

# New Oriental (EDU US)

## Bracing for a new growth stage

New Oriental, as a well-established educational & test prep service provider in China with best-in-class teaching resources, is well positioned to benefit from rationalizing competition in China's after-school tutoring market and robust demand, in our view. After the business transformation in FY23, it is embracing a new growth stage, especially with the regulatory environment turning benign. We forecast the company to deliver a 49% non-GAAP net income CAGR over FY24-26E. Educational demand is not sensitive to economic cycles and remains one of the few industries with sustainable growth and a consolidating competitive environment. Our SOTP-derived target price is US\$104.5. Initiate at BUY.

■ **Resilient demand and growing TAM.** Based on our estimate, total addressable market size could reach RMB110bn in 2026E, representing a CAGR of 10% over 2023-2026E; the overseas test prep/domestic test prep/academic tutoring/non-academic tutoring business will likely each account for 11/31/21/37% of the addressable education market in 2026E, with a CAGR of 5/9/3/19% over 2023-2026E. The after-school tutoring market has further consolidated since the implementation of double reduction policy, which in our view should benefit industry leaders like New Oriental, which has already established a strong brand and business model. According to the Ministry of Education, the number of offline K-9 academic tutoring institutions was down by c.96% from 124,000 (before the introduction of double-reduction policy) to 4,932 (Oct 2022).

■ **Solid revenue growth on strong core businesses.** We forecast the company's educational and test prep revenue to grow at a FY24-26E CAGR of 28% and account for 67% of total revenue in FY26E, driven by 1) the ramp-up of innovative educational revenue (FY24-26E CAGR of 54%) as the company actively expands its non-academic tutoring business; 2) solid recovery of the overseas test prep business given the normalization of international travel and communication after the pandemic; 3) steady growth of domestic test prep business with a growing number of students taking postgraduate exams. For East Buy, a livestreaming ecommerce platform run by New Oriental, we forecast it to post a revenue CAGR of 18% over FY24-26E and account for 18% of FY26E total revenue, underpinned by its strategy to expand product categories, sales channels and active buyers. We are positive on the value of East Buy, given its differentiated value proposition in the e-commerce market and strengthening supply chain capabilities.

■ **Valuation is backed by resilient earnings growth outlook and benign industry environment.** Our SOTP-derived target price is US\$104.5, comprising US\$93.7/7.8/3.0 for educational & consulting/East Buy/tourism & other businesses. New Oriental currently trades at 22x FY25E non-GAAP PE, while we forecast its FY24-26E earnings will grow at a 49% CAGR (peers trading on average at around 36x FY25E PE).

### Earnings Summary

(YE 31 May)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (US\$ mn)	3,105	2,998	4,007	4,951	5,884
YoY growth (%)	(27.4)	(3.5)	33.7	23.6	18.9
Adjusted net profit (US\$ mn)	(1,046.2)	258.9	511.4	669.8	864.5
YoY growth (%)	na	na	97.5	31.0	29.1
EPS (Adjusted) (US\$)	(6.17)	1.54	3.09	4.05	5.22
Consensus EPS (US\$)	(6.17)	1.54	2.66	3.68	4.75
P/E (x)	na	29.7	36.6	28.0	21.2

Source: Company data, Bloomberg, CMBIGM estimates

## BUY

**Target Price** US\$104.50  
**Up/Downside** 18.5%  
**Current Price** US\$88.21

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### Stock Data

Mkt Cap (US\$ mn)	14,664.8
Avg 3 mths t/o (US\$ mn)	149.9
52w High/Low (US\$)	91.22/35.12
Total Issued Shares (mn)	166.2

Source: FactSet

### Shareholding Structure

Minhong Yu	12.2%
GIC	5.1%

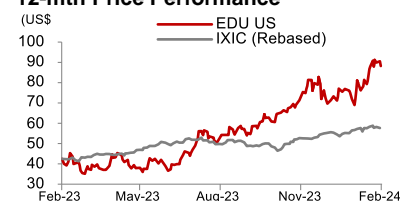
Source: Company data

### Share Performance

	Absolute	Relative
1-mth	27.9%	25.7%
3-mth	22.8%	12.0%
6-mth	67.8%	45.0%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

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## Investment thesis

### Embracing steady growth

New Oriental, as a leading educational & test prep service provider in China, is well-positioned to address the robust demand and benefit from the rationalizing competition in China's after-school tutoring market. We like New Oriental given its: 1) strong brand awareness - renowned after-school tutoring brand established for over 20 years; 2) quality teaching resources - 26k+ teachers and 700+ learning centres covering over 70 cities (vs. TAL/Youdao/Gaotu: ~11k+/2k/1k teachers); 3) sustainable business model - diversified revenue growth drivers including overseas/domestic test prep, academic/non-academic tutoring, live streaming e-commerce and tourism. After the business transformation, New Oriental is on track for a new growth stage. We forecast its non-GAAP net income to deliver a CAGR of 49% over FY24-26E and reach US\$864mn in FY26E. Our SOTP-derived target price is US\$104.5. Initiate at BUY.

