



**ATA Creativity Global**  
**Third Quarter 2024 Financial Results Conference Call**  
**TRANSCRIPT**  
**November 7, 2024 at 8:00 p.m. ET**

**SPEAKERS**

Alice Zhang – Investor Relations, The Equity Group  
Kevin Ma – Chairman & Chief Executive Officer, ACG  
Ruobai Sima – Chief Financial Officer, ACG  
Jun Zhang – President, ACG

**Operator:**

Greetings. Welcome to ATA Creativity Global's Third Quarter 2024 Financial Results Call. At this time, all participants are in a listen-only mode. [Operator Instructions] Please note this conference is being recorded. It is now my pleasure to introduce Alice Zhang with the Equity Group. Thank you, Alice, you may begin.

**Ms. Alice Zhang:**

Thank you, operator. Good morning to all of you joining us from China and good evening to all of you joining us from the United States.

Please be advised that the discussions on today's call may include forward-looking statements. Such forward-looking statements involve certain risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. Please refer to the Company's most recent SEC filings for a more complete description of risk factors that could affect these projections and assumptions. The company assumes no obligation to update forward-looking statements as a result of new information, future events, or otherwise.

Regarding the disclaimer language, I would also like to refer you to slide 2 of the conference call presentation which is accessible via the IR section of ACG's website.

A simultaneous audio webcast is also accessible via the IR section of ACG's website, including the replay which will be available for the next 90 days.

ACG's Chairman and CEO Mr. Kevin Ma will start this call highlighting the Company's Third Quarter and Nine Months key operational and financial achievements. CFO Mr. Ruobai Sima will provide an overview of financial and operating results for Third Quarter and Nine Months 2024, expectations for the remainder of 2024 and full year guidance. President Mr. Jun Zhang will

conclude the prepared remarks with an update on the Company's long-term growth strategy before opening the floor for questions. For those of you following the accompanying slide presentation, please refer to the slides for further details.

With that, I'll turn the call over to ACG's Chairman and CEO, Mr. Kevin Ma. Please go ahead, Mr. Ma.

**Mr. Kevin Ma:**

Thank you, Alice, and welcome everyone. Good evening to those in America. We appreciate everyone's time.

As Alice mentioned, please refer to our earnings deck available on the IR site of our website, as we go through our prepared remarks.

During Third quarter of 2024, ACG continued to focus on providing quality services to our valued students and partners, developing product and service offerings that tailor to our students' growing and evolving needs, exploring new partnerships with institutions within the arts industry, as well as seeking collaboration opportunities across different industries.

As announced, Third Quarter of 2024 was a strong quarter for ACG in terms of net revenues and student enrollment. We reported double-digit growth in net revenues and overall student enrollment rates. This is highlighted by strong student enrollment for our portfolio training programs as well as increased credit hours delivered during the period.

For Nine Months 2024, we saw equally strong year-over-year improvements, as net revenues, overall enrollment rates and credit hours delivered all increased by more than 20% compared to Nine Months 2023.

Portfolio training services remained our main source of revenues, contributing more than 70% of our total revenues for both Third Quarter 2024 and Nine Months 2024. Within this part of service, we continued to encourage students to sign up for project-based programs. As a result, this segment continues to account for the majority of our portfolio training services, responsible for 70% of total credit hours delivered during the Third Quarter.

Thanks to our continuous effort in developing various programs and offerings, we are also seeing a growing interest in other parts of our services. Student enrollment for research-based learning and overseas study counselling increased by more than 20% compared to Third Quarter 2023.

For this summer, our highlight projects included a second session of the United Nations Sustainable Development Goals Arts Boot Camp, two intangible cultural heritage camps in China, one U.S. campus tour, and two summer camps in London and Tokyo. In addition, for the first time since the pandemic, apart from our usual online Master classes, we also hosted the ACG Summer Lab, providing students with the opportunity to study in-person with lecturers joining us from prestigious art institutions and the art field in general. We believe the capability to provide these various experiences is one of ACG's core competencies in the creative arts

market, which is built upon our continuous investment and close monitoring of the arts trends in the academia and the industry, as well as a strong global partnership network that allows us access to world-class resources.

During Third Quarter 2024, we continued to expand our partnership network, by establishing new strategic partnerships with Leeds Conservatoire in the U.K. and Oasis Star Educational technology, which Jun will expand on later.

With that, I will hand over the call to Sima for a detailed overview of our financial and operating results for Third Quarter and Nine Months 2024, and our guidance for Fiscal Year 2024.

**Mr. Ruobai Sima:**

Thank you, Kevin.

I will start with Third Quarter and Nine Months key financial metrics.

Total net revenues for Third Quarter 2024 were RMB67.3 million, an increase of 13.1% from RMB59.5 million in Third Quarter 2023, which was primarily due to increased revenue contributions from research-based learning and portfolio training services.

