



ATA Creativity Global

NASDAQ: AACG

2024 THIRD QUARTER EARNINGS CALL

November 7, 2024

Speakers:

Kevin Ma, Chairman & CEO

Ruobai Sima, CFO

Jun Zhang, President

Safe Harbor Statement

This presentation was developed by ATA Creativity Global (“ACG” or the “Company”) and is intended to be used solely in connection with ACG’s earnings call for the third quarter (Q3 2024”) and nine months (“9M 2024”) ended September 30, 2024. This presentation is not to be construed as an offer to sell or the solicitation of an offer to buy the Company’s securities. This presentation is based upon information available to the public, as well as other information from sources which management believes to be reliable but is not guaranteed by the Company as being accurate nor does it purport to be complete. The forward-looking statements contained in this presentation are made only of this date, and ACG is under no obligation to revise or update these forward-looking statements.

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Note: All U.S. dollar amounts in this presentation, relating to the financial results for the third quarter and nine months ended September 30, 2024, are converted from RMB using an exchange rate of RMB7.0176 RMB:\$1.00. 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.

Welcome Remarks



Kevin Ma
Chairman & CEO

Key Highlights

Q3 2024 was a strong quarter in terms of net revenues and student enrollment

As compared to Q3 2023....

+13.1%

Total
net revenue

+17.9%

Overall
student enrollment rate

+14.4%

Portfolio training program
student enrollment rate

+19.6%

Portfolio training program
total credit hours delivered

Higher number of new projects introduced, domestically and internationally

Key Highlights (cont.)

9M 2024 equally strong in terms of net revenues and student enrollment

As compared to 9M 2023....

+21.1%

Total
net revenue

+20.0%

Overall
student enrollment rate

+20.7%

Portfolio training program
student enrollment rate

+28.5%

Portfolio training program
total credit hours delivered

Higher number of new projects introduced, domestically and internationally

Q3 2024 Operational Highlights

Portfolio Training Services

- **Portfolio Training Services remained main source of revenues**
- **Project-based programs** continued to account for the majority of portfolio training services (69.7% of total credit hours delivered vs 69.5% in Q3 2023)

Research-Based Learning Services

- **New programs** included:
 - July session UN Sustainable Development Goals Arts Boot Camp
 - Two Intangible Cultural Heritage Camps
 - US Campus Tour
 - London and Tokyo Summer Camps
 - ACG Summer Lab

Overseas Study Counselling and Other Education Services

- **New institutional partnerships**
 - Cooperation agreement with Leeds Conservatoire
 - Strategic partnership with Oasis Star Educational Technology to promote the integration of art and artificial intelligence



Financial and Operational Results



Ruobai Sima
CFO

Q3 2024 Key Financial Metrics

Q3 2024 vs. Q3 2023

Net Revenue

RMB67.3M (or \$9.6M)

+13.1%

Gross Profit

RMB30.0M (or \$4.3M)

+2.6%

(In RMB)

(In USD)

Other metrics	Q3'24	Q3'23	Q3'24	Q3'23
Net Revenues	67.3M	59.5M	\$9.6M	\$8.1M
Gross profit	30.0M	29.2M	\$4.3M	\$4.0M
Gross margin	44.6%	49.2%	44.6%	49.2%
Total operating expenses	47.7M	37.1M	\$6.8M	\$5.1M
Loss from operations	17.6M	7.9M	\$2.5M	\$1.1M
Net loss attributable to ACG	14.7M	7.3M	\$2.1M	\$1.0M

9M 2024 Key Financial Metrics

9M 2024 vs. 9M 2023

Net Revenue

RMB167.1M (or \$23.8M)
+21.1%

Gross Profit

RMB77.6M (or \$11.1M)
+24.6%

(In RMB)

(In USD)

