



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

March 14, 2019 at 9 p.m. ET

SPEAKERS

Adam Prior – Senior Vice President, The Equity Group

Kevin Ma – Chairman and Chief Executive Officer, ATA

Jack Huang – President, ATA

Amy Tung – Chief Financial Officer, ATA

Operator

Good day, and welcome everyone to the ATA Inc. 2018 Fourth Quarter Financial Results Conference Call. My name is Christian, and I will be your manager today. I'd like to advise all parties, this conference is being recorded for replay purposes.

I would like to hand over to Adam Prior of The Equity Group. Please proceed, sir.

Adam Prior

Thank you, Operator, and hello, everyone. Thank you for joining us. The press release announcing ATA's results for the fourth quarter and year ended December 31, 2018, is available at the IR section of the company's website at www.atai.net.cn. As part of this conference call, the company has an accompanying slide presentation available on the company's website. A replay of this broadcast will also 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 forward-looking statements within the meaning of the safe harbor provision of the Private Securities and 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 assurances that those expectations will prove to be

correct. Information about the risks and -- 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 statement as a result of new information, future events, changes in market condition or otherwise, except as required by law. Regarding the disclaimer language, I'd like to refer you to Slide 2 of the conference call presentation for further information.

All U.S. dollar amounts in this conference call related to financial results for the fourth quarter ended December 31, 2018, are converted from RMB using an exchange rate of RMB 6.8755 to \$1, the noon buying rate as of December 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 this accompanying PowerPoint presentation, there is an overview of the company on Slide 3. In addition, we are more than happy to take investor questions through our webcast portal or via e-mail to either myself or the company.

On today's call, the company's CFO, Ms. Amy Tung, will provide a brief overview of financial highlights for the fourth 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 long-term growth strategy as we head into 2019 before we open the floor for any question.

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

Amy Tung

Thank you, Adam, and welcome, everyone. Good evening to those in America. To begin, ATA is currently in a transitional period operationally. We closed the ATA Online transaction in August and are in development for our new strategy as a fully integrated global education services provider. To those of you following along with the presentation, let me note a few important changes in the way we reported our financial statements for the year ended December 31, 2018. This, along with an overview of our statement of operations, is highlighted on Slide 5.

With the closing of the ATA Online transaction, the balance sheet items related to the disposed business unit were no longer consolidated into ATA's financial statement since the completion date of the ATA Online transaction. For the period presented in this pack and in the related press release, the results of the discontinued operations, less applicable income taxes pertaining to the time period prior to the disposal date, are reported as two separate components of income or loss on the consolidated statements of consolidated income or loss as applicable, which are income or loss from operations of

discontinued operations, net of income taxes; and gain from disposal of discontinued operations, net of income taxes. As always, I encourage investors to review our press release and filings.

Moving to Slide 6, we provide our current financial position and balance sheet highlights. As of December 31, 2018, ATA's cash and cash equivalents were \$27.7 million. This compares to \$8.2 million in cash and cash equivalents at December 31, 2017. Working capital was \$28.2 million, and total shareholders' equity was \$40.2 million at December 31, 2018, compared to \$34.6 million and \$56.1 million, respectively, as of December 31, 2017. We are pleased with our financial position and our ability to carry out our growth strategy.

I would now like to turn it over to Kevin who will say a few words about ATA's outlook. Please go ahead, Kevin.

Kevin MA

Thank you, Amy. For this -- for you following along, I will begin with the slide. I will keep my comments brief and then turn it to Jack. The last year, we -- the last year has represented a tremendous amount of change for ATA. This includes Jack's appointment, our agreement to sell ATA Online and our development of a new strategy focused on Project-Based Learning educational experience. The overall goal remains to have ATA create a unique value proposition for students and the schools in China and abroad. The macroeconomic factors surrounding this proposition are evident and as students continue to seek proper admission to set themselves apart while enhancing their educational experience, we truly believe that this represents a major opportunity for ATA. We have continued to grow the company with the belief that we are in a unique position to take advantage while also doing what is best for all of our shareholders.

On Slide 8, we provide an outline of the dividends paid back to shareholders. As many of you are aware, in connection with the closing of the ATA Online transaction, ATA paid a special cash dividend of \$6 per ADS to shareholders in August. The total amount of cash distributed in the dividend was approximately \$140 million. We have a legacy, since our IPO, of creating value and then distributing this as appropriate. Over time, we hope that this builds credibility with our management team and belief in our growth.

In Slide 9, we provide the timeline of our activities over the past year. It has been a very busy year, and we feel that our activities have been favorable for both our shareholders and preparing the company to take advantage of the changing conditions in our marketplace.

We feel strongly that our educational experience, combined with the tremendous growth opportunities in our industry, provided a strong-enough rationale for maintaining our public listing following the transaction.

With that, let me turn it over to Jack for overview.

Jack Huang

Thank you, Kevin. We are very excited about the strategy we're implementing at ATA. Many of you may have seen that ATA recently terminated the acquisition of Beijing Biztour, which we outlined in Slide 10 and 11. We feel that the company provided sufficient time for the seller to satisfy the closing conditions, and ultimately, we just couldn't delay the implementation of our strategy any longer. We were pleased that there was a mutual agreement by which we were able to retain a number of employees from Beijing Biztour and have no competition restrictions at all. In the end, we felt it was best to retain our capital, continue pushing forward organically and seeing our vision of creating a fully immersive education experience for students in China a reality.

Moving to Slide 12. First, let me begin with a brief discussion of our overall growth strategy. Upon the sale of ATA Online, we knew that our management had certain core competencies. We had a strong relationship in the education markets throughout China, including schools here, a vast array of cheaper networks. And more importantly, we understood what students were looking for. We identified a large and growing market of students looking to implement their existing in-classroom education with other elements, including travel, online learning and very specific areas of study, for example, field students or a language arts major. There was a void in the market for companies to fill this for the schools in China. That's where we saw our opportunity. Utilizing ATA's expertise in learning technologies and our long-standing industry connections, our initial goal is to increase outreach to support a growing population of students seeking learning experiences outside the classroom. Specifically, educational international programs.

With that, let me discuss our new initiative, which we named ATA Project-Based Learning business, or PBL. PBL takes the program and includes all of the factors we mentioned in a three easy-to-follow stages: A preparatory stage consisting of courses online; an overseas stage where the learning can be adapted in person; and finally, a presentation stage where students can highlight their capabilities and learning outcome. In the end, the schools have optionality for their students, but students have an experience that both enriches but also help set them apart in the next phase of their study. For example, college.

We expect to launch PBL and begin enrollment by the end of 2019. Investors should expect updates on our partnerships, capabilities, programmatic offerings and ultimately, our ability to enroll and outline our economics for each of you. We have sufficient capital and the market is big.

We're now fully focused on working towards our long-term goal of leveraging ATA's expertise in the assessment, education technologies and services as well as our industry relationships to scale the

growth of our well-established education under practice to expand our presence in China and beyond, transforming ATA into a leading international education service provider. We believe ATA is well positioned to execute on the solid growth strategy, and we look forward to answering any questions about our plans during our upcoming visits to the U.S. for investors meetings.

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

Question-and-Answer Session

There were no questions on the call.

Jack Huang

Thanks again to all of you for joining us. If anyone has question 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

No questions on the phone. Okay. Everyone, this concludes your conference call today. You may now disconnect. Thank you for joining, and have a very nice weekend.