



CDEL

China Distance Education Holdings Limited

Investor Presentation

NYSE: DL

Fourth Quarter and Fiscal 2013 Results Presentation



November 21, 2013

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,” “anticipate,” “future,” “intend,” “plan,” “believe,” “is/are likely to,” “estimate” and similar statements. Among other things, the outlook for the first quarter and full year of the fiscal year 2013 and the quotations from management in this announcement, the impact on us of the delayed timing of the APQE and CPA exams, as well as the Company’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic reports to the SEC in its annual report to shareholders, 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: our goals and growth strategies; our future prospects and market acceptance of our online and offline 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 online and offline 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 and Internet content providers, the education and telecommunications industries, mergers and acquisitions, taxation and foreign exchange.

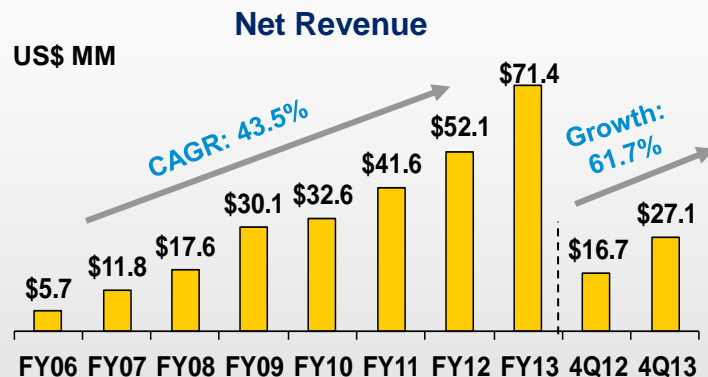
Further information regarding these and other risks is included in the Company’s annual report on Form 20-F and other documents filed with the SEC. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this presentation is as of the date of November 28, 2012.

- ❖ **Results Overview**
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Significant Top- and Bottom Line Growth with Strong Cash Flow Steady Progress on Long-term Strategic Initiatives

Record Results in a Low Enrollment Season

Net Revenue Exceeding Guidance



- **Course enrollments:**
 - ↑ up 9.1% reaching 767,800 in 4Q
 - ↑ up 22.6% reaching 2.7 million for full year
- **Net income:**
 - ↑ up 145.1% to \$9.1 million in 4Q
 - ↑ up 65.2% to \$13.6 million for full year
- **Cash receipts from online course registration:**
 - ↑ up 47.0% to \$13.0 million in 4Q
 - ↑ up 44.9% to \$64.0 million for full year
- **Operating cash flow:**
 - ↑ up 166.0% to \$7.0 million in 4Q
 - ↑ up 112.6% to \$32.1 million for full year
- **Cash balance as of September 30, 2013:**
 - \$72.7 million

Strategic & Operational Updates



APQE	4Q FY13	FY2013
Enrollment	↑ 47.5%	↑ 39.4%
Average Student Payment (ASP)	↑ 8.0%	↑ 21.5%
Cash Receipts	↑ 59.2%	↑ 69.3%

CPA	4Q FY13	FY2013
Enrollment	-44.6%	↑ 7.7%
Average Student Payment (ASP)	↑ 18.6%	↑ 16.8%
Cash Receipts	-34.2%	↑ 25.8%

Accounting Continuing Edu	4Q FY13	FY2013
Enrollment	↑ 8.2%	↑ 18.4%
Average Student Payment (ASP)	-8.4%	-17.1%

Other Accounting Test Prep	4Q FY13	FY2013
Enrollment	↑ 41.0%	↑ 26.8%
Average Student Payment (ASP)	↑ 24.7%	↑ 8.0%
Cash Receipts	↑ 75.8%	↑ 37.0%

Fast Growth in Healthcare & Construction Engineering

❖ Healthcare Test Prep

- Enrollment up 77.3% and 48.2% YoY in 4Q and FY13, respectively
- 4Q ASP up 20.2% YoY
- FY13 cash receipts up 67.4% YoY

❖ Healthcare Continuing

- Enrollment saw explosive growth on a low base; FY13 enrollment up 50.0%
- 4Q ASP down 22.4% YoY
- FY13 cash receipts up 91.1% YoY

❖ Construction Engineering Test Prep

- Enrollment up 21.1% and 42.3% YoY in 4Q and FY13, respectively
- 4Q ASP up 28.1% YoY
- FY13 cash receipts up 69.1% YoY

❖ Construction Engineering Continuing

- Enrollment down 65.6% YoY in 4Q, due to delay in finalizing partner agreement; FY13 enrollment up 38.2% YoY
- 4Q ASP up 33.7% YoY
- FY13 cash receipts up 8.1% YoY