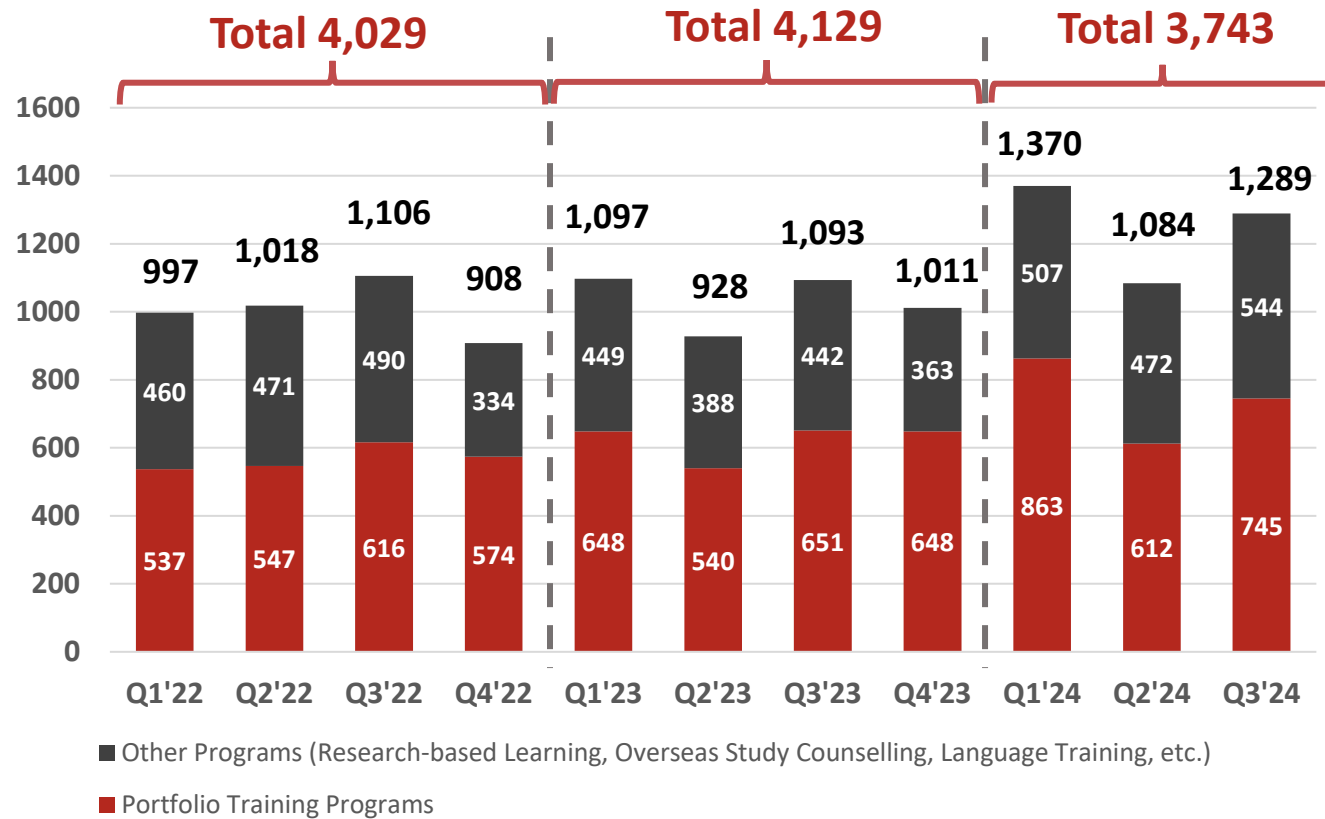
Other metrics	9M'24	9M'23	9M'24	9M'23
Net Revenues	167.1M	138.0M	\$23.8M	\$18.9M
Gross profit	77.6M	62.3M	\$11.1M	\$8.5M
Gross margin	46.4%	45.1%	46.4%	45.1%
Total operating expenses	137.7M	112.9M	\$19.6M	\$15.5M
Loss from operations	60.0M	50.6M	\$8.6M	\$6.9M
Net loss attributable to ACG	49.4M	42.2M	\$7.0M	\$5.8M