### Expect TAM to reach RMB110bn in 2026E

According to the Ministry of Education, the total number of students in China reached 268.5mn in 2022. Based on our estimate, the total addressable market size of New Oriental education business could reach RMB110bn in 2026E, representing a CAGR of 10% over 2023-2026E. The overseas test/domestic test/academic tutoring/non-academic tutoring business will likely each account for 11/31/21/37% of the addressable education market in 2026E, with a CAGR of 5/9/3/19% over 2023-2026E. The after-school tutoring market has further consolidated after the implementation of double-reduction policy, which in our view should benefit leaders like New Oriental, which has already established a strong brand and sustainable business model. According to the Ministry of Education, the number of offline K-9 academic tutoring institutions was down by c.96% from 124,000 (before the introduction of double-reduction policy) to 4,932 (Oct 2022).

### Key growth driver forecasts

We forecast educational and test prep revenue to grow at a FY24-26E CAGR of 28% and account for 67% of total revenue in FY26E, driven by 1) the ramp-up of innovative educational revenue (FY24-26E CAGR of 54%) as the company actively expands its non-academic tutoring business; 2) solid recovery of the overseas test prep business given the normalization of international travel and communication after the pandemic period; 3) steady growth of domestic test prep business with a growing number of students taking postgraduate exams. For East Buy, we forecast its revenue to deliver a CAGR of 18% over FY24-26E and account for 18% of FY26E total revenue, underpinned by its strategy to expand product categories, sales channels and active buyers. We are positive on the long-term growth potential of East Buy, given its differentiated value proposition and quality supply chain.

### Valuation supported by resilient earnings growth outlook

Overall, we forecast New Oriental's total revenue to deliver a CAGR of 25% over FY24-FY26E and reach US\$5.9bn in FY26E, mainly driven by the strong growth of educational and test prep business. We also expect the non-GAAP net margin will rise from 8.6% in FY23 to 12.8/13.5/14.7% in FY24/25/26E, given the more rational competition and its sustainable business model. We expect New Oriental to deliver a resilient non-GAAP net income CAGR of 49% over FY24-26E amid the macro uncertainty. The company currently trades at 21x FY25E non-GAAP PE, which remains attractive compared to its earnings growth outlook or peers' average (36x FY25E PE). Our SOTP-derived target price is US\$104.5, comprising US\$93.7/7.8/3.0 for educational & consulting/East Buy/tourism & other businesses. Initiate at BUY.

## New Oriental: company overview

New Oriental was first established in 2001 as a provider of language training and test preparation courses to college students. After that, the company enriched its private educational service offerings to a wide range of educational programs, including overseas/domestic test preparation courses for college students, overseas study consulting and K-12 academic tutoring services. In compliance with the regulatory policies promulgated in 2021, the company ceased the K-9 academic tutoring business. Since 2021, New Oriental has further expanded its non-academic tutoring business, introduced intelligent learning systems & devices, and launched the private-label product & livestreaming e-commerce business East Buy, in order to capture new growth opportunities.

**Figure 1: New Oriental: key milestones**

Year	Event
1993	New Oriental's first school was established by Michael Minhong Yu, in Beijing, China in 1993 to offer TOEFL test preparation courses to college students
2001	New Oriental China was established as a domestic holding company to act as the sponsor of the schools and hold certain operating subsidiaries
2005	Beijing Xuncheng Network Technology Co., Ltd. was established
2006	New Oriental successfully went public on NASDAQ, becoming the first US-listed Chinese education stock
2011	Koolearn.com was officially launched
2017	Beijing Xuncheng, which operates several online education platforms together with its subsidiaries, listed its shares on the National Equities Exchange and Quotations in China for trading
2018	Beijing Xuncheng completed a voluntary delisting from the National Equities Exchange and Quotations and then became a variable interest entity controlled by Koolearn
2019	Koolearn successfully went public on the Hong Kong stock market
2021	Koolearn launched the live-streaming platform East Buy, leading a new model of "knowledge-based live-streaming". New Oriental ceased the K-9 academic tutoring business, in compliance with the regulatory policies promulgated in 2021.
2023	New Oriental Tourism Group as established

