

# New Oriental (EDU US)

## Revenue growth decelerates; more focus on profitability and shareholder return in FY26

New Oriental announced 4QFY25 results: net revenue increased by 19% YoY to US\$1.09bn (excluding revenue from East Buy), ahead of the company guidance (US\$1.01-1.04bn); non-GAAP net income grew by 59% YoY to US\$98mn, ahead of Bloomberg consensus estimate of US\$54mn, mainly thanks to the cost optimization initiatives across business lines. Total net revenue/non-GAAP net income rose by 14%/11% YoY in FY25 to US\$4.90bn/517mn. Looking ahead, management guides FY26 total net revenue to increase by 5-10% YoY to US\$5.15bn-5.39bn, which is below the consensus estimate of US\$5.56bn, primarily due to macro uncertainty and more intensive competition. We trim FY26-27E total revenue forecast by 3-4% in view of the macro headwinds and intensifying competition. We lower our SOTP-derived target price to US\$70.0 (previous: US\$76.0). Maintain BUY.

- **Overseas-related businesses continue to face pressure.** Overseas test prep/overseas study consulting revenue grew by 15/8% YoY in 4QFY25, further decelerating due to macro and geopolitical uncertainty. Domestic test prep revenue was up by 17% YoY in 4QFY25. New educational business initiatives revenue increased by 33% YoY in 4QFY25, driven by solid growth of both non-academic tutoring course enrolment (+5% YoY) and the active paid users of the intelligent learning system (+36% YoY). Looking into 1QFY26E, management guides total net revenue to grow by 2%-5% YoY to US\$1.46-1.51bn, decelerating due to the high-base effect and adjustment on Easy Buy. By segment, we forecast domestic test prep/new educational initiatives/high-school tutoring revenue to increase by 10%/15%/12% YoY respectively, while overseas-related business revenue to decline by 5% YoY in 1QFY26E.
- **Steady progress on tourism business and AI.** East Buy continued to make steady progress on its private label product strategy and multi-channel strategy in 4QFY25, and will focus more on improving profitability in FY26E. Tourism business revenue grew by 71% YoY in 4QFY25, mainly driven by the expanding product offerings. On the AI front, the company launched a new AI-powered intelligent learning device and an AI-driven smart study solution, which may further enhance learning outcome while saving students' and parents' time.
- **Enhancing margin and shareholder return.** Non-GAAP OPM improved by 4.1ppts YoY to 6.5% in 4QFY25 (excluding the impact from East Buy), mainly due to the cost optimization and efficiency enhancement initiatives. For FY26E, management will continue to pursue sustainable revenue growth and enhanced profitability. The company announced a new three-year shareholder return plan, under which it will distribute no less than 50% of net income for the preceding fiscal year to shareholders, through dividend and/or share repurchases. This should represent over c.2% of shareholder return yield, based on FY25 EPS.

### Earnings Summary

(YE 31 May)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	4,314	4,900	5,304	5,784	6,213
Adjusted net profit (US\$ mn)	381.1	517.1	576.1	662.5	725.9
EPS (Adjusted) (US\$)	2.30	3.19	3.63	4.17	4.57
Consensus EPS (US\$)	2.30	3.19	3.67	4.42	4.97
P/E (x)	25.0	20.4	15.6	12.9	11.2

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

Target Price	US\$70.00
(Previous TP)	US\$76.00)
Up/Downside	49.7%
Current Price	US\$46.75

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### Stock Data

Mkt Cap (US\$ mn)	7,423.8
Avg 3 mths t/o (US\$ mn)	19.1
52w High/Low (US\$)	80.60/41.22
Total Issued Shares (mn)	158.8

Source: FactSet

### Shareholding Structure

Minhong Yu	12.2%
FMR	5.5%

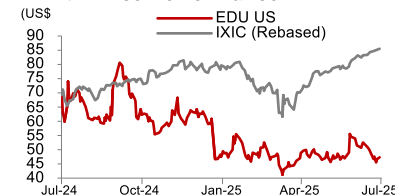
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	-13.3%	-16.3%
3-mth	-4.3%	-20.9%
6-mth	-5.5%	-11.8%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Business forecasts update and valuation