Focusing on Strategic Initiatives, Reinforcing Leadership in Online Education Market

- **Focusing on three core verticals: accounting, healthcare and construction engineering**
 - High-quality, results-oriented, life-long professional development courses
- **Further integration of online (PC) and mobile platforms**
 - Continuous improvement of user experience on PC and mobile devices
 - Fee-based, stand-alone mobile courses rolled out post year-end
- **Development of open learning platform**

Encouraging Operational Measures in FY2013 – Online & Mobile

- **Online (PC) – foundation of our success**
 - Total number of registered users: over 24 million as of September 30, 2013
 - New record for daily unique visitors in accounting vertical: over 650 thousand
 - New record for page views in accounting vertical: over 50 million
 - New record for daily unique visitors in healthcare vertical: over 600 thousand
- **Mobile – extension of online business and new driver of growth**
 - Total number of APPs downloads for unique devices: over 2.5 million till end of September
 - Internal data showed that in Sep, 2013, 75% of online paying test-prep students also use mobile
 - Recently launched fee-based mobile courses in accounting vertical

Financial Highlights



Select Income Statement Items (Unaudited) – 4Q FY2013

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

	4Q FY12	4Q FY13	YoY Change%
Net revenues:			
Online education services	13,989	23,430	67.5%
Books and reference materials	1,096	1,601	46.1%
Others including in-person training	1,651	2,039	23.5%
Total net revenues	16,736	27,070	61.7%
Cost of sales	(6,814)	(8,638)	26.8%
Gross profit	9,922	18,432	85.8%
Gross margin	68.1%	59.3%	880 ppt
Operating expenses:			
Selling expenses	(3,241)	(4,308)	32.9%
General and administrative expenses	(1,714)	(2,978)	73.7%
Total operating expenses	(4,955)	(7,286)	47.0%
Operating Income	5,008	11,146	122.6%
Income tax expense	(1,596)	(2,538)	59.0%
Net income (loss) attributable to CDEL	3,713	9,099	145.1%

Select Income Statement Items (Unaudited) – FY2013

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

	FY2012	FY2013	YoY Change%
Net revenues:			
Online education services	40,281	58,573	45.4%
Books and reference materials	4,438	5,129	15.6%
Others including in-person training	7,383	7,658	3.7%
Total net revenues	52,102	71,360	37.0%
Cost of sales	(23,081)	(29,917)	29.6%
Gross profit	29,021	41,443	42.8%
Gross margin	58.1%	55.7%	240 ppt
Operating expenses:			
Selling expenses	(11,337)	(15,673)	38.2%
General and administrative expenses	(8,248)	(9,806)	18.9%
Total operating expenses	(19,585)	(25,479)	30.1%
Operating Income	9,494	16,023	68.8%
Income tax expense	(2,600)	(3,797)	46.0%
Net income from continuing operations	7,973	13,564	70.1%
Net income (loss) from discontinued operations	236	-	NM
Net income (loss) attributable to CDEL	8,209	13,564	65.2%

Selected Cash Flow Items (Unaudited) – FY2013

<i>(US\$ in Millions)</i>	4Q FY12	4Q FY13	FY2012	FY2013
Net Operating Cash Inflow	2.6	7.0	15.1	32.1

❖ **The inflow in 4Q was due to:**

- Net income generated in the quarter
- Increase in accrued expenses and other liabilities and income tax payable
- Decrease in accounts receivable
- Partially offset by the decrease in deferred revenue

Selected Balance Sheet Items (Unaudited) – 4Q FY13

Balance Sheet Summary

(US\$ in Millions)

Assets	Sep 30, 2012	Sep 30, 2013	Change %
Cash and Cash Equivalents, Term Deposits and Restricted Cash	57.7	72.7	26.1%
Receivables	4.1	3.5	-13.8%
Inventories	0.7	0.7	6.1%
Net PP&E	9.7	10.2	5.4%
Other Assets	17.8	18.9	5.6%
Total	90.0	106.0	17.8%
Liabilities and Shareholders' Equity	Sep 30, 2012	Sep 30, 2013	Change %
Accrued Expenses and other liabilities	12.4	20.3	60.2%
Deferred Revenues, current portion	9.5	16.9	78.3%
Refundable Fees	3.5	4.3	22.0%
Total Shareholder's Equity	64.6	64.5	0.8%
Total	90.0	106.0	17.8%

Business Outlook



**1Q FY14 revenue expected range: US\$15.8 – 16.9 million,
22% - 30% year-over-year growth**

**FY14 revenue guidance to: US\$85.7 – 90.7 million,
20% - 27% year-over-year growth**