not proportionate, but rather for demonstration purposes only; Business start-up training is three years target set by MOHRSS

Note: Business Start-up training total market size based on estimate of university graduates in 2009, according to Chinese Academy of Social Sciences

Core Competencies



Leading Educational Content



Best-in-Class
Technology Platform



Comprehensive Online
Learning and Support
System

Our Goals

- ◆ Help students to succeed



- ◆ Enhance students' learning experience



- ◆ Further leverage open platform

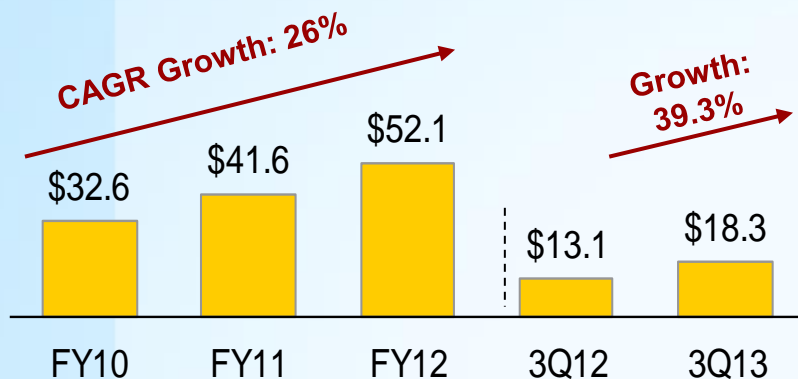


Financial Highlights

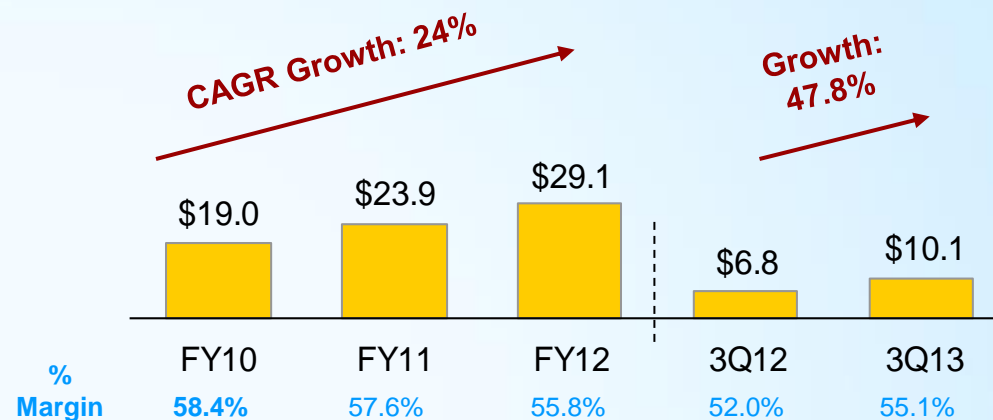


Sustained, Robust Financial Growth

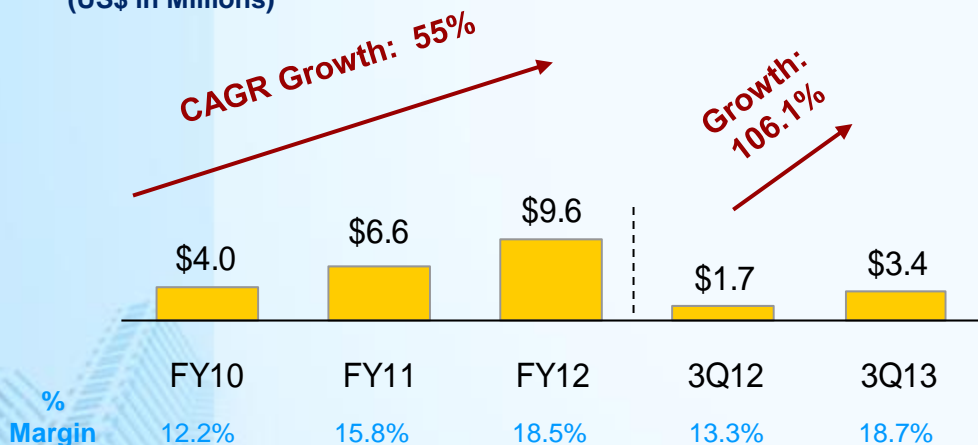
Net Revenues
(US\$ in Millions)



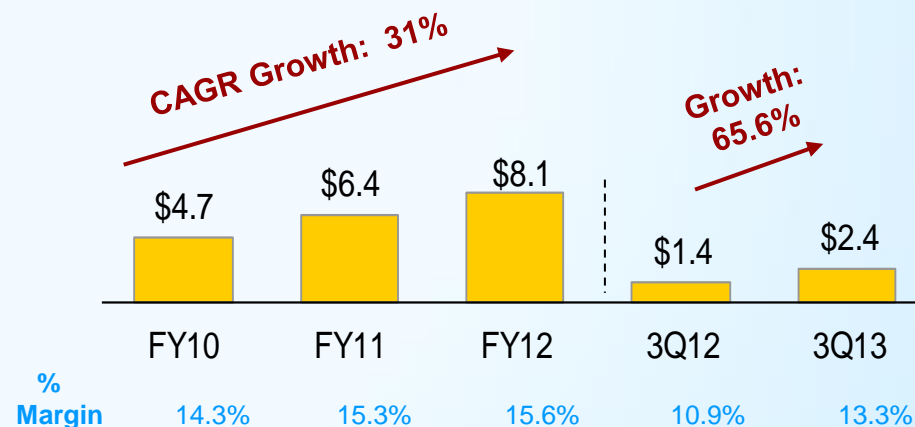
Gross Profit
(US\$ in Millions)