Source: Company data, CMBIGM

Currently, New Oriental consists of four main business segments: **1) educational and test prep business**, which including overseas test prep, domestic test prep, traditional academic tutoring business for 10th-12th grade students, and new educational business initiatives (i.e. non-academic tutoring courses and intelligent learning systems and devices); **2) East Buy**, which offers private-label products, livestreaming e-commerce, and online education services; **3) overseas study consulting business**, which helps students through the application and admission process for overseas educational institutions; and **4) tourism**, which offers a range of Cultural Travel, China Study Tour and Global Study Tour products.

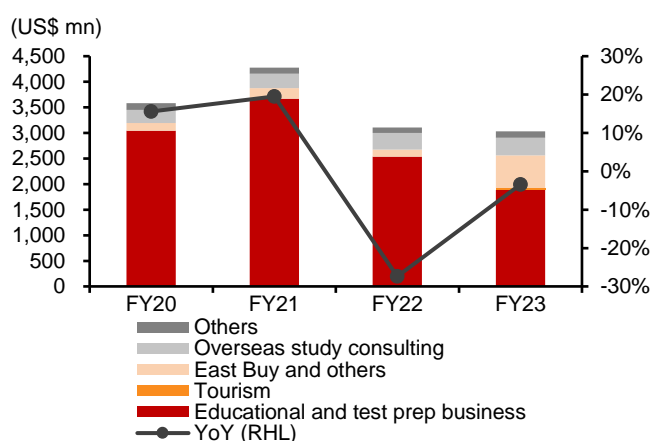
Educational and test prep/East Buy/overseas study consulting/tourism each accounted for 63/21/11/1% of total revenue in FY23. In terms of valuation, we estimate educational & consulting/East Buy/tourism & other business to represent 90/7/3% of our SOTP-derived valuation.

**Figure 2: New Oriental: business segments**

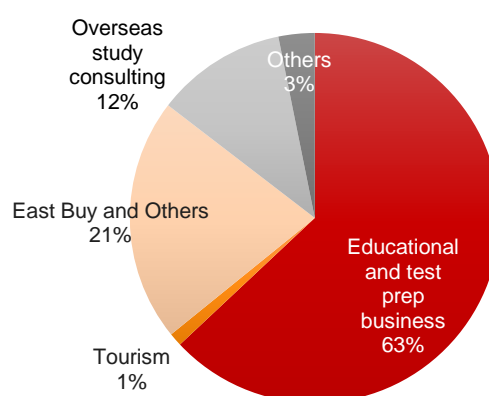
Business segment	Introduction	Pricing
<b>Educational and test prep business</b>		
Overseas test prep	Primarily include IELTS, TOEFL, SAT, AP, A LEVEL, GCSE, TOEFL Junior, SSAT, ACT, GRE, GMAT and LSAT preparation courses	RMB1,000-20,000 per enrolment
Domestic test prep	Primarily include CET 4, CET 6, postgraduate entrance exams and exams for students with junior college diplomas to obtain bachelor's degrees	RMB7,800-130,000 per enrolment
Traditional tutoring business	Traditional academic tutoring business offered to high-school students (10th-12th grades)	RMB1,200-5,100 per enrolment
New educational business initiatives	1) non-academic tutoring courses, which focuses on cultivating students' innovative and comprehensive abilities; 2) intelligent learning systems and devices;	RMB2,000-4,000 per enrolment
<b>East Buy</b>	Private-label products and livestreaming e-commerce business, and online education	
<b>Overseas study consulting</b>	Help students through the application and admission process for overseas educational institutions and provide useful college counselling advice	
<b>Tourism</b>	Providing a range of Cultural Travel, China Study Tour, Global Study Tour, and Camp Education products	

Source: Company data, CMBIGM

New Oriental returned to positive growth track from 3QFY23 onwards, driven by the strong revenue growth of East Buy and the low-base effect. 1QFY24 total revenue was up 47.7% YoY to US\$1.1bn and already equivalent to 84.0% of 1QFY22 total revenue (prior to the implementation of double reduction policy). Educational and test prep/East Buy/overseas study consulting revenue was -26/+366/+5% YoY to US\$1.9/0.6/0.3bn in FY23, each accounting for 62/21/12% of total revenue. Looking ahead, we expect the educational and test prep business to remain as the key growth driver of total revenue growth, underpinned by the robust demand in China's education market.

