



## 2019 FOURTH QUARTER AND YEAR-END EARNINGS CALL

March 30, 2020

### Speakers

Mr. Kevin Ma, Chairman and CEO

Mr. Jun Zhang, President

Ms. Amy Tung, CFO

# SAFE HARBOR

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- All statements other than statements of historical fact in this presentation are forward-looking statements, including but not limited to ACG’s future growth and results of operations; ACG’s strategy of becoming a leading international education service provider; ACG’s plans for mergers and acquisitions generally; ACG’s plan and anticipated benefits to develop international education services and carry out new business; intended benefits of ACG’s acquisition of Huanqiuyimeng; the market potential of international art and creativity education; ACG’s plan for geographic expansion, new product offerings and new partnerships; the ability of ACG and Huanqiuyimeng to cooperate and integrate effectively; ACG’s growth strategy and subsequent business activities, market demand for ACG’s educational travel services and other education services and the impact of the COVID-19 outbreak on ACG and its operations.
- Although we believe our expectations expressed in such forward-looking statements are reasonable, we cannot assure you that they will be realized. Investors are cautioned that such forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from the anticipated results, and therefore we refer you to a more detailed discussion of the risks and uncertainties in the Company’s filings with the Securities & Exchange Commission.

Note: All U.S. dollar amounts in this presentation, relating to the financial results for the three months and year ended December 31, 2019, are converted from RMB using an exchange rate of 6.9618 RMB:1 USD. All historical conversions are accurate as of the time reported, unless otherwise noted. The Company reports its financial results under U.S. GAAP in RMB, and all percentages calculated in the presentation are based on RMB unless otherwise noted.

# OVERVIEW

ATA Creativity Global is focused on offering a fully integrated educational experience for students throughout China and abroad. ACG aims to offer online, on-campus, and other education programs through a network of global education partners.



Nearly 20 years of experience in testing technologies and delivery services, unrivaled knowledge of China's assessment/education market



Possesses industry relationships with educational institutions and enterprises all over China



Established reputation in learning technologies, committed to providing students with quality educational opportunities

## ACG At-A-Glance

Ticker	NASDAQ: ACG
IPO	January 2008 (Underwriters: Merrill Lynch, Piper Jaffray)
Auditor	KPMG (since IPO)
Fiscal Year End	December 31
Recent Stock Price	\$1.00 (as of 3/26/2020)
Market Cap	\$31.2 million (as of 3/26/2020)
ADSs Outstanding	31.2 million
Book Value Per ADS	\$1.41

*All information as of 12/31/2019 unless otherwise noted.*



# 2019 FOURTH QUARTER HIGHLIGHTS

Amy Tung, Chief Financial Officer



# KEY OPERATING HIGHLIGHTS

## Huanqiyimeng acquisition and significant changes to the Company's operations

Changed corporate name to ATA Creativity Global ("ACG") and ticker symbol to AACG to reflect Company's new direction after Beijing Huanqiyimeng Education Consultation Corp ("Huanqiyimeng") became a wholly owned subsidiary of ACG in second half of 2019

## Private placement with CL-TCC

To receive approximately \$10.0 million in gross proceeds from this transaction

## 19.3% YoY growth

Credit hours delivered for portfolio training programs, an indicator of how Huanqiyimeng's business is performing

# NEW DEVELOPMENTS

## Coronavirus

- Have modified traditionally in-person coursework to online format
- Impact on sales/marketing as personnel are working remotely
- Impact on educational travel programs – delays/some cancellations but winter is generally a lighter travel season

# ENROLLMENT UPDATE

- Portfolio Training Programs are Huanqiuyimeng’s main line of business, consisting of time-based programs and project-based programs.
- Revenue is recognized proportionately per credit hour delivered regardless of which program type a student has enrolled.

