



**ATA Creativity Global First Quarter 2021 Financial Results Conference Call  
TRANSCRIPT**

**May 13, 2021 at 9 p.m. ET**

**SPEAKERS**

Carolyne Sohn – Vice President, The Equity Group

Kevin Ma – Chairman and Chief Executive Officer, ACG

Jun Zhang – President, ACG

Amy Tung – Chief Financial Officer, ACG

**Operator:**

Greetings and welcome to ATA Creativity Global's First Quarter 2021 Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions]

I would now like to turn the conference over to your host, Carolyne Sohn of The Equity Group. Thank you, you may begin.

**Ms. Carolyne Sohn:**

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

The press release announcing ATA Creativity Global's, or ACG's, results for the first quarter ended March 31, 2021, is 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 its website. A replay of this broadcast will also be made available at ACG'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. These forward-looking statements can be identified by terms such as “anticipate”, “believe”, “expect”, “future”, “plan”, “outlook”, and “will” and include, among other things, statements regarding ACG’s future growth and results of operations; ACG’s plans for mergers and acquisitions generally; ACG’s growth strategy, anticipated growth prospects and subsequent business activities; market demand for ACG’s portfolio training programs and other education services; the impact of COVID-19 on ACG and its operations; and ACG’s plan and anticipated benefits of the measures implemented in response to COVID-19.

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 ACG 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 first quarter ended March 31, 2021, are converted from RMB using an exchange rate of 6.5518 RMB: 1.00 USD, the noon buying rate as of March 31, 2021. 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. In addition, we are more than happy to take investor questions during today’s Q&A session or via email to the Company.

On today’s call, the Company’s CFO Ms. Amy Tung will provide a brief overview of operating and financial highlights for the first quarter of 2021. Chairman and CEO Kevin Ma and President Mr. Jun Zhang will follow with an update on the Company’s outlook and its long-term growth strategy before opening the floor for questions.

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

**Ms. Amy Tung:**

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

We are pleased to have gotten off to a strong start to the year, reporting a 41.6% increase in total student enrollment to 964 students in the first quarter of the year. In a promising sign that we are fully in a post-pandemic recovery, we saw significant year-over-year growth across our major programs—portfolio training, overseas study counselling, research-based learning and foreign language training.

Our primary offering, the portfolio training program, enrolled 528 students during the period, an increase of 30.7% from 404 in the same period last year. Credit hours delivered for portfolio training increased 5.5% to 27,865.

Having risen to meet the challenges of the 2020 pandemic, which we took as an opportunity to reinforce the foundation of our business and explore additional growth areas, we are gratified to begin realizing some of the tangible results of these efforts here in the first quarter of 2021, which is generally impacted by some seasonality due to the timing of the Spring Festival holiday.

We are hopeful that the road to recovery will continue on a positive trajectory as vaccinations against COVID-19 progress globally. At this time, we are working closely with our overseas partner institutions to prepare for our summer programs. Given the current circumstances of the global pandemic, we have determined with our partners to offer alternative programming to students this summer. International travel continues to be in a place of uncertainty, and we feel this is the best way to maintain the health and safety of our students. We are pleased to be offering domestic learning experiences in China as well as various online bootcamps in partnership with overseas institutions.

With that, let's move to financials for the quarter.

Total net revenues for the first quarter of 2021 increased 15.0% to RMB37.6 million, from RMB32.7 million in the first quarter of 2020. This top line improvement was primarily driven by an overall increase in services delivered across our major programs as we continued to recover in a post-pandemic environment.

Gross margin was 39.6% during the 2021 first quarter, up from 35.8% in the prior-year period.

Net loss attributable to ACG improved to RMB19.0 million, from RMB20.5 million in the prior-year period. This was primarily a result of an approximate RMB3.2 million improvement in loss from operations during the period, which was offset by RMB1.7 million in reduced benefit from non-redeemable non-controlling interests.

Moving to the balance sheet, we continue to be in a solid financial position with US\$14.6 million in cash and cash equivalents.

Working capital deficit was US\$26.5 million, and total shareholders' equity was US\$27.2 million at March 31, 2021, compared to working capital deficit of US\$23.6 million and shareholders' equity of US\$30.5 million, respectively, at December 31, 2020.

With that, I would now like to turn it over to Kevin who will expand upon our outlook and growth strategy. Kevin?

**Mr. Kevin Ma:**

Thank you, Amy.

