

New Oriental (EDU US)

3QFY26 results: Solid top-line growth and margin expansion

New Oriental reported 3QFY26 results: net revenue grew by 20% YoY to US\$1.42bn, 4% ahead of Bloomberg consensus estimate thanks to the solid growth of new educational business initiatives and currency tailwind; non-GAAP net income was up by 34% YoY to US\$152mn, in line with the consensus, mainly due to the improved operational efficiency and profit contribution from East Buy. For 4QFY26E, management guided net revenue to increase by 15-18% YoY to US\$1.43bn-1.47bn, which is ahead of the consensus estimate (US\$1.43bn). And management is upbeat on the further margin improvement in 4QFY26E and FY27E, supported by enhanced utilization rate of learning centres and cost control. We raise our FY26-28E non-GAAP OP forecast by 5-14% in view of the solid core educational businesses and improved efficiency. We lift our SOTP-derived target price to US\$82.0 (previous: US\$78.0). Maintain BUY on strong core educational business and solid margin expansion trend.

- **Solid core educational business momentum.** New educational business initiatives revenue was up by 23% YoY in 3QFY26, mainly fuelled by the increased ARPU, solid growth of active paid users of intelligent learning system (+19% YoY) and non-academic tutoring course enrolment (+12% YoY). Domestic test prep revenue increased by 15% YoY in 3QFY26. Revenue from overseas test prep business grew by 7% YoY in 3QFY26, thanks to the strong execution amid macro uncertainty. Looking ahead into 4QFY26E, we expect revenue from new educational initiatives/high-school tutoring/domestic test prep for adults/overseas-related business to increase by 20%/17%/25%/1% YoY.
- **Leveraging AI to improve internal operation and products.** New Oriental continues to leverage AI to improve internal efficiency and enhance learning experience. The company also optimized its customer service approach and recently launched New Oriental Home, a comprehensive customer service platform, which served over 330,000 families in 12 cities. The platform improved customer retention, enhanced customer lifetime value and optimized operation costs. The campaign activation rates of the platform reached 10-15%, significantly higher than those of other e-commerce platforms.
- **Continuous margin expansion on enhanced utilization rate and cost control.** Non-GAAP OPM rose by 2.3ppt YoY to 14.3% in 3QFY26, primarily attributable to the prudent capacity expansion, enhanced operational efficiency and profit contribution from East Buy. Overall opex ratio declined by 3.6ppt YoY in 3QFY26. Looking ahead, management expects further margin improvement in 4QFY26E thanks to the improved utilization rate and operating efficiency, despite the one-off expenses related to the consolidation of overseas test prep and consulting businesses. For FY27E, management expects to expand the company's learning centre capacity by c.10%, with continuous improvement in the utilization rate.

Earnings Summary

(YE 31 May)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	4,314	4,900	5,598	6,405	6,962
YoY growth (%)	43.9	13.6	14.2	14.4	8.7
Adjusted net profit (US\$ mn)	381.1	517.1	580.4	755.2	832.7
EPS (Adjusted) (US\$)	2.30	3.19	3.66	4.76	5.24
Consensus EPS (US\$)	2.30	3.19	3.58	4.22	4.82
P/E (x)	29.3	23.8	17.9	13.2	11.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$82.00
(Previous TP)	US\$78.00)
Up/Downside	49.8%
Current Price	US\$54.73

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Stock Data

Mkt Cap (US\$ mn)	8,691.1
Avg 3 mths t/o (US\$ mn)	38.5
52w High/Low (US\$)	63.51/44.11
Total Issued Shares (mn)	158.8

Source: FactSet

Shareholding Structure

Minhong Yu	12.5%
First Beijing	11.0%

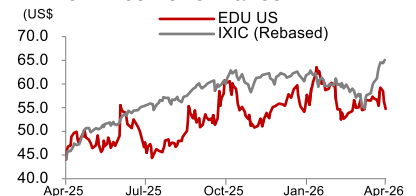
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-0.6%	-11.5%
3-mth	-5.1%	-9.5%
6-mth	-9.0%	-15.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: New Oriental: forecast revision

