



**ATA Inc. 2018 First Quarter Financial Results Conference Call  
TRANSCRIPT**

**May 10, 2018 at 9 p.m. ET**

**SPEAKERS**

Carolyne Sohn – Senior Associate, The Equity Group

Kevin Ma – Chairman and Chief Executive Officer, ATA

Jack Huang – President, ATA

Amy Tung – Chief Financial Officer, ATA

**Operator:**

Good day, ladies and gentlemen, and welcome to the ATA Inc. 2018 First Quarter Financial Results Conference Call hosted by Carolyne Sohn. My name is Joanna, and I'll be the event manager for your call today. [Operator Instructions]

And now I would like to hand it over to Carolyne. Please go ahead.

**Ms. Carolyne Sohn:**

Thank you, operator, and hello, everyone. Thank you for joining us.

The press release announcing ATA's results for the first quarter ended March 31, 2018, are available at the IR Section of the Company's website at [www.atai.net.cn](http://www.atai.net.cn). As part of this conference call, the Company has an accompanying slide presentation available on the Company's website. In addition, a replay of this broadcast will be made available at ATA's website for the next 90 days.

Before we get started, I would like to remind everyone that this conference call and any accompanying information discussed herein contains certain forward-looking statements within the meaning of the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Although the Company

believes that the expectations reflected in its forward-looking statements are reasonable as of today, those statements are subject to risks and uncertainties that could cause the actual results to differ dramatically from those projected. There can be no assurance that those expectations will prove to be correct. Information about the risks associated with investing in ATA is included in its filings with the Securities and Exchange Commission, which we encourage you to review before making an investment decision.

The Company does not assume any obligation to update any forward-looking statements as a result of new information, future events, changes in market conditions, or otherwise, except as required by law. Regarding the disclaimer language, I would also like to refer you to slide 2 of the conference call presentation for further information.

All U.S. dollar amounts in this conference call, relating to financial results for the first quarter ended March 31, 2018, are converted from RMB using an exchange rate of 6.2726 RMB: 1.00 USD, the noon buying rate as of March 31, 2018. 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.

For those of you following along with the accompanying PowerPoint presentation, there is an overview of the Company on slide 3.

On today's call, the Company's CFO Ms. Amy Tung will begin with a brief update on the status of the ATA Online Transaction. She will then provide a brief overview of financial highlights for the first quarter of 2018. ATA's Chairman and CEO Mr. Kevin Ma and President Jack Huang will conclude the remarks with a brief discussion on ATA's outlook and growth strategy in 2018 before opening the floor for questions.

With that, I'll turn the call over to ATA's CFO, Ms. Amy Tung. Please go ahead, Amy.

**Ms. Amy Tung:**

Thank you, Carlyne, and welcome everyone. I will begin on slide 5 with an update on the Transaction to sell ATA Online and its direct shareholding companies.

As previously announced, on February 6, 2018, the Company entered into a share purchase agreement with a group of investors for the sale of ATA Online and its direct shareholding companies. Under the terms of the Share Purchase Agreement, the Buyer Group agreed to acquire all of the outstanding equity

interests of ATA Online, which were then held directly or indirectly by ATA, for a total consideration of US\$200 million in cash.

We are pleased to share that we completed the first of three closings on April 4, 2018, and continue working toward completion of the second closing, which we expect will take place in early third quarter. We maintain our expectation that the Transaction will be completed in the third quarter of 2018, and will continue to provide updates on our progress. We would like to caution investors that there are no assurances that all of the conditions for the closing stated in the Share Purchase Agreement will be satisfied or that the Transaction will ultimately be completed.

Additional information on the Transaction can be found in the Form 6-K ATA filed on February 6, 2018, and the Form 20-F filed on April 12, 2018, which investors may access on the SEC Filings page on ATA's website or on the U.S. Securities and Exchange Commission website at [www.sec.gov](http://www.sec.gov).

Jack will provide an update on the latest developments in ATA's plans for the public company following the closing of the Transaction when he speaks about the Company's outlook and strategy for the year later on in the call.

Moving to the next slide, I'd like to take a brief moment to note an important change in the way we reported our financial statements beginning the first quarter of 2018. Because the Transaction represents a strategic shift and has a major effect on ATA's results of operations, the disposed business lines have been reclassified as discontinued operations. For the periods presented in this presentation and in the related press release, the assets and liabilities of the discontinued operations are presented separately on the consolidated balance sheets, and the results of the discontinued operations, less applicable income taxes, are reported as a separate component of income, discontinued operations, on the consolidated statements of comprehensive income (loss).

As a result, we will not be discussing the operating or financial results of ATA Online's testing services and delivery business in detail during our prepared remarks, but are happy to address any questions on this subject during the Q&A session.

Briefly, ATA's total net revenues for the three months ended March 31, 2018, were RMB0.2 million (approx. US\$35,000), compared to RMB2.3 million in the prior-year period. The decrease was primarily due to reclassification of approximately RMB1.4 million in rental income from net revenues to other operating income, net, as a result of adopting the new revenue guidance ASC 606, effective January 1, 2018. The related costs were also reclassified from the cost of revenues to other operating income, net.

Net loss from continuing operations for the first quarter of 2018 improved to RMB11.1 million, from RMB35.1 million in the prior-year period, primarily due to an RMB26.8 million decrease in income tax expenses related to withholding taxes from the prior-year period.