**Figure 3: New Oriental: total revenue trend**

Source: Company data, CMBIGM

**Figure 4: New Oriental: revenue mix (FY23)**

Source: Company data, CMBIGM

**Educational and test prep:** New Oriental offers a wide range of educational and test prep courses, covering students of different ages. For students aged under 15, New Oriental mainly offers non-academic tutoring courses such as programming and arts. In FY23, the company had 1.6mn student enrolled in non-academic tutoring courses. For students aged 15-18, the company offered traditional academic tutoring courses. For college students and adults, the company offers overseas test prep courses (e.g. IELTS, TOEFL, SAT etc.) and domestic test prep courses (e.g. CET 4, CET 6, postgraduate entrance exams etc.). In FY23, the company had 284k/211k student enrolments in overseas/domestic test prep courses respectively.



Figure 5: New Oriental: test prep offerings



Source: Company data, CMBIGM

**East Buy:** East Buy was established in FY22, as a livestreaming e-commerce platform for the sale of agricultural and other products. It offers high-quality products through cooperation with third parties as well as its own private-label products. East Buy has developed an array of livestreaming channels which focuses on different product categories, including East Buy (东方甄选), East Buy Book (东方甄选图书号), East Buy Private Label Products (东方甄选自营产品).

Figure 6: East Buy: private-label products and livestreaming e-commerce



Source: Company data, CMBIGM

**Tourism-related business:** New Oriental Tourism Group, founded in 2023, offers a wide range of tourism products that cater to individuals of all age groups, such as Cultural Travel, China Study Tour, Global Study Tour and Camp Education. Leveraging its expertise in study tour and education resources, New Oriental is able to provide quality travel products that are differentiated from other travel offerings.

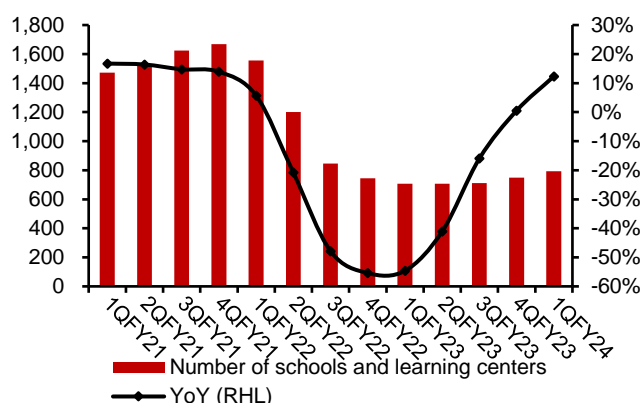
**Figure 7: New Oriental: tourism offering**



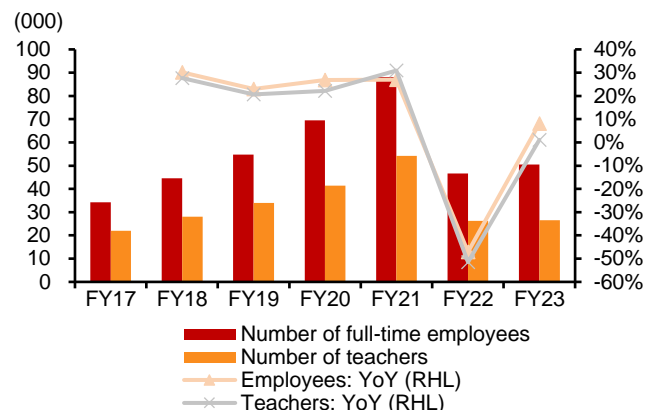
Note: screenshots from New Oriental Tourism Mini Program; picture on the left shows the homepage; picture on the right introduces one of the travel product offerings  
Source: Company data, CMBIGM

## Steady recovery post industry transformation

Supported by the expansion of innovative business (e.g. livestreaming e-commerce and tourism), improvement in the competitive landscape and recovery of the overseas/domestic test prep market, the number of New Oriental schools and learning centres grew by 12% YoY to 793 in 1QFY24, equivalent to 48% of the peak level in 4QFY21. The number of full-time employees was also up 8% to 50,438 as of end-FY23, which is equivalent to 57% of the employee count at end-FY21.