US\$m	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,597.7	6,405.0	6,961.7	5,466.8	5,990.7	6,464.3	2.4%	6.9%	7.7%
Gross profit	3,070.0	3,521.2	3,829.1	3,018.0	3,329.0	3,598.9	1.7%	5.8%	6.4%
Non-GAAP OP	730.7	882.3	995.6	697.4	788.9	870.9	4.8%	11.8%	14.3%
Non-GAAP net income	580.4	755.2	832.7	594.2	695.4	761.7	-2.3%	8.6%	9.3%
Non-GAAP EPS (US\$)	3.7	4.8	5.2	3.7	4.4	4.8	-2.3%	8.6%	9.3%
Gross margin	54.8%	55.0%	55.0%	55.2%	55.6%	55.7%	-0.4 ppt	-0.6 ppt	-0.7 ppt
Non-GAAP OPM	13.1%	13.8%	14.3%	12.8%	13.2%	13.5%	0.3 ppt	0.6 ppt	0.8 ppt
Non-GAAP net margin	10.4%	11.8%	12.0%	10.9%	11.6%	11.8%	-0.5 ppt	0.2 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 2: New Oriental: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,597.7	6,405.0	6,961.7	5,481.3	6,071.4	6,651.8	2.1%	5.5%	4.7%
Gross Profit	3,070.0	3,521.2	3,829.1	3,028.9	3,361.2	3,698.5	1.4%	4.8%	3.5%
Non-GAAP OP	730.7	882.3	995.6	670.2	798.9	938.8	9.0%	10.5%	6.1%
Non-GAAP Net Income	580.4	755.2	832.7	568.8	670.0	765.4	2.0%	12.7%	8.8%
Non-GAAP EPS (US\$)	3.7	4.8	5.2	3.6	4.2	4.8	2.0%	12.7%	8.8%
Gross Margin	54.8%	55.0%	55.0%	55.3%	55.4%	55.6%	-0.4 ppt	-0.4 ppt	-0.6 ppt
Non-GAAP OPM	13.1%	13.8%	14.3%	12.2%	13.2%	14.1%	0.8 ppt	0.6 ppt	0.2 ppt
Non-GAAP net margin	10.4%	11.8%	12.0%	10.4%	11.0%	11.5%	0.0 ppt	0.8 ppt	0.5 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

Our SOTP-derived valuation of US\$82 per ADS comprises:

- 1) US\$78.8 for the educational and consulting business (96% of total valuation), based on 25x FY26E PE, which is at a premium to the educational sector average (22x) given New Oriental's solid leadership in China's educational sector.
- 2) US\$2.0 for East Buy (2% of total valuation), based on 11x FY26E PE, which is on par with the e-commerce sector average.
- 3) US\$1.2 for the Tourism and others business (2% of total valuation), based on 10x FY26E PE, which is a discount to other OTA platforms (12x) given that its tourism business remains at early development stage.

Figure 3: New Oriental: SOTP valuation

SOTP valuation							
(US\$m)	Revenue (FY26E)	Revenue CAGR (FY26-28E)	Earnings (FY26E)	PE (x)	% Holding	Valuation	As % of total Valuation
Educational & consulting	4,469.6	11%	556.2	25	100%	13,904.7	96.1%
East Buy	775.4	22%	56.8	11	56%	349.4	2.4%
Tourism and others	352.7	10%	21.1	10	100%	210.8	1.5%
Total valuation (US\$m)						14,464.9	
Holdco discount						10%	
Total valuation (US\$m)						13,018.4	
No. of ADS (mn)						158.8	
Valuation per ADS (US\$)						82.0	

Source: Company data, CMBIGM estimates

Figure 4: New Oriental: Valuation comparison

Companies	Ticker	Price (LC)	PE (x)		PS (x)	
			2026E	2027E	2026E	2027E
Education						
TAL	TAL US	12.0	19.0	15.6	2.4	2.0
Youdao	DAO US	10.5	43.7	29.0	1.3	1.2
Gaotu	GOTU US	2.0	NA	19.3	0.5	0.4
Fenbi	2469 HK	1.0	4.7	4.9	0.7	0.6
Average			22.4	17.2	1.2	1.0
E-commerce						
Alibaba	BABA US	135.4	19.1	14.0	1.9	1.7
Pinduoduo	PDD US	99.0	8.1	7.0	1.9	1.7
JD.com	JD US	30.5	10.0	7.5	0.2	0.2
VIPShop	VIPS US	14.7	5.8	5.5	0.4	0.4
Kuaishou	1024 HK	46.4	10.3	9.0	1.2	1.1
Average			10.7	8.6	1.1	1.0
OTA						
Trip.com	TCOM US	54.7	13.5	11.9	3.4	3.0
Tongcheng Travel	780 HK	18.9	10.2	9.0	1.7	1.6
Average			11.9	10.4	2.6	2.3

Source: Bloomberg, CMBIGM

Note: data are as of 21 Apr 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Revenue	2,998	4,314	4,900	5,598	6,405	6,962
Cost of goods sold	(1,409)	(2,051)	(2,183)	(2,528)	(2,884)	(3,133)
Gross profit	1,588	2,263	2,717	3,070	3,521	3,829
Operating expenses	(1,398)	(1,912)	(2,289)	(2,433)	(2,722)	(2,910)
Selling expense	(445)	(661)	(784)	(828)	(929)	(996)
Admin expense	(954)	(1,252)	(1,444)	(1,605)	(1,793)	(1,914)
Operating profit	190	350	428	637	799	919
Other income	119	124	118	80	80	80
Gain/loss on financial assets at FVTPL	(1)	19	(10)	8	0	0
Pre-tax profit	309	494	536	725	879	999
Income tax	(66)	(110)	(146)	(195)	(220)	(250)
Others	(7)	(59)	(14)	(12)	0	0
After tax profit	235	325	376	517	659	749
Minority interest	(58)	(16)	(4)	(31)	0	0
Net profit	177	310	372	487	659	749
Adjusted net profit	259	381	517	580	755	833