Balance Sheet Highlights

	<i>(In RMB)</i>	<i>(In USD)</i>
	As of 9/30/2024	
Cash and cash equivalents	39.4M	\$5.6M
Total current assets	60.3M	\$8.6M
Total assets	459.4M	\$65.5M
Total current liabilities	371.0M	\$52.9M
Total liabilities	393.2M	\$56.1M
Total shareholders' equity	66.2M	\$9.4M

Enrollment Trends – Growing Student Interest

Total Student Enrollment Breakdown ⁽¹⁾



9M 2024
vs 9M 2023



Total Enrollment
+20.0%

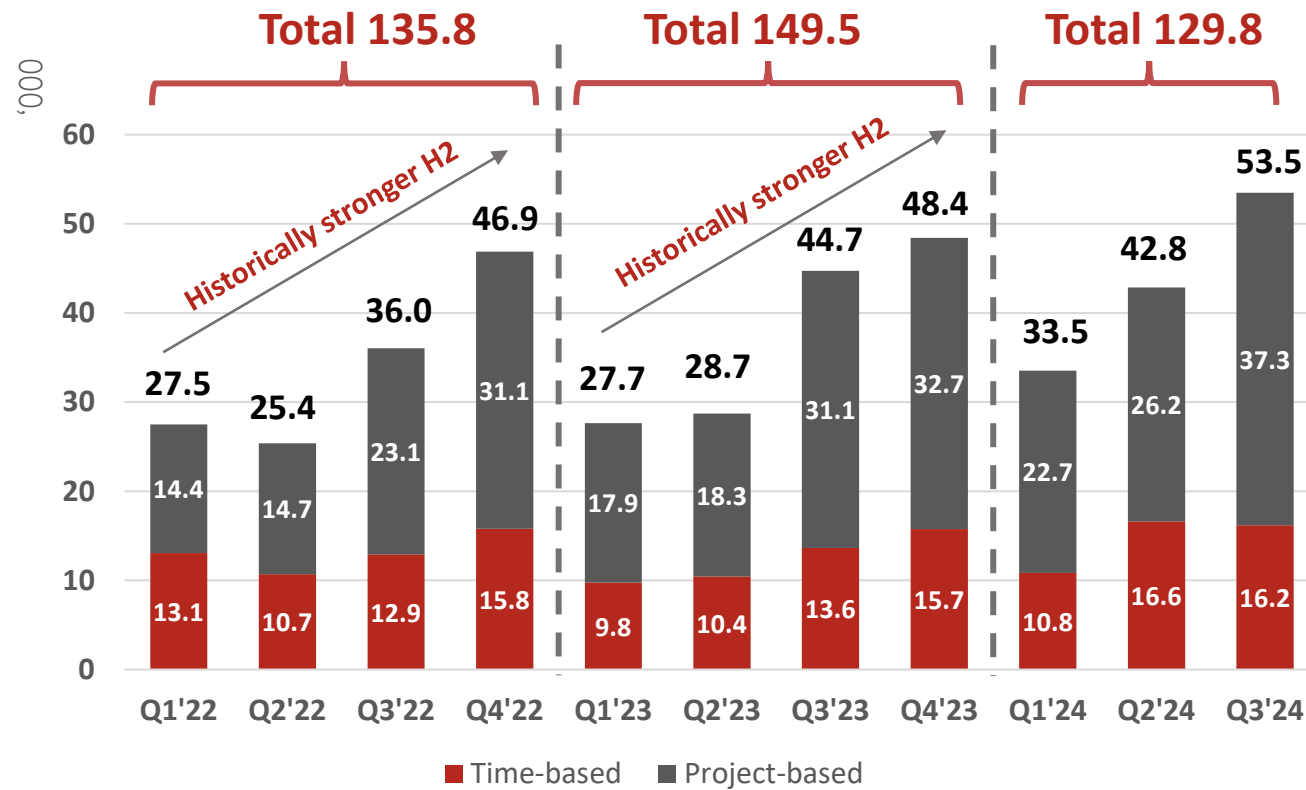
Portfolio Training
+20.7%

All Other Programs
+19.1%

(1) Enrollment numbers prior to Q3'22 include students enrolled in foreign language training services. ACG disposed of the entity operating foreign language training services in Third Quarter 2022.