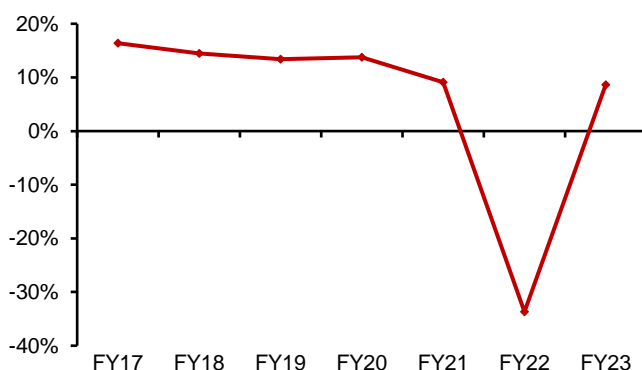
**Figure 8: New Oriental: no. of schools and centres**

Source: Company data, CMBIGM

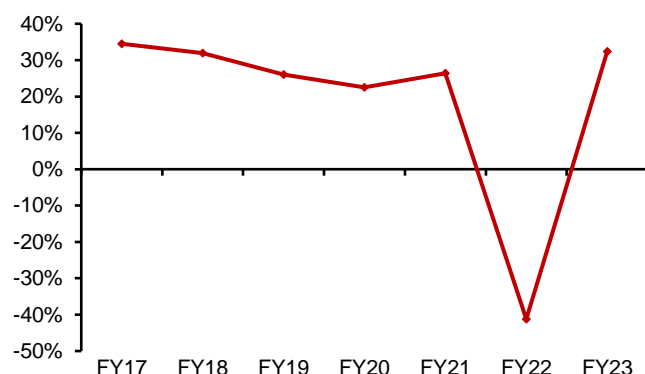
**Figure 9: New Oriental: no. of employees & teachers**

Source: Company data, CMBIGM

Both non-GAAP NPM and OCF margin returned to positive levels in FY23, after New Oriental's business adjustment. Its non-GAAP NPM/OCF margin was 8.6%/32.4% in FY23, versus 9.1%/26.4% in FY21. The company's profitability improved on more rational competition and a favourable revenue mix shift to higher-margin business.

**Figure 10: New Oriental: Non-GAAP NPM**

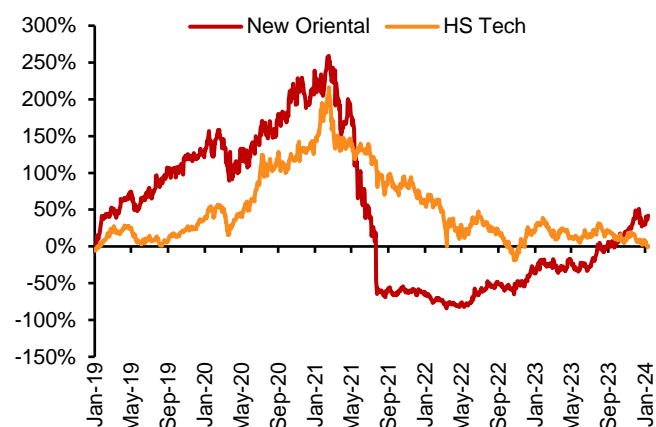
Source: Company data, CMBIGM

**Figure 11: New Oriental: OCF margin**

Source: Company data, CMBIGM

New Oriental valuation has also seen steady recovery since 2022, mainly attributable to the successful transition of business model and reacceleration of revenue growth. The company currently trades at 3.4x forward 1-year PS, which is on par with its average PS since 2018.



**Figure 12: New Oriental: stock return since 2019**

Source: Bloomberg, CMBIGM

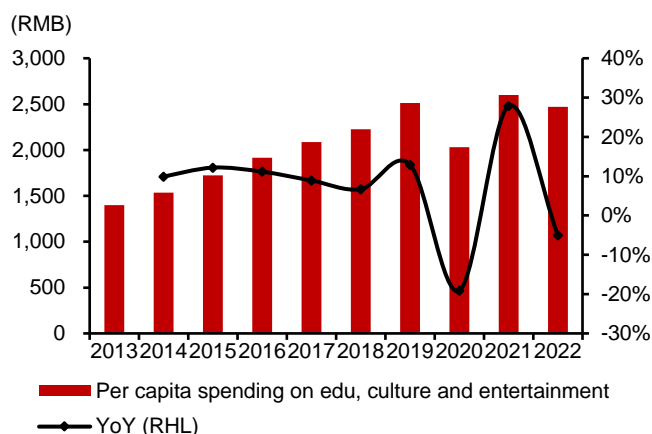
**Figure 13: New Oriental: forward 1Y PS band**

