



**ATA Inc. 2019 First Quarter Financial Results Conference Call
TRANSCRIPT**

May 13, 2019 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, everyone, and welcome to the ATA Inc. First Quarter Call. My name is Peter, and I'm your event manager today. [Operator Instructions]. And now I would like to hand over to Carolyne Sohn. Please proceed.

Ms. Carolyne Sohn:

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

The press release announcing ATA's results for the first quarter ended March 31, 2019, 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 its 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 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, 2019, are converted from RMB using an exchange rate of 6.7112 RMB: 1.00 USD, the noon buying rate as of March 31, 2019. 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 through our webcast portal or via email to the Company.

On today's call, the Company's CFO Ms. Amy Tung will provide a brief overview of financial highlights for the first quarter of 2019 and then ATA's Chairman and CEO Mr. Kevin Ma and President Mr. Jack Huang will conclude the remarks with a brief discussion on ATA's outlook and long-term growth strategy as we head into the second half of 2019 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. Good evening to those in America. We appreciate everyone's time. To those of you following along with the presentation, I will begin with a brief overview of financial highlights for the first quarter of 2019, shown on slide 5.

Net revenues for the period increased to RMB1.6 million, compared to RMB0.1 million in the first quarter of 2018 as a result of our success in developing and expanding our K-12 education assessment services into other regions of China, such as the Heping district of Tianjin.

Loss from continuing operations, net of income taxes, improved to RMB14.3 million, from RMB15.0 million in the prior-year period, primarily due to RMB1.3 million in higher consulting fees associated with investing activities recorded in the prior-year period. This was partially offset by an increase of RMB0.8 million in share-based compensation expense in the three months ended March 31, 2019, mainly related to new shares and options issued in the fourth quarter of 2018.

Moving to slide 6, we provide an update on our current financial position and balance sheet highlights.

As of March 31, 2019, ATA's cash and cash equivalents were US\$25.1 million. This compares to US\$27.7 million in cash and cash equivalents at December 31, 2018.

Working capital was US\$25.7 million, and total shareholders' equity was US\$39.0 million at March 31, 2019, compared to US\$28.2 million and US\$40.2 million, respectively, as of December 31, 2018.

We believe our financial position remains strong, which will serve to support us as we work on carrying out our growth strategy.

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

Mr. Kevin Ma:

Thank you, Amy. For those of you following along, I will begin with slide 8. Jack and I will keep our comments brief and then we will open it up for Q&A.

Over the past few years, we have continued to see a massive change in the manner in which families in China are pursuing their educational goals. Our recently sold operating company witnessed this shift directly, having held a close working relationship with schools, testing facilities, and students.

We have determined that a bicultural educational approach is what a growing number of Chinese families want: one that retains local culture and history, while introducing international elements that provide the skills necessary to prepare children for global higher education and careers.

This has become ATA's business model and vision, to offer a fully immersive experience where we can provide these individuals with a unique experience that is beneficial to their future and valuable in the present.

I'll turn the floor over to Jack to provide some detail on our PBL initiative and then return to discuss our M&A activities.

Mr. Jack Huang:

Thank you, Kevin.

Slide 9 provides some detail on our project based learning initiative, or PBL, which we continue to develop. PBL provides an immersive educational experience with online coursework, overseas travel, and finally a presentation stage, where students can highlight their capabilities. In the end, the schools have optionality for their students. The students have an experience that both enriches but also helps set them apart in the next phase of their study, for example college.

We continue to develop PBL, and investors can expect updates on our partnerships, capabilities, programmatic offering, and ultimately our ability to enroll and outline our economics for each of you.

Kevin?

Mr. Kevin Ma:

Thanks for that, Jack.

Moving to our M&A activities on slide 10. I am unable to speak too in depth about this topic, but we did sign Framework Agreements with Beijing Huanquiymeng Education Consultation Corp., or ACG, and certain of its shareholders for a proposed acquisition of ACG.

ACG is a leading provider of educational services for students in China interested in applying for overseas art study.

ATA believes that one of the important elements of providing an immersive experience is to target a fast growing segment of the education market, such as art, and then to utilize our expertise with that of a valued partner to grow.

We believe ACG is that partner.

On slide 11 we provide some basic information about ACG. As we move further along in the assessment phase, we look forward to providing additional information on the company and its background, but in the meantime would encourage investors to review their website, www.acgorg.net.

In conclusion, we believe ATA is well positioned to execute on a solid growth strategy, which we have outlined on slide 12. We are active in M&A dialogue to execute on our vision, and we look forward to answering any questions about our plans during our upcoming visit to the U.S. for investor meetings.

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 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.