



## 2020 SECOND QUARTER EARNINGS CALL

August 12, 2020

### Speakers

Mr. Kevin Ma, Chairman and CEO

Mr. Jun Zhang, President

Ms. Amy Tung, CFO

# SAFE HARBOR

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Note: All U.S. dollar amounts in this presentation, relating to the financial results for the three and six months ended June 30, 2020, are converted from RMB using an exchange rate of 7.0651 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 (ACG) is an international educational services company focused on providing quality learning experiences that cultivate and enhance students' creativity. ACG offers a wide range of education services consisting primarily of portfolio training, educational travel, overseas study counseling and other educational services through its training center network.



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	\$1.21 (as of 8/10/2020)
Market Cap	\$37.9 million (as of 8/10/2020)
ADs Outstanding	31.4 million
Book Value Per ADS	\$1.12

*All information as of 6/30/2020 unless otherwise noted.*



# 2020 SECOND QUARTER HIGHLIGHTS

Amy Tung, Chief Financial Officer



# KEY OPERATING HIGHLIGHTS

## Continued online delivery of coursework in light of COVID-19

Prioritizing the safety of students, faculty and staff by delivering in-person coursework online since the beginning of February

Certain offline training has been permitted by some local governments in late Q2

## Q2 impacted by COVID-19

Causing enrollment deferrals and cancellation of most educational tours and overseas study programs

## 7.4% YoY decrease

Credit hours delivered for portfolio training programs, an indicator of how ACG's business is performing  
Decrease primarily caused by the ongoing pandemic environment

# ENROLLMENT UPDATE

- Portfolio Training Programs are ACG's main line of business, consisting of time-based programs and project-based programs.
- Revenue is recognized proportionately per credit hour delivered.

	April 1, 2020 – June 30, 2020	April 1, 2019 – June 30, 2019	% Change
	No. of Credit Hours	No. of Credit Hours	
Time-based Program	16,191	20,925	(22.6%)
Project-based Program	11,742	9,240	27.1%
<b>Total</b>	<b>27,933</b>	<b>30,165</b>	<b>(7.4%)</b>

**Total student enrollment was 772, out of which 444 were enrolled in portfolio training programs, during the second quarter of 2020.**

# KEY FINANCIAL HIGHLIGHTS

Q2

**RMB26.4 Million**

Total net revenues, an increase from RMB1.4 million, driven by contributions from Huanqiuyimeng business

**25.1% (39.0% adj.)**

Gross margin, compared to negative gross margin of 1.8% in Q2 2019

**RMB32.1 Million**

Net loss from continuing operations attributable to ACG, compared to a net loss of RMB18.2 million in the prior-year period

FIRST HALF 2020

**RMB59.1 Million**

Total net revenues, an increase from RMB3.0 million, driven by contributions from Huanqiuyimeng business

**31.1% (42.7% adj.)**

Gross margin, compared to 12.9% in the prior-year period

**RMB52.5 Million**

Net loss from continuing operations attributable to ACG, compared to a net loss of RMB31.1 million in the prior-year period

# SUMMARY FINANCIAL RESULTS – Q2

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

	Q2 2019	Q2 2020	Q2 2019	Q2 2020
In 000s except margin and per ADS data	RMB		USD	
Net Revenues	1,366	26,396	\$199	\$3,736
Cost of Revenues	1,391	19,765	\$203	\$2,797
Gross Profit (Loss)	(25)	6,632	(\$4)	\$939
Gross Margin	(1.8%)	25.1%	(1.8%)	25.1%
Operating Expenses	19,883	45,246	\$2,896	\$6,404
Loss from Continuing Operations	(20,156)	(38,503)	(\$2,936)	(\$5,450)
Net Loss from Continuing Operations Attributable to ACG	(18,163)	(32,081)	(\$2,646)	(\$4,541)
Diluted Losses from Continuing Operations per ADS Attributable to ACG	(0.82)	(1.08)	(\$0.12)	(\$0.16)

# SUMMARY FINANCIAL RESULTS – YTD

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

	1H 2019	1H 2020	1H 2019	1H 2020
In 000s except margin and per ADS data	RMB		USD	
Net Revenues	2,983	59,100	\$434	\$8,365
Cost of Revenues	2,599	40,744	\$379	\$5,767
Gross Profit	384	18,356	\$56	\$2,598
Gross Margin	12.9%	31.1%	12.9%	31.1%
Operating Expenses	36,430	83,672	\$5,307	\$11,843
Loss from Continuing Operations	(35,590)	(64,970)	(\$5,184)	(\$9,196)
Net Loss from Continuing Operations Attributable to ACG	(31,062)	(52,537)	(\$4,525)	(\$7,436)
Diluted Losses from Continuing Operations per ADS Attributable to ACG	(1.44)	(1.78)	(\$0.20)	(\$0.26)

# BALANCE SHEET HIGHLIGHTS

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

In 000s	12/31/2019	6/30/2020	12/31/2019	6/30/2020
	RMB		USD	
Cash and Cash Equivalents	154,198	119,721	\$22,149	\$16,945
Total Current Assets	183,560	141,653	\$26,367	\$20,050
Total Assets	676,090	602,881	\$97,115	\$85,332
Total Current Liabilities	264,816	261,079	\$38,038	\$36,953
Total Liabilities	325,558	308,918	\$46,764	\$43,724
Mezzanine Equity	44,896	46,653	\$6,449	\$6,603
Shareholders' Equity	305,635	247,311	\$43,902	\$35,005
Total Liabilities, Mezzanine Equity & Shareholders' Equity	676,090	602,881	\$97,115	\$85,332