Source: Bloomberg, CMBIGM

## China after-school tutoring market: positive on long-term demand

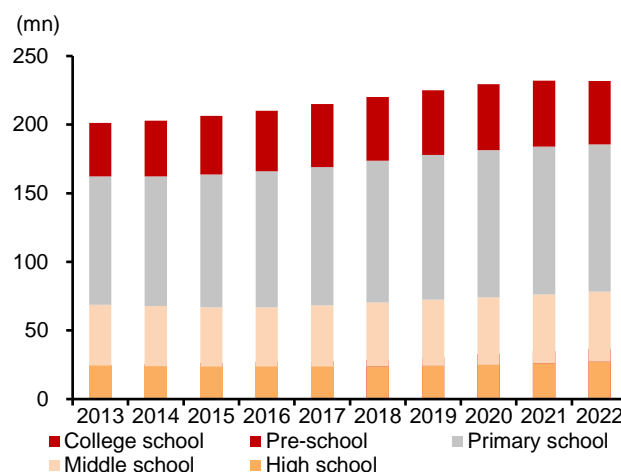
The number of students in China reached 268.5mn in 2022, with pre-school/primary-school/middle-school/high-school/college students each accounting for 17/40/19/10/14% of the total, according to the Ministry of Education. China's per-capita spending on education, culture and entertainment was down 5% YoY to RMB2,469 in 2022, equivalent to 7% of per-capita disposal income.

**Figure 14: China: per-capita spending on education, culture and entertainment**



Source: Ministry of Education, CMBIGM

**Figure 15: China: number of students**



Source: Ministry of Education, CMBIGM

Based on our estimate, the total addressable market size of New Oriental education business could reach RMB110bn in 2026E, representing a CAGR of 10% over 2023-2026E. The overseas test prep/domestic test prep/academic tutoring/non-academic tutoring business will likely each account for 11/31/21/37% of the addressable education market in 2026E, with a CAGR of 5/9/3/19% over 2023-2026E.

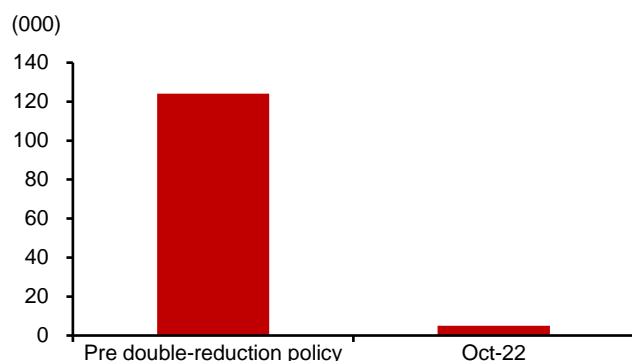
**Figure 16: China education market: overview**

Overseas test prep		2019	2020	2021	2022	2023E	2024E	2025E	2026E
No. of students studying aboard ('000)		703.5	450.9	523.7	662.1	741.6	800.9	840.9	866.1
YoY		6.3%	-35.9%	16.1%	26.4%	12.0%	8.0%	5.0%	3.0%
No. of overseas test prep enrolment ('000)		1,055.3	676.4	785.6	993.2	1,112.3	1,201.3	1,261.4	1,299.2
Penetration rate		75%	75%	75%	75%	75%	75%	75%	75%
Enrolment per student		2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
ASP (RMB)		10,000	10,000	9,500	9,000	9,000	9,000	9,000	9,000
YoY		0.0%	0.0%	-5.0%	-5.3%	0.0%	0.0%	0.0%	0.0%
Total overseas test prep market size (RMBbn)		10.6	6.8	7.5	8.9	10.0	10.8	11.4	11.7
YoY		6.3%	-35.9%	10.3%	19.8%	12.0%	8.0%	5.0%	3.0%
Domestic test prep		2019	2020	2021	2022	2023E	2024E	2025E	2026E
No. of students taking postgraduate entrance exams (mn)		2.9	3.4	3.8	4.6	5.0	5.4	5.8	6.0
YoY		21.8%	17.6%	10.6%	21.2%	10.0%	8.0%	6.0%	5.0%
No. of domestic test prep enrolment (mn)		1.3	1.6	1.9	2.3	2.6	2.9	3.2	3.4
Penetration rate		31%	32%	33%	34%	35%	36%	37%	38%
Enrolment per student		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
ASP (RMB)		9,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000