Enrollment Trends – Increased Credit Hours Delivered

Portfolio Training Program Credit Hours Breakout



9M 2024

vs 9M 2023



Total Credit Hours

+28.5%

Time - Based

+29.0%

Project - Based

+28.3%

On Track to Achieve Guidance: Historically Stronger Second Half

- **FY 2024 Revenue Guidance**
RMB233M – RMB255M
+5% to +15% vs FY 2023
- Expectations supported by **strong enrollment and expansion of new services/offerings**
- **Portfolio training services will continue to be the primary growth driver** and serve as the main student acquisition channel for other business lines

2025 Growth Strategy



Jun Zhang
President

Growth Strategy

1

Organic: focus on higher fee /margin services

- Encourage students to opt for **project-based programs**
- Ramp up of revenues generated via **Research-Based Learning** and **Overseas Study Counselling services**
- Involve teaching staff in **product design and sales** to improve program quality and boost sales

2

Strengthen & expand geographic footprint

- **Domestic:** Expand coverage in existing cities, concentrate regional resources on larger centers
- **Overseas:** Establish overseas centers
- Increase/establish domestic and international **partnerships**

3

Launch of new services

- **Continued innovation and introduction** of new research-based learning programs
- **Other Educational Services:** Overseas college foundation programs, in-school art classes in partnership schools, junior art education and more

4

M&A opportunities

- Exploring collaborations and **M&A opportunities in a highly fragmented market**

Q&A Session

Contact Us



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Balance Sheet – As of September 30, 2024

	December 31, 2023 RMB	September 30, 2024 RMB	September 30, 2024 USD
ASSETS			
<i>Current assets:</i>			
Cash and cash equivalents	60,167,232	39,391,127	5,613,191
Accounts receivable	2,235,490	1,149,062	163,740
Prepaid expenses and other current assets	8,042,169	19,733,110	2,811,946
Total current assets	70,444,891	60,273,299	8,588,877
Long-term investments	38,000,000	38,000,000	5,414,957
Property and equipment, net	30,235,985	39,261,010	5,594,649
Intangible assets, net	58,886,111	50,669,444	7,220,338
Goodwill	196,289,492	196,289,492	27,971,029
Other non-current assets	31,691,417	34,342,266	4,893,734
Right-of-use assets	23,391,247	40,613,651	5,787,399
Total assets	448,939,143	459,449,162	65,470,983
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities:</i>			
Accrued expenses and other payables	49,146,103	51,063,959	7,276,558
Lease liabilities-current	13,110,449	19,652,848	2,800,508
Deferred revenues	252,145,949	300,274,793	42,788,816
Total current liabilities	314,402,501	370,991,600	52,865,882
Lease liabilities-non-current	9,496,422	19,992,990	2,848,978
Deferred income tax liabilities	12,066,513	2,242,876	319,607
Total liabilities	335,965,436	393,227,466	56,034,467
<i>Shareholders' equity:</i>			
Common shares	4,730,128	4,733,961	674,584
Treasury shares	(8,201,046)	(8,201,046)	(1,168,640)
Additional paid-in capital	545,222,465	547,865,450	78,070,202
Accumulated other comprehensive loss	(37,004,507)	(37,066,452)	(5,281,927)
Accumulated deficit	(391,709,172)	(441,045,983)	(62,848,550)
Total shareholders' equity attributable to ACG	113,037,868	66,285,930	9,445,669
Non-redeemable non-controlling interests	(64,161)	(64,234)	(9,153)
Total shareholders' equity	112,973,707	66,221,696	9,436,516
Commitments and contingencies	—	—	—
Total liabilities and shareholders' equity	448,939,143	459,449,162	65,470,983