	Oct. 1, 2019 – Dec. 31, 2019	Oct. 1, 2018 – Dec. 31, 2018	% Growth
	No. of Credit Hours	No. of Credit Hours	
Time-based Program	34,434	35,490	(3.0%)
Project-based Program	17,768	8,263	115.0%
<b>Total</b>	<b>52,202</b>	<b>43,753</b>	<b>19.3%</b>

**Total student enrollment was 1,042, out of which 585 were enrolled in portfolio training programs, during the fourth quarter of 2019.**

# KEY FINANCIAL HIGHLIGHTS

Q4

**RMB54.1 Million**

Total net revenues, an increase from RMB0.2 million, driven by contributions from Huanqiuyimeng business acquisition

**38.6% (47.5% adj.)**

Gross margin, compared to negative gross margin of 10.5% in Q4 2018

**RMB70.8 Million**

Net loss from continuing operations attributable to ACG, compared to a net loss of RMB23.8 million in the prior-year period

YEAR-END

**RMB97.8 Million**

Total net revenues, an increase from RMB1.3 million, driven by contributions from Huanqiuyimeng business acquisition

**36.7% (45.2% adj.)**

Gross margin, compared to negative gross margin of 217.6% in 2018

**RMB127.0 Million**

Net loss from continuing operations attributable to ACG, compared to a net loss of RMB63.7 million in the prior year

# SUMMARY FINANCIAL RESULTS – Q4

Note: The prior-year comparable period does not include financials from a major operating entity.

	Q4 2018	Q4 2019	Q4 2018	Q4 2019
In 000s except margin and per ADS data	RMB		USD	
Net Revenues	189	54,139	\$28	\$7,777
Cost of Revenues	209	33,240	\$30	\$4,775
Gross Profit (Loss)	(20)	20,899	(\$3)	\$3,002
Gross Margin	(10.5%)	38.6%	(10.5%)	38.6%
Operating Expenses	21,784	50,596	\$3,168	\$7,268
Loss from Continuing Operations	(20,825)	(29,671)	(\$3,029)	(\$4,262)
Net Loss from Continuing Operations Attributable to ACG	(23,837)	(70,754)	(\$3,467)	(\$10,163)
Diluted Losses from Continuing Operations per ADS Attributable to ACG	(1.12)	(2.54)	(\$0.16)	(\$0.36)

# SUMMARY FINANCIAL RESULTS – YEAR-END

Note: The prior year does not include financials from a major operating entity.

	YE 2018	YE 2019	YE 2018	YE 2019
In 000s except margin and per ADS data	RMB		USD	
Net Revenues	1,339	97,770	\$195	\$14,044
Cost of Revenues	4,251	61,915	\$618	\$8,893
Gross Profit (Loss)	(2,913)	35,856	(\$424)	\$5,150
Gross Margin	(217.6%)	36.7%	(217.6%)	36.7%
Operating Expenses	68,673	127,853	\$9,988	\$18,365
Loss from Continuing Operations	(67,792)	(91,409)	(\$9,860)	(\$13,130)
Net Loss from Continuing Operations Attributable to ACG	(63,740)	(127,049)	(\$9,272)	(\$18,249)
Diluted Losses from Continuing Operations per ADS Attributable to ACG	(3.62)	(5.24)	(\$0.52)	(\$0.74)