We are extremely pleased to see the turnaround demonstrated by the enrollments we achieved during the first quarter of 2021. Over 40% year over year growth in total enrollments with increases across all lines of business, it's a very promising start to the year. As the public health situation in China has remained stable over the past several months, we are optimistic that these positive enrollment trends will continue over the course of the year as more and more of the global population gets vaccinated against COVID-19, and we maintain this path to a post-pandemic recovery.

This will be aided by our new centralized system for monitoring sales leads, as well as the newer offerings we have launched in the past year. ACG's stellar reputation has been upheld by the consistent quality of our curriculum and teaching staff, as well as the positive outcomes we have helped students who are pursuing creative studies achieve. This is regardless of where (whether) coursework is delivered in person or online. Our mission is to provide students with all the tools and support they need for success at ACG, and we believe we are better equipped to deliver on this promise than before.

In a post-pandemic world, I believe most everyone is looking to take advantage of real-world experiences where we can fully interact with one another face to face. Distance learning is an excellent alternative

that offers a great deal of flexibility, but you can't experience a place if you don't actually go there in person.

That being said, many students continue to be interested in pursuing studies abroad, and we are prepared to meet that demand when it is safe to do so. As Amy mentioned, it is unlikely that we will be offering international study abroad programs this summer as our partner institutions have decided this is the best path forward under the current circumstances. We are pleased that students have enjoyed the new domestic travel programs and online bootcamp alternatives we have developed and look forward to once again working with our partners to make these options available this summer.

I'd now like to hand the floor over to Jun Zhang, ACG's president, to provide an update on our current growth initiatives. Jun will make his remarks in Mandarin, which will be followed by an English translation.

Jun, please go ahead.

**Mr. Jun Zhang:**

Thank you, Kevin.

2021 年第一季度，我们在持续进行线下授课的同时，为学生保留了线上完成部分课程的选择。我们计划持续拓展在线课程服务，同时也将会继续开发全新的课程。

为了应对疫情，我们投入大量精力发展研学服务，并因我们为学生提供的服务包括新的国内游学、在线训练营以及实习机会有积极回应而感到高兴。尽管目前国际旅行仍然受到限制，但我们寻求到新的创新方式以继续与海外机构的合作，并有望在 2021 年夏季继续推行下去。无论全球旅行会受到怎样的影响，我们都准备好能够满足学生对研学经历的需求，并希望就此与我们的合作伙伴一起进行线上和线下项目的探索。

我们持续在 ACG 内探索可利用技术的各种方案。它现在已经成为我们提供教学服务以及销售流程中（的）关键组成部分，并且能够使我们教学教务团队（的）才能在 2021 年能更好地利用和发挥。借助先进的技术，我们希望为更多的中国各地的学生提供服务，并为他们提供原本可能无法获得的创意艺术学习的机会。

接下来交回给 Kevin。

**Ms. Carolyne Sohn [translation]:**

Thank you, Kevin.

During the first quarter of 2021, we continued to offer in-person delivery of coursework with an option to complete some courses online. We anticipate expanding our online course offerings and continue to develop completely new programming as well.

In response to the pandemic, we put a great deal of effort into developing our research-based learning services and have been quite pleased with the positive reception of our new domestic educational tours and online bootcamps and internship opportunities. We found new and innovative ways to continue partnering with overseas institutions despite the restrictions on international travel and anticipate continuing to do so as we head into summer 2021. We are prepared to support the demand for research-based learning experiences regardless of how worldwide travel is impacted and look forward to working with our partner institutions on virtual programming for this summer.

We continue looking at ways in which we can leverage technology throughout the ACG organization. It is now a crucial component of our education delivery method, as well as our sales process, and will enable us to better utilize the talents of our teaching staff in 2021. With the help of technology, we look forward to serving a larger population of students across China and providing them with opportunities to study the creative arts that they may not otherwise have had access to.

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

**Mr. Kevin Ma:**

Thanks, Jun and Carolyne.

In closing, ACG believes we are well positioned both operationally and financially to capitalize on the various growth opportunities before us, particularly as the world continues on a road to recovery post pandemic. Students that decided to postpone their studies are gradually resuming their coursework, and several persisted throughout the pandemic with great success. We are honored to have played a role in their success.

Everyone, please stay safe and healthy.

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

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

*There were no questions on 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 quarterly call. Thank you.

### **Operator:**

This concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation and have a wonderful day.