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Current assets	4,414	5,389	5,188	5,582	6,238	6,855
Cash & equivalents	1,663	1,389	1,612	1,839	2,404	2,952
Restricted cash	111	177	181	181	181	181
Account receivables	33	30	34	77	88	95
Inventories	53	93	81	125	158	189
Prepayment	211	309	308	389	436	466
ST bank deposits	856	1,320	1,092	1,092	1,092	1,092
Financial assets at FVTPL	1,478	2,066	1,874	1,874	1,874	1,874
Other current assets	9	4	7	7	7	7
Non-current assets	1,979	2,143	2,618	2,837	3,083	3,341
PP&E	360	508	767	987	1,233	1,490
Right-of-use assets	440	654	794	794	794	794
Deferred income tax	56	73	98	98	98	98
Investment in JVs & assos	400	356	388	388	388	388
Intangibles	25	19	13	13	13	13
Goodwill	106	104	44	44	44	44
Other non-current assets	593	430	513	513	513	513
Total assets	6,392	7,532	7,805	8,419	9,321	10,195
Current liabilities	2,251	3,001	3,290	3,523	3,780	3,878
Account payables	70	106	80	139	166	189
Tax payable	118	140	168	195	220	250
Lease liabilities	156	200	256	256	256	256
Contract liabilities	1,338	1,781	1,955	1,960	2,050	2,019
Accrued expenses	569	775	831	973	1,089	1,164
Non-current liabilities	327	482	562	562	562	562
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	327	482	562	562	562	562
Total liabilities	2,578	3,483	3,852	4,084	4,342	4,440
Total shareholders equity	3,604	3,776	3,662	4,012	4,656	5,433
Minority interest	210	273	292	323	323	323
Total equity and liabilities	6,392	7,532	7,805	8,419	9,321	10,195

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Operating						
Profit before taxation	309	494	536	725	879	999
Depreciation & amortization	117	101	140	60	74	90
Tax paid	(66)	(110)	(146)	(195)	(220)	(250)
Change in working capital	538	519	251	65	167	29
Others	74	119	116	75	96	84
Net cash from operations	971	1,123	897	729	997	952
Investing						
Capital expenditure	(310)	(310)	(310)	(310)	(310)	(310)
Acquisition of subsidiaries/ investments	1	0	(11)	0	0	0
Net proceeds from disposal of short-term investments	117	(793)	245	0	0	0
Others	154	(52)	(18)	30	(11)	(39)
Net cash from investing	(37)	(1,154)	(93)	(280)	(320)	(348)
Financing						
Net borrowings	0	0	0	0	0	0
Share repurchases	(192)	(63)	(445)	(223)	(111)	(56)
Others	(55)	(97)	(139)	0	0	0
Net cash from financing	(247)	(160)	(585)	(223)	(111)	(56)
Net change in cash						
Cash at the beginning of the year	1,149	1,663	1,389	1,612	1,839	2,404
Exchange difference	(61)	(25)	10	0	0	0
Cash at the end of the year	1,663	1,389	1,612	1,839	2,404	2,952
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
Revenue	(3.5%)	43.9%	13.6%	14.2%	14.4%	8.7%
Gross profit	17.6%	42.5%	20.1%	13.0%	14.7%	8.7%
Operating profit	na	84.4%	22.2%	48.8%	25.4%	15.0%
Net profit	na	74.6%	20.1%	30.9%	35.5%	13.7%
Adj. net profit	na	47.2%	35.7%	12.3%	30.1%	10.3%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
Gross profit margin	53.0%	52.5%	55.4%	54.8%	55.0%	55.0%
Operating margin	6.3%	8.1%	8.7%	11.4%	12.5%	13.2%
Adj. net profit margin	8.6%	8.8%	10.6%	10.4%	11.8%	12.0%
Return on equity (ROE)	4.9%	8.4%	10.0%	12.7%	15.2%	14.9%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
Current ratio (x)	2.0	1.8	1.6	1.6	1.7	1.8
Receivable turnover days	4.0	2.5	2.5	5.0	5.0	5.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
P/E	51.8	29.3	23.8	17.9	13.2	11.6
P/E (diluted)	52.0	29.4	24.0	18.0	13.3	11.7
P/B	2.5	2.4	2.4	2.2	1.9	1.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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