Consolidated Statements of Comprehensive Income (Q3 2024)

	Three-month Period Ended		
	September 30,	September 30,	September 30,
	2023	2024	2024
	RMB	RMB	USD
Net revenues	59,450,108	67,254,807	9,583,733
Cost of revenues	30,225,251	37,256,461	5,309,003
Gross profit	29,224,857	29,998,346	4,274,730
Operating expenses:			
Research and development	1,204,485	740,049	105,456
Sales and marketing	20,297,200	25,743,503	3,668,420
General and administrative	15,603,290	21,172,200	3,017,014
Total operating expenses	37,104,975	47,655,752	6,790,890
Other operating income, net	1,104	42,806	6,100
Loss from operations	(7,879,014)	(17,614,600)	(2,510,060)
Other income (expense):			
Interest income, net of interest expenses	241,534	224,646	32,012
Foreign currency exchange gains (losses), net	2	(1,800)	(256)
Loss before income taxes	(7,637,478)	(17,391,754)	(2,478,304)
Income tax benefit	(335,902)	(2,739,486)	(390,374)
Net loss	(7,301,576)	(14,652,268)	(2,087,930)
Net loss attributable to non-controlling interests	(50,714)	(22)	(3)
Net loss attributable to ACG	(7,250,862)	(14,652,246)	(2,087,927)
Other comprehensive loss:			
Foreign currency translation adjustment, net of nil income taxes	(19,253)	(98,370)	(14,018)
Comprehensive loss attributable to ACG	(7,270,115)	(14,750,616)	(2,101,945)
Basic and diluted losses per common share attributable to ACG	(0.12)	(0.23)	(0.03)
Basic and diluted losses per ADS attributable to ACG	(0.24)	(0.46)	(0.06)

Consolidated Statements of Comprehensive Income (9M 2024)

	Nine-month Period Ended		
	September 30, 2023	September 30, 2024	September 30, 2024
	RMB	RMB	USD
Net revenues	138,010,273	167,144,553	23,817,908
Cost of revenues	75,718,910	89,543,642	12,759,867
Gross profit	62,291,363	77,600,911	11,058,041
Operating expenses:			
Research and development	2,978,521	2,924,091	416,680
Sales and marketing	58,015,878	72,387,180	10,315,091
General and administrative	51,906,675	62,414,642	8,894,015
Total operating expenses	112,901,074	137,725,913	19,625,786
Other operating income, net	2,657	86,586	12,338
Loss from operations	(50,607,054)	(60,038,416)	(8,555,407)
Other income (expense):			
Interest income, net of interest expenses	707,931	867,865	123,670
Foreign currency exchange losses, net	(380)	(7,668)	(1,093)
Loss before income taxes	(49,899,503)	(59,178,219)	(8,432,830)
Income tax benefit	(7,635,036)	(9,823,637)	(1,399,857)
Net loss	(42,264,467)	(49,354,582)	(7,032,973)
Net loss attributable to non-controlling interests	(48,620)	(72)	(10)
Net loss attributable to ACG	(42,215,847)	(49,354,510)	(7,032,963)
Other comprehensive income (loss):			
Foreign currency translation adjustment, net of nil income taxes	71,146	(61,945)	(8,827)
Comprehensive loss attributable to ACG	(42,144,701)	(49,416,455)	(7,041,790)
Basic and diluted losses per common share attributable to ACG	(0.67)	(0.78)	(0.11)
Basic and diluted losses per ADS attributable to ACG	(1.34)	(1.56)	(0.22)