**Figure 1: New Oriental: forecast revision**

US\$mn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,303.7	5,783.7	6,213.3	5,444.8	6,038.6	NA	-2.6%	-4.2%	NA
Gross profit	2,940.1	3,234.7	3,487.5	3,037.2	3,407.5	NA	-3.2%	-5.1%	NA
Non-GAAP net income	576.1	662.5	725.9	576.4	763.5	NA	-0.1%	-13.2%	NA
Non-GAAP EPS (US\$)	3.6	4.2	4.6	3.6	4.7	NA	1.5%	-11.9%	NA
Gross margin	55.4%	55.9%	56.1%	55.8%	56.4%	NA	-0.3 ppt	-0.5 ppt	NA
Operating margin	9.8%	11.1%	12.1%	12.0%	13.9%	NA	-2.2 ppt	-2.8 ppt	NA
Non-GAAP net margin	10.9%	11.5%	11.7%	10.6%	12.6%	NA	0.3 ppt	-1.2 ppt	NA

Source: CMBIGM estimates

**Figure 2: New Oriental: CMBIGM estimates vs consensus**

US\$mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,303.7	5,783.7	6,213.3	5,562.5	6,339.8	6,642.0	-4.7%	-8.8%	-6.5%
Gross profit	2,940.1	3,234.7	3,487.5	3,047.8	3,496.0	3,675.2	-3.5%	-7.5%	-5.1%
Non-GAAP net income	576.1	662.5	725.9	582.8	701.2	790.0	-1.1%	-5.5%	-8.1%
Non-GAAP EPS (US\$)	3.6	4.2	4.6	3.7	4.4	5.0	-1.1%	-5.5%	-8.1%
Gross margin	55.4%	55.9%	56.1%	54.8%	55.1%	55.3%	0.6 ppt	0.8 ppt	0.8 ppt
Operating margin	9.8%	11.1%	12.1%	11.5%	12.1%	13.8%	-1.7 ppt	-1.0 ppt	-1.7 ppt
Non-GAAP net margin	10.9%	11.5%	11.7%	10.5%	11.1%	11.9%	0.4 ppt	0.4 ppt	-0.2 ppt

Source: CMBIGM estimates, Bloomberg

## Valuation

1) US\$67.4 for the educational and consulting business (96% of total valuation), based on 23x FY26E PE, which is on par with the educational sector average.

2) US\$1.5 for East Buy (2% of total valuation), based on 9x FY26E PE, which is on par with the e-commerce sector average.

3) US\$1.1 for the Tourism and others business (2% of total valuation), based on 10x FY26E PE.

**Figure 3: New Oriental: SOTP valuation**

SOTP valuation							
(US\$mn)	Revenue (FY26E)	Revenue CAGR (FY26-28E)	Earnings (FY26E)	PE (x)	% Holding	Valuation	As % of total Valuation
Educational & consulting	4,386.6	9%	517.8	23	100%	11,908.8	96%
East Buy	631.1	4%	50.3	9	57%	257.9	2%
Tourism and others	286.0	2%	19.7	10	100%	197.3	2%
<b>Total valuation (US\$mn)</b>						<b>12,364.1</b>	
Holdco discount						10%	
<b>Total valuation (US\$mn)</b>						<b>11,127.7</b>	
No. of ADS						158.8	
<b>Valuation per ADS (US\$)</b>						<b>70.0</b>	

Source: Company data, CMBIGM estimates

**Figure 4: Education: valuation comparison**

Companies	Ticker	Price (LC)	2025E	PE (x) 2026E	2027E	2025E	PS (x) 2026E	2027E
Education								
TAL	TAL US	10.2	32.8	21.8	15.3	2.7	2.0	1.6
Youdao	DAO US	8.8	45.2	28.5	18.6	1.2	1.1	1.0
Gaotu	GOTU US	3.6	NA	NA	43.7	1.1	0.9	0.8
Fenbi	2469 HK	3.2	19.9	17.7	15.9	2.2	2.0	2.1
Average			32.6	22.6	23.4	1.8	1.5	1.4
E-commerce								
Alibaba	BABA US	119.4	11.9	10.6	9.7	2.0	1.8	1.7
Pinduoduo	PDD US	115.4	9.5	8.1	7.0	2.5	2.1	1.8
JD.com	JD US	32.2	7.0	6.5	6.1	0.3	0.3	0.2
VIPShop	VIPS US	15.5	6.6	6.2	6.0	0.5	0.5	0.5
Kuaishou	1024 HK	72.1	14.7	12.5	10.5	2.1	2.0	1.8
Average			10.0	8.8	7.8	1.5	1.3	1.2