EBIT
(US\$ in Millions)



Net Income
(US\$ in Millions)



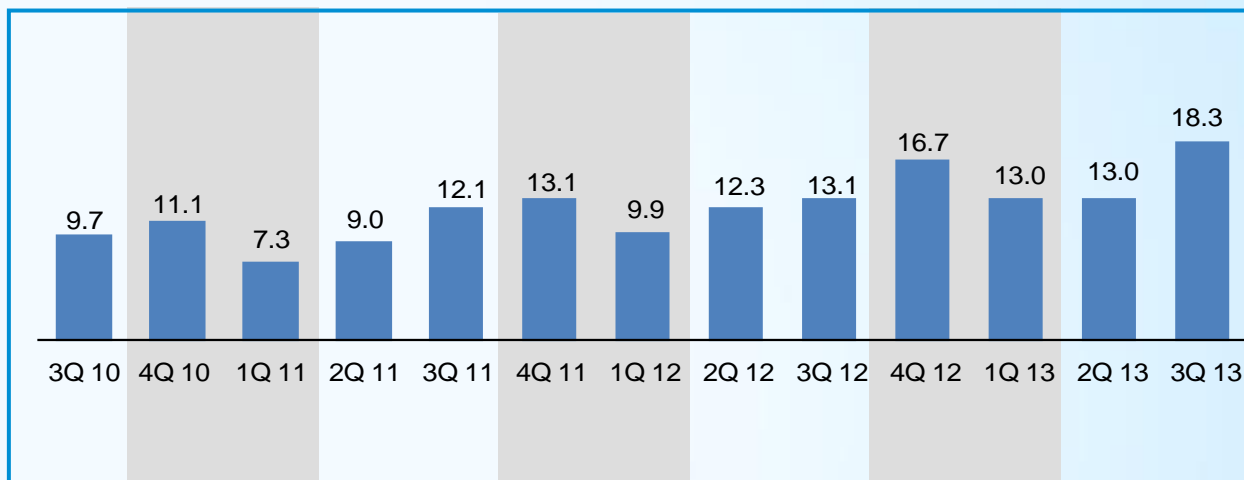
Note: Before share-based compensation figures are shown for FY10, FY11, FY12, 3Q12 and 3Q13 ;
Net income refers to Non-GAAP net income from continuing operations for FY10, FY11, FY12 , 3Q12 and 3Q13

Revenue seasonality driven by exam dates; Q3 – Q4 major earning period

Key Test Dates (Typical)

Quarter Ended:	Q1 Dec	Q2 Mar	Q3 Jun	Q4 Sept
APQE	Oct			Sep
CPA	Oct			Sep
Healthcare			May	Sep
Construction Engineering	Oct		May	Sep
Self-Taught Learners	Oct	Jan	Apr	July

Revenues (US\$ in Million)



Gross Margin

64% 62% 51% 56% 62% 59% 53% 57% 52% 59% 53% 47% 55%

Net Margin

25% 14% 2% 15% 24% 15% 5% 23% 9% 21% 13% 7% 13%

Note: Before share-based compensation figures from continuing operations are shown from 3Q10 to 3Q13;

Summary Balance Sheet and Cash Flow Statement

Balance Sheet Summary

(US\$ in Millions)

	30 Sep 2012	30 Jun 2013
Assets		
Cash and Cash Equivalents Term Deposits and Restricted Cash	57.7	65.9
Receivables	4.1	4.4
Inventories	0.7	0.9
Net PP&E	9.7	10.4
Other Assets	17.9	19.0
Total	\$90.0	\$100.6
Liabilities and Shareholders' Equity	30 Sep 2012	30 Jun 2013
Accrued Expenses and Other Liabilities	9.6	13.7
Deferred Revenues	9.5	24.9
Refundable Fees	3.5	4.0
Total Shareholders' Equity	64.6	54.7
Total	\$90.0	\$100.6

Cash Flow Summary

(US\$ in Millions)

	FY11	FY12	3Q12	3Q13
Cash Flow from Operating Activities	9.2	14.7	2.2	12.9
Capital Expenditures	(2.6)	(2.1)	(0.8)	(0.7)
Free Cash Flow	6.6	12.6	1.4	12.2
Cash Flow from Financing Activities	(8.1)	(17.2)	(0.5)	(0.0)
❖ Capex light, strong cash generation				
❖ Give back to shareholders				
• Declared a special cash dividend of US\$0.12 per ordinary share / US\$0.48 per ADS in 2011 and 2012				
• Active share buy-back program				

**FY13 revenue expected range: US\$67.8 – 68.3 million,
30% - 31% year-over-year growth**

**4Q FY13 revenue expected range: US\$23.5 – 24.0 million,
40% - 43% year-over-year growth**

Investment Profile

(NYSE: DL)

Stock Price (USD)	9.74	
ADS Outstanding	34.1 million	
Market Cap (USD)	332.13 million	
Cash Per ADS (USD)	1.91	
3Q13 Earnings Per ADS (USD)	0.064	
Consensus Estimates (USD, FY2013)	Revenue:	68.05 million
	EPADS:	0.36
P/E	FY2013:	23.8x

*Note: the stock price is based on Bloomberg and the consensus estimates are based on ThomsonOne as of August 28, 2013.
fiscal year ended September 30*



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Thank you