



**ATA Inc. Fiscal 2017 Fourth Quarter and Year-end Financial Results Conference Call
TRANSCRIPT**

June 1, 2017 at 8 p.m. ET

SPEAKERS

Carolyne Sohn – Senior Associate, The Equity Group

Kevin Ma – Chairman and Chief Executive Officer, ATA

Amy Tung – Chief Financial Officer, ATA

Operator:

Good day, ladies and gentlemen. Thank you for joining today's ATA Incorporated Fiscal 2017 Fourth Quarter and Year-End Financial Results Conference Call. And it is moment, all participants are in listen-only, and later we'll have a question-and-answer session [Operator Instructions].

I'd now like to turn the call over to Ms. Carolyne Sohn. Please proceed.

Ms. Carolyne Sohn:

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

Copies of the press release announcing ATA's fiscal 2017 fourth quarter and year-end results are available at the IR section of the Company's website at www.atai.net.cn.

As a part of this conference call, the Company has an accompanying slide presentation available on its website. You are also welcome to contact our office at 212-836-9600, and we would be happy to send you a copy. 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 these 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 Company's most recent quarter ended March 31, 2017, are converted from RMB using an exchange rate of 6.8832RMB: 1.00 USD, the noon buying rate as of March 31, 2017. 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 provide an overview of operational and financial highlights for Fiscal Year 2017 and Fourth Quarter 2017, beginning with slide 4. The Company's Chairman and CEO Mr. Kevin Ma will then discuss ATA's outlook and growth strategy for the nine-month transition period 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, Carolyne, and welcome everyone. Today I will provide an overview of our operating and financial highlights, and then briefly provide an update on our outlook for Nine-Month Transition Period 2017. As we announced in our earnings release earlier today, ATA is changing its fiscal year end from March 31 to December 31 to better reflect the business cycle of the Company and its subsidiaries and to align the Company's reporting schedule and processes with its ATA Online subsidiary, which has a mandatory December 31 year-end date in China. We will file a transition report on Form 20-F after December 31, 2017, to account for the nine month transition period from April 1, 2017, to December 31, 2017.

Overall, ATA's fiscal 2017 was an exceptional year, highlighted by a double-digit percentage increase in billable exams driven by the continued migration to our reliable and more efficient computer-based testing platform. In addition, ATA was able to continue its push in the private sector, signing significant recruitment exam contracts with some of China's largest entities. These were important signings for our Company that we believe have ATA well positioned for the future. With that, I will begin on slide 5, which lists some of our operating highlights for Fiscal Year 2017.

During the year, ATA delivered a record 12.1 million billable exams, a 17.5% increase from our previous record of 10.3 million exams in Fiscal Year 2016. The National Unified Certified Public Accountants, or CPA, exam saw volume growth in Fiscal Year 2017. This year marks the fifth consecutive year that ATA has provided services for the CPA exam, and we successfully delivered a record 2.2 million exams in October 2016 through our partnership with the Chinese Institute of Certified Public Accountants.

In Fiscal Year 2017, we successfully administered new government exams, such as the Ministry of Housing and Urban-Rural Development exam and the National Tour Guide Qualification Exam, both of which have the potential for geographic expansion or volume growth in the future. In the private sector, ATA delivered a number of new testing exam projects, such as the 2017 campus recruitment exam for the Agricultural Development Bank of China and the university self-enrollment exams for the Southern University of Science and Technology.

We're very pleased with the growth in our exam volumes while maintaining a margin in the 50% range. This growth is especially notable as we were able to more than offset the loss of the Securities Association of China exam, which was one of our largest exams, with volume growth in our other exams, particularly the Fund Practitioners Certification Exam.

Lastly, we announced earlier today that the Company's Board of Directors approved a cash dividend of US\$0.205 per common share, or US\$0.41 per ADS. The total amount of cash distributed in the dividend is expected to be approximately US\$10.0 million. The dividend will be paid on or around June 30, 2017, to all shareholders of record as of the close of business on June 12, 2017. We are pleased to be in a position where we can return capital to our loyal shareholders and are confident that we will be able to continue generating positive free cash flow in the future.

Moving to slide 6, which lists our financial highlights for Fourth Quarter 2017 and Fiscal Year 2017. ATA met its previously raised net revenue guidance for Fiscal Year 2017 of between RMB455-475 million and reported record net revenues of RMB472.4 million in Fiscal Year 2017, a 13.2% increase from RMB417.1 million in the prior-year period. This was driven by increased exam volumes from both new and existing exams such as the Fund Practitioners Certification Exam, the CPA exam, the National Tour Guide Qualification Exam, and the Qualification Exam for Housing and Urban-Rural Construction Field Professionals.

Gross margin for Fiscal Year 2017 was 49.2%, compared to 50.1% in the prior fiscal year. The decrease was primarily due to increased labor costs associated with salary increases as well as a change in revenue mix.

The Company reported net revenues of RMB36.9 million for Fourth Quarter 2017, which exceeded the guidance range of RMB26-31 million but was a decrease from the RMB44.7 million reported for Fourth Quarter 2016. This was primarily due to the change in timing of the CTA exam, which was held in November of Fiscal Year 2017 as opposed to February of Fiscal Year 2016.

On the next slide, we break out revenues for Fourth Quarter 2017 and Fiscal Year 2017 by our businesses, which are testing services, online education services and other revenue. Testing services accounted for about 74.4% of revenues in Fourth Quarter 2017.

On slides 8 and 9, we provide a breakdown of the Company's financial results for Fiscal Year 2017 and Fourth Quarter 2017. As this information has been fully detailed in our earnings release, I won't repeat the numbers here but am happy to take any questions on this information during Q&A.