# BALANCE SHEET HIGHLIGHTS

**A solid balance sheet will allow ACG to execute its growth strategy.**

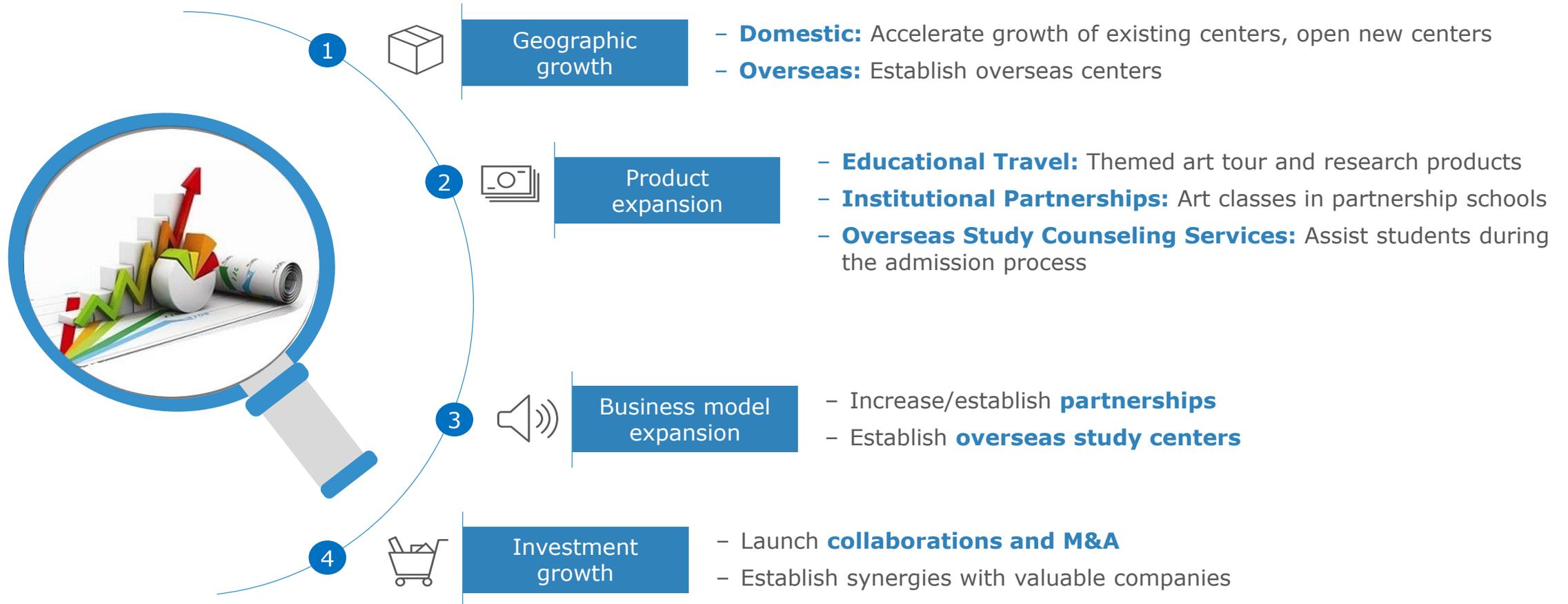
In 000s	12/31/2018	12/31/2019	12/31/2018	12/31/2019
	RMB		USD	
Cash and Cash Equivalents	190,586	154,198	\$27,720	\$22,149
Total Current Assets	213,395	183,560	\$31,037	\$26,367
Total Assets	335,139	667,654	\$48,744	\$95,903
Total Current Liabilities	19,746	264,774	\$2,872	\$38,032
Total Liabilities	19,746	317,023	\$2,872	\$45,538
Mezzanine Equity	39,209	44,896	\$5,703	\$6,449
Shareholders' Equity	276,184	305,735	\$40,169	\$43,916
Total Liabilities, Mezzanine Equity & Shareholders' Equity	335,139	667,654	\$48,744	\$95,903

**USD\$22.1 million in cash and cash equivalents as of 12/31/2019**

# 2019 OUTLOOK & GROWTH STRATEGY

Kevin Ma, Chairman and CEO  
Jun Zhang, President

# GLOBAL GROWTH INITIATIVES



# GROWTH STRATEGY

ACG plans to leverage its expertise in assessment/education technologies and services, as well as extensive industry relationships, to scale the growth of well-established education enterprises to expand its presence in China and beyond



Increase outreach to support a growing population of students:

- Those seeking overseas study experiences to whom we can offer portfolio training and overseas study counseling services (particularly those applying for art majors)
- Those looking to enhance their capabilities outside academics, using art as a tool
- Those seeking out-of-classroom learning experiences to whom we can offer educational travel programs



Continue exploring M&A opportunities within the education sector





**At ATA Creativity Global**

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