Gross profit for Third Quarter 2024 was RMB30.0 million, an increase of 2.6% from RMB29.2 million in Third Quarter 2023. Gross margin was 44.6% during Third Quarter 2024, compared to 49.2% in the prior-year period. The decrease in gross margin was mainly a result of higher costs related to more teaching staff hired as compared to Third Quarter 2023 to accommodate increased number of students, and the larger outsourcing costs related to research-based learning services.

Total operating expenses were RMB47.7 million in Third Quarter 2024, an increase of 28.4% from RMB37.1 million in Third Quarter 2023. The increase was primarily due to an RMB5.4 million increase in selling expenses related to increased number of sales personnel and marketing events, as well as an RMB5.6 million increase in general & administrative expenses related to increased professional fees and business expansion-related investments.

As a result, loss from operations in Third Quarter 2024 was RMB17.6 million, compared to RMB7.9 million in Third Quarter 2023. Net loss attributable to ACG during Third Quarter 2024 was RMB14.7 million, compared to RMB7.3 million in the prior-year period.

Turning to Nine Months 2024, total net revenues increased 21.1% to RMB167.1 million, from RMB138.0 million in the prior-year period. The increase was primarily attributable to increased contributions from portfolio training, research-based learning and overseas study counselling services.

Gross profit for Nine Months 2024 was RMB77.6 million, an increase of 24.6% from RMB62.3 million in Nine Months 2023, as a result of increased revenues during Nine Months 2024. Gross margin slightly improved to 46.4% from 45.1% in Nine Months 2023.

Total operating expenses were RMB137.7 million in Nine Months 2024, an increase of 22.0% from RMB112.9 million in Nine Months 2023. The increase was primarily due to an RMB14.4 million increase in selling expenses related to increased number of sales personnel to drive sales growth, as well as an RMB10.5 million increase in general & administrative expenses related to increased professional fees and business expansion-related investments.

As a result, loss from operations in Nine Months 2024 was RMB60.0 million, compared to RMB50.6 million in Nine Months 2023. Net loss attributable to ACG in Nine Months 2024 was RMB49.4 million, compared to RMB42.2 million.

Moving to the balance sheet highlights, as of September 30, 2024, we had RMB39.4 million in cash and cash equivalents, total assets of RMB459.4 million, total liabilities of RMB393.2 million, and total shareholders' equity of RMB66.2 million.

Moving on to year-to-date enrollment trends.

- For Nine Months 2024, total student enrollment increased by 20.0% as compared to Nine Months 2023, supported by strong student interest growth in both ACG's portfolio training and all other programs.
- Portfolio training student enrollment for Nine Months 2024 increased by 20.7% to 2,220, and all other programs student enrollment for Nine Months 2024 increased by 19.1% to 1,523.
- Credit hours delivered for portfolio training services are historically higher due to seasonal reasons as students usually start their portfolio creation work in the second half of the year for enrollment in the following fall semester. For Nine Months 2024, credit hours delivered significantly increased by 28.5%, whereby time-based programs credit hours increased by 29.0% and project-based programs credit hours increased by 28.3%.

We remain committed to offering high-quality services across our business lines to students who seek guidance and support in their pursuit of a study and career in arts.

With that, let's move to guidance to (for) full year 2024.

We believe we are on track to achieve our full year 2024 revenue guidance for (of) RMB233 to RMB255 million, representing a year-over-year increase of 5-15% for (from) full year 2023. Our belief is based on the strong enrollment trend we are seeing and our ability to expand current services and offerings. For the remainder of 2024, portfolio training services will continue to serve as a primary growth driver for our business, as well as an important student acquisition channel for our other businesses.

I'd now like to turn it over to Jun who will expand upon our long-term growth strategy. Jun, please go ahead.

**Mr. Jun Zhang:**

谢谢司马。

我们的增长战略围绕四个支柱：有机增长、扩大区域服务范围、推出新服务以及潜在的并购机会。

首先关于有机增长，正如司马所提到，我们一直鼓励参与我们作品集培训服务的学生选择项目制课程，该课程根据学生需求提供更灵活、更定制化的课程。

我们在当今市场上看到的强劲招生趋势也令人兴奋。我们看到更多来自作品集培训服务的学生对我们的增值产品感兴趣，购买研学、留学服务的学生数量增长，从而带来更高的收入贡献。除此之外，我们的教学人员参与销售和产品设计的過程，也帮助我们提高了课程质量并促进了销售。

我们扩大了所有（现有）城市的校区覆盖范围，并将区域资源集中在较大的校区。例如，我们在 2024 年扩大了上海和北京的校区，以服务更多学生。

我们最近开设了 ACG 伦敦服务中心，将 ACG 的服务扩展到已被英国（大学）录取并刚刚开始海外生活的学生。在伦敦中心，我们提供学业辅导、学生社群与校友活动以及职业发展支持，此外还帮助学生在出国留学的头几个月安顿下来。

对于研学服务来说，创新和持续推出新项目至关重要。为此，我们积极投资和探索艺术领域的新趋势，从基于计算机的艺术专业（如数字艺术、应用（用户）交互、游戏设计和人工智能生成的内容）到新的艺术主题和职业选择（如艺术治疗、绿色环保建筑和城市设计等）。

我们继续通过不断拓展国内和国际机构合作伙伴关系网络扩大我们的全球影响力。

- 在第三季度，我们与英国著名的音乐学院利兹音乐学院签署了新机构合作协议。利兹音乐学院的讲师将与 ACG 合作，为 ACG 的学生进行申请指导和讲授作品集准备技巧。
- 此外，我们近期还与绿洲星辰教育科技有限公司达成战略合作，共同推进艺术与人工智能的融合。我们期望通过绿洲星辰的人工智能技术和云平台，引入人工智能的支持对现有的课程服务以及交付模式进行迭代升级，通过为学生提供更好的产品和服务来推动我们的长期增长。
- 今年十月，我们继续举办联合国可持续发展目标的艺术集训营，这是自今年五月首次推出以来的第三期。
- 我们还在十月举办了上海时装周项目，让有志于未来学习和从事时装设计和时尚品牌管理职业的学生体会时装周的第一线。
- 十月，ACG 在中国十个城市举办了秋季艺术教育展，邀请罗德岛设计学院等学校的教授发表主题演讲，分享申请技巧，同时也邀请了 ACG 校友分享学习经验和职业建议。

我们继续专注于增长学生基数，扩大受众范围，从希望寻求海外学习机会的学生，到希望拓展职业机会的在职人士，再到愿意探索多种艺术主题的人们。

ACG 的使命仍然为成为学生值得信赖的合作伙伴，无论他们处于学术或职业发展的哪个阶段。我们有能力做到这一点，并将会继续投资于我们的基础设施和教学团队，始终为学生提高（供）高质量的服务。

接下来进行问答环节。

**Ms. Alice Zhang [Translation]:**

Thank you, Sima.

Our growth strategy surrounds four main pillars:

- organic growth,
- strengthening and expanding geographic footprint,
- launch of new services and,
- potential M&A opportunities.

Starting with organic growth..... as Sima mentioned, we have been encouraging students who enroll in our portfolio training services to join the project-based track which offers more flexible and customizable programs based on student needs.

The overall strong enrollment trend that we see in today's market is also exciting. We see more students from portfolio training services showing interest in our value-adding offerings such as research-based learning and overseas study counselling services, resulting in increased student enrollments and hence increased revenue contributions. The engagement of our teaching staff in sales and product design process has also helped us improve program quality and boost sales.

We have expanded training center coverage in existing cities and concentrated regional resources on larger centers. For example, we expanded our Shanghai and Beijing centers to serve more students during 2024.

We recently opened the ACG London Center, extending ACG's services to our students who have been admitted to UK colleges and are just embarking on their overseas life. At the London Center, we provide academic assistance, student and alumni networking events, as well as career support, in addition to helping students settle down on their first few months of studying abroad.

Innovation and introduction of new research-based learning programs have been crucial to growing that line of business. To that end, we actively invest and explore new trends in arts, from computer-based arts majors such as digital arts, user interaction, gaming design and AI-generated contents, to new arts themes and career options such as art therapist, green architecture and urban design, and so on.

We continue to extend our global reach through growing our domestic and international network of institutional partnerships.

- In Third Quarter 2024, we signed a new institutional partnership with Leeds Conservatoire, a prestigious music conservatoire in the U.K., whereby Leeds Conservatoire lecturers will

work with ACG in providing application insights and portfolio preparation tips to ACG students.

- In addition, we also recently initiated a strategic cooperation with Oasis Star Education Technology to jointly promote the integration of art and artificial intelligence. Utilizing Oasis Star's AI technologies and cloud platform, we expect to introduce AI support in upgrading our existing offerings and service delivery model, fueling our long-term growth via better products and services to our students.
- This October, we again hosted the United Nations Sustainable Development Goals Arts Boot Camp, marking the third session of this series since we initially introduced it this May.
- We also hosted our Shanghai Fashion Week program in October, bringing students to the forefront of fashion weeks for students interested in future study and career in fashion design and brand management.
- During October, ACG toured 10 cities in China as part of our autumn art education exhibition, inviting professors from institutions such as Rhode Island School of Design to give themed speeches and share application tips and ACG alumni to share study experience and career advice.

We remain focused on growing our student registration, expanding demographics from students who want to pursue overseas study opportunities, to working professionals who look to expand their career opportunities, and to the general public who are willing to explore multiple topics of arts.

ACG's mission remains to act as a trusted partner for our students, regardless of where they are in their academic or career paths. We are well equipped to do so, and will continue to invest in our infrastructure and our teaching team to always make high quality offerings available to our students.

With that, operator, let's open it up for questions.

### **Question-and-Answer Session**

**Operator:**

Thank you. {Operator instructions}

*There were no questions during the call.*

**Mr. Kevin Ma:**

Thanks again to all of you for joining us. If anyone has questions for us, please feel free to reach out directly to us or our investor relations firm The Equity Group. We are always available to speak to investors and look forward to speaking with you all during our next earnings call. Thank you.

**Operator:**

Thank you. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation.

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