Source: Bloomberg, CMBIGM

Note: data as of 29 Jul 2025

## Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Revenue	2,998	4,314	4,900	5,304	5,784	6,213
Cost of goods sold	(1,409)	(2,051)	(2,183)	(2,364)	(2,549)	(2,726)
Gross profit	1,588	2,263	2,717	2,940	3,235	3,488
Operating expenses	(1,398)	(1,912)	(2,289)	(2,421)	(2,591)	(2,734)
Selling expense	(445)	(661)	(784)	(854)	(914)	(963)
Admin expense	(954)	(1,252)	(1,444)	(1,567)	(1,677)	(1,771)
Operating profit	190	350	428	519	644	754
Other income	119	124	118	76	76	76
Gain/loss on financial assets at FVTPL	(1)	19	(10)	0	0	0
Pre-tax profit	309	494	536	595	720	830
Income tax	(66)	(110)	(146)	(119)	(144)	(166)
Others	(7)	(59)	(14)	0	0	0
After tax profit	235	325	376	476	576	664
Minority interest	(58)	(16)	(4)	0	0	0
Net profit	177	310	372	476	576	664
Adjusted net profit	259	381	517	576	662	726

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Current assets	4,414	5,389	5,188	5,407	5,863	6,366
Cash & equivalents	1,663	1,389	1,612	1,678	2,077	2,527
Restricted cash	111	177	181	181	181	181
Account receivables	33	30	34	73	79	85
Inventories	53	93	81	117	140	164
Prepayment	211	309	308	387	415	437
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	2,823	3,038	3,260
PP&E	360	508	767	972	1,187	1,410
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	8,230	8,901	9,627
Current liabilities	2,251	3,001	3,290	3,330	3,434	3,482
Account payables	70	106	80	130	147	164
Tax payable	118	140	168	119	144	166
Lease liabilities	156	200	256	256	256	256
Contract liabilities	1,338	1,781	1,955	1,857	1,851	1,802
Accrued expenses	569	775	831	969	1,036	1,094
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	3,892	3,996	4,044
Total shareholders equity	3,604	3,776	3,662	4,046	4,613	5,291
Minority interest	210	273	292	292	292	292
Total equity and liabilities	6,392	7,532	7,805	8,230	8,901	9,627

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 31 May (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	309	494	536	595	720	830
Depreciation & amortization	117	101	28	60	74	88
Tax paid	(66)	(110)	(146)	(119)	(144)	(166)
Change in working capital	538	519	438	(114)	48	(6)
Others	74	119	41	100	87	62
<b>Net cash from operations</b>	<b>971</b>	<b>1,123</b>	<b>897</b>	<b>522</b>	<b>784</b>	<b>809</b>
<b>Investing</b>						
Capital expenditure	(310)	(310)	(310)	(310)	(310)	(310)
Acquisition of subsidiaries/ investments	1	0	0	0	0	0
Net proceeds from disposal of short-term investments	117	(793)	194	0	0	0
Others	154	(52)	23	44	20	(1)
<b>Net cash from investing</b>	<b>(37)</b>	<b>(1,154)</b>	<b>(93)</b>	<b>(265)</b>	<b>(289)</b>	<b>(311)</b>
<b>Financing</b>						
Net borrowings	0	0	0	0	0	0
Share repurchases	(192)	(63)	(383)	(192)	(96)	(48)
Others	(55)	(97)	(202)	0	0	0
<b>Net cash from financing</b>	<b>(247)</b>	<b>(160)</b>	<b>(585)</b>	<b>(192)</b>	<b>(96)</b>	<b>(48)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	1,149	1,663	1,389	1,612	1,678	2,077
Exchange difference	(61)	(25)	10	0	0	0
<b>Cash at the end of the year</b>	<b>1,663</b>	<b>1,389</b>	<b>1,612</b>	<b>1,678</b>	<b>2,077</b>	<b>2,527</b>
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 31 May</b>						
Revenue	(3.5%)	43.9%	13.6%	8.2%	9.0%	7.4%
Gross profit	17.6%	42.5%	20.1%	8.2%	10.0%	7.8%
Operating profit	na	84.4%	22.2%	21.2%	24.0%	17.1%
Net profit	na	74.6%	20.1%	28.0%	21.0%	15.3%
Adj. net profit	na	47.2%	35.7%	11.4%	15.0%	9.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 31 May</b>						
Gross profit margin	53.0%	52.5%	55.4%	55.4%	55.9%	56.1%
Operating margin	6.3%	8.1%	8.7%	9.8%	11.1%	12.1%
Adj. net profit margin	8.6%	8.8%	10.6%	10.9%	11.5%	11.7%
Return on equity (ROE)	4.9%	8.4%	10.0%	12.3%	13.3%	13.4%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
<b>YE 31 May</b>						
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
<b>YE 31 May</b>						
P/E	44.2	25.0	20.4	15.6	12.9	11.2
P/E (diluted)	44.4	25.1	20.5	15.7	13.0	11.3
P/B	2.2	2.0	2.1	1.8	1.6	1.4

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

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