**USD\$16.9 million in cash and cash equivalents as of 6/30/2020**

# 2020 OUTLOOK & GROWTH STRATEGY

Kevin Ma, Chairman and CEO  
Jun Zhang, President

# STUDENT TESTIMONIALS

ACG's Dianping page:  
<http://www.dianping.com/shop/HaWSYB0FbJQryCbT>



格格巫

★★★★★ 效果: 5.0 师资: 5.0 环境: 5.0

碰到毛毛老师无敌幸运，表白贴。自己和知道的几个同僚拿到了皇艺，金匠，伦艺，爱丁堡等等，很多还是转专业的。回顾帮我们辅导作品集的时候她不仅仅停留在视觉形式和套路上，可以针对每一个学生快速找到精准的点和优势，然后把作品集做的特别好，就像是无法那种。学习期间很大的提高了我在本科没有完善的能力，不仅在视觉输出，包括写文案和潜移默化的思维。

而且真的超级认真负责靠谱，一直在稳定的催催催把控作品集进度，平时生活上什么事不小心让她知道了她也会给出智慧的建议，智慧良心纯善，迷妹病。

每次上课会有晒太阳吸收能量的错觉，因为感觉她脑子转好快👉，和她学的这一年很值，有时候会觉得这个性价比像已经出去学了。

做项目的时候有人去发觉你的闪光点鼓励你，一起闯关并防止崩盘，而不是把项目怼在摇篮里。

附图翻翻相册看到了临近皇艺deadline两天的时候给我带来好运的amber喜欢我的作品。

假如在做作品集看到这个帖子就真的不要拖延不然最后会惊悚☹️☹️☹️祝嗨到飞起

工作室里的贺老师和冯菲老师也表白



04-14 更新于20-04-15 14:58 ACG艺术留学作品集培训中心

收起 ^



超人内裤在哪呢

★★★★★ 效果: 5.0 师资: 5.0 环境: 5.0

这家留学机构环境真是不错，里面很干净，老师都是取得名校毕业回国的，教学很有方法，第一节就给我留下了深刻的印象，对日语有了重新的认识和理解，相信通过不断的努力，疫情过后，可以顺利留学，补充能量，感觉实力很强大！



04-23 ACG艺术留学作品集培训中心

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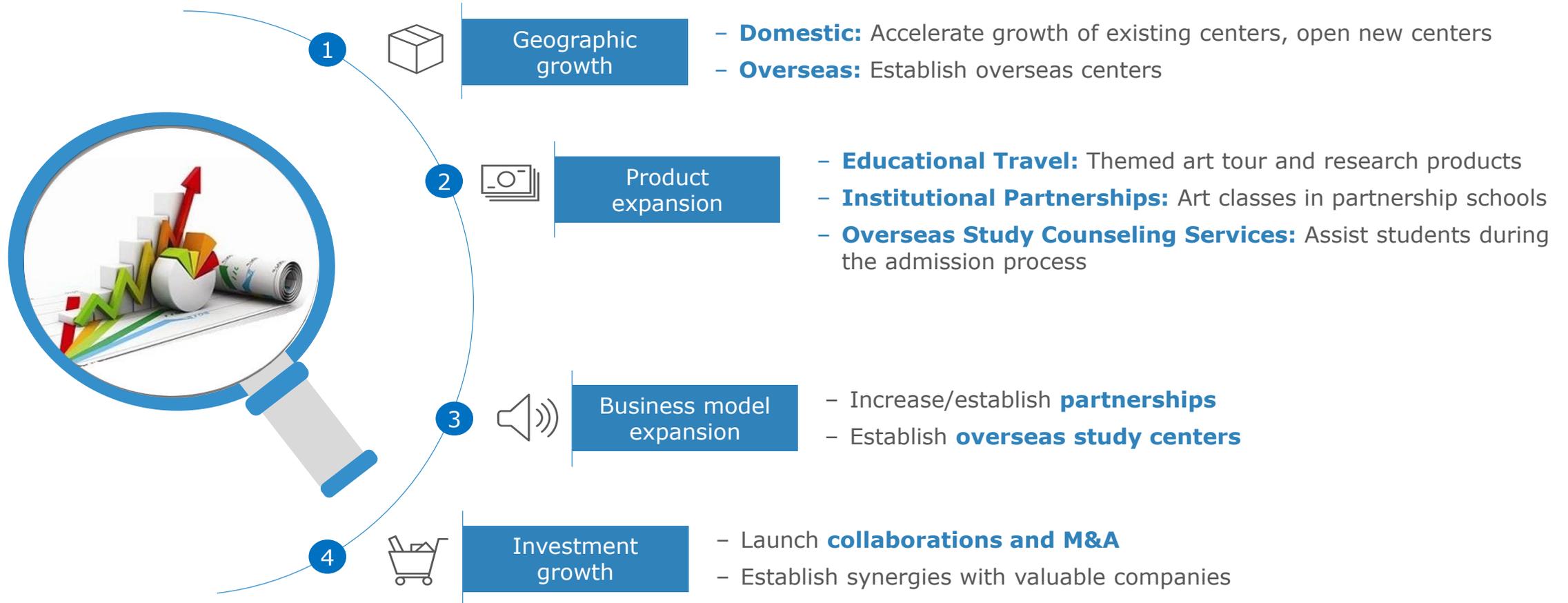
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# GLOBAL GROWTH INITIATIVES



# 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





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