ATA reported a net loss of RMB9.7 million for Fiscal Year 2017, which compares to net income of RMB26.1 million in Fiscal Year 2016. The loss was primarily a result of an RMB22.6 million accrual in dividend withholding taxes relating to undistributed earnings of PRC subsidiaries, as well as impairment losses associated with the Company's strategic investments.

We continue to believe in the long-term prospects of our investee companies, however, felt it was best to take a conservative approach in evaluating the assets going forward. The impairment in no way affects ATA's core business. We will likely continue to explore new business opportunities that make sense for our business in the future and will only act upon those that would provide investors with a practical return on investment.

Moving to slide 10, we provide a supplemental chart of quarterly numbers adjusted for share-based compensation expense and foreign currency exchange gains/losses. Excluding these items, adjusted net loss attributable to ATA Inc. for Fourth Quarter 2017 was RMB49.8 million, or US\$7.2 million, compared to RMB14.0 million in the prior-year period. Diluted losses per ADS attributable to ATA Inc. during Fourth Quarter 2017 on a non-GAAP basis were RMB2.18 (US\$0.32), compared to RMB0.62 in the prior-year period.

Adjusted net loss attributable to ATA Inc. for Fiscal Year 2017 was RMB2.7 million, compared to adjusted net income of RMB36.7 million in the prior-year period, and diluted losses per ADS on a non-GAAP basis were RMB0.12, or US\$0.02.

We continue to be supported by free cash flow and a solid balance sheet, which we've highlighted on slide 11. As of March 31, 2017, ATA's cash and cash equivalents were about US\$32.3 million, working capital was US\$28.0 million, shareholders' equity was US\$57.0 million, compared to US\$38.4 million, US\$37.6 million, and US\$61.1 million at March 31, 2016.

As shown on slide 12, we expect net revenues for the quarter ending June 30, 2017, will be in the range of RMB91.0 million to RMB96.0 million. We expect net revenues for the nine months ending December 31, 2017, to be between RMB490.0 million and RMB510.0 million.

We have a high degree of confidence in our long-term client relationships as well as a steady pipeline of potential exams going forward. We remain committed to providing investors with as much transparency into our operations as possible, and are available to answer your questions or provide additional clarity as needed.

Please keep in mind that this guidance is based on our own internal projections, and we will continue to evaluate our projections on an ongoing basis.

With that, I'd like to turn it over to our Chairman and CEO, Mr. Kevin Ma, to provide some more detail on our growth strategy and outlook for the Nine-Month Transition Period and beyond.

Mr. Kevin Ma:

Thank you, Amy, and welcome everyone.

I would like to take a moment to also welcome Amy aboard as ATA's CFO. Amy is no stranger to ATA, having been with our Company for more than 10 years in various roles, from finance to operations. I am confident her leadership will be a valuable asset to us in the months and years ahead. With that, it is my pleasure to congratulate all of ATA's employees on achieving yet another year of record billable exams delivered and revenues earned.

As we transition to our new December 31 fiscal year end, we expect to continue building upon the positive momentum gained on our new business efforts in Fiscal Year 2017. As Amy mentioned, we signed a number of new clients and successfully delivered several large-scale exams as well as a number of smaller recruitment and assessment exams for private clients, many of which have tremendous opportunities for growth down the road.

One example of such an opportunity are the education assessment exams ATA delivered for the Tianjin Nankai Education Bureau in January of this year. This exam was administered to about 7,000 students in grades 7 through 10 in the Nankai District of Tianjin, and was the first exam ATA delivered for K-12 public schools in China. We continue to explore similar prospects for this same type of exam in other regions.

In addition to growth in government-sponsored exams, ATA continued to deepen its relationships with corporate clients that see the value of our exams and assessment tools in their HR processes. Some of our longtime clients include globally recognized corporations such as Lenovo, China Mobile and Sinopec, as well as Bank of China and China Construction Bank.

We continue to pursue new business leads on a number of fronts, from paper-based exam conversions to geographic expansion opportunities to growing existing client relationships. Our testing services business continues to be the foundation of ATA, and we remain optimistic in its potential for growth over the long term.

In February, we announced a partnership with MuHua (MOOC-CN) Investment, a special online education fund with Tsinghua Holdings as one of the cornerstone investors, which became a strategic investor in our assessment business subsidiary ATA Learning Data & Technology (Beijing) Limited. We are pleased to have MuHua Investment's vote of confidence and are working to develop education

assessment tools and content. By leveraging MuHua Investment's resources and authority within the space of education, we believe that ATA can more quickly penetrate China's K-12 education system.

We appreciate the continued support of our shareholders and, having said that, are pleased to be able to return some capital to our loyal shareholders with today's announcement of a cash dividend. All of us at ATA are working hard to accelerate the growth of our business and look forward to meeting and speaking with investors when we visit the U.S. later this month.

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

Operator:

{Prompt for Q&A}

Our first question is coming from Patrick Lin. Please proceed.

Mr. Patrick Lin:

Thanks for taking my question. And I just want to say, first of all, I really appreciate you guys focusing on the core business, which I think is a terrific strategy. My other question is in terms of the dividend, I think that's terrific. In terms of going forward, is that something that you plan, not necessarily the dollar amount, but is your intention to continue to distribute dividends in the future? Thank you.

Ms. Amy Tung:

Regarding your second question, we intend to declare a portion of our cash generated from operations yearly. The portion will be dependent upon the Company's full-year business and planning.

Mr. Patrick Lin:

Thank you.

Ms. Amy Tung:

Okay, thank you.

Operator:

And we have no further questions.

Mr. Kevin Xiaofeng 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 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, ladies and gentlemen. You may now disconnect. Thank you for your participation.