Net loss from discontinued operations, net of income tax, for the first quarter of 2018, was RMB27.5 million (US\$4.4 million), compared to RMB18.8 million in the prior-year period. This was primarily due to increased test monitoring costs and operating expenses related to licensing fees and labor costs associated with new hires and salary increases.

Slide 7 provides balance sheet highlights. As of March 31, 2018, ATA's cash and cash equivalents were US\$27.7 million, working capital was US\$41.9 million, and total shareholders' equity was US\$52.1 million; compared to US\$8.2 million, US\$34.6 million, and US\$56.1 million, respectively, as of December 31, 2017.

With that, I'll turn it over to Kevin.

**Mr. Kevin Ma:**

Thank you, Amy.

As Amy discussed at the beginning of this call, we continue working closely on the remaining closing stages of the Transaction. We anticipate the second closing will take place in the early third quarter with the full transaction closing later in the third quarter of 2018. If the Transaction is completed, ATA will no longer conduct its testing development and delivery business currently operated by ATA Online.

Our plan for ATA Inc. is to leverage our existing competency-focused assessment and education service capabilities and the strategic opportunities that we have been working on to transform our company into a leading international education service provider.

We continue to explore the possibility of using the proceeds received from the Transaction to fund potential acquisitions within the education sector with Jack leading this effort since his appointment in January.

With that, I would like to turn it over to Jack for an update on our growth strategy and outlook for 2018.

**Mr. Jack Huang:**

Thank you, Kevin.

As Kevin just mentioned, ATA continues to explore and evaluate acquisition opportunities within the education sector. We highlight one such opportunity on slide 9. In March 2018, ATA announced a strategic investment framework in Beijing Biztour International Travel Service Co., Ltd. (“Beijing Biztour” for short and “美之旅” in Chinese), a provider of international educational study tour services for students in China who are interested in overseas study tours primarily in the U.S., United Kingdom, and Australia.

We believe the international educational travel market is particularly attractive as a growing number of China-based students seek short- and long-term international education opportunities. This trend has been driven by increased demand for more diverse international education opportunities by urban families in China, and China remains a premier source of international students, sending many students overseas for study each year.

Beijing Biztour is one of China’s largest providers of B2B educational tour services. Through its B2B distribution network, the company serves more than 7,000 students each year and has an extensive global network of overseas partners including 1,100 host families, 300 part-time team members in the U.S. alone, and close relationships with many well-regarded school districts and top universities. With over 30 study tour destinations in the world and over 300 study tour products, Beijing Biztour serves students from all over China.

We are in the middle of a six-month exclusive negotiation period with Beijing Biztour during which ATA is conducting due diligence to determine whether ATA will work toward a definitive acquisition agreement to acquire 100% of the shares of Beijing Biztour.

We look forward to working with the company on growing its business and pursuing prospects for expansion and diversification through the synergies between ATA and Beijing Biztour.

As I noted on the previous call, we intend to focus ATA’s business in three areas:

- international education services for providing services to talents internationally;
- vocational training services for candidates using international resources and approaches; and
- evaluation services for assessing and evaluating candidates through content and methodologies.

We will continue to provide the investment community with updates on merger and acquisition opportunities as appropriate.

An update on the cash dividend. ATA's Board of Directors preliminarily approved to use a portion of the proceeds received from the Transaction to pay a cash dividend to the shareholders, which is subject to compliance with Cayman Islands and PRC laws. Timing and amount of any cash dividend have still not been decided, and may vary depending on several factors, including the progress of the Transaction, funding needs for ATA's remaining businesses and merger and acquisition plans, as well as other unforeseen matters. We will keep investors apprised of any changes on this matter.

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

**Operator:**

{Prompt for Q&A} We now have one question from Anson Ng. Please go ahead, Anson from Tinan Limited.

**Mr. Anson Ng:**

Hello, thanks for the management taking the time to present the Q1 results. However, I do have a question on the Transaction update. It seems like the Transaction will take a period of nine months to complete, which is a little bit longer than what's said in the Sales (Share) Purchase Agreement. Correct me if I'm wrong, I think the long-stop date was set at six months and then there will be a three months extension if needed? So am I right that the Company actually needs an extra three months to complete it? Is there any complications or any problems or issues that either parties, either the buy-side or the sell-side, encountered? Why is it taking nine months to complete it? Thanks.

**Ms. Amy Tung:**

Thank you, Anson, for your question. Actually we announced the Transaction on Feb. 6, 2018, that was the date when our Special Committee recommended to the Board, and the Board approved to go ahead for the SPA and the Transaction. So actually in that release, we also announced that the expectation of the transaction completion was in the third quarter. So actually we are in accordance with the schedule that we announced earlier and we are still expecting that the transaction to be completed in September. That is prior to the end of quarter three so that is still according to plan.

**Operator:**

Thank you for that question. We have no further questions at this time.

**Mr. Jack Huang:**

Thank you 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 relation firm The Equity Group. We look forward to speaking with you all again during our next quarterly report. As always, we welcome any visitors to our office in Beijing. Thank you.

**Operator:**

Thank you, Jack. Ladies and gentlemen, this concludes your conference call for today. You may now disconnect. Thank you for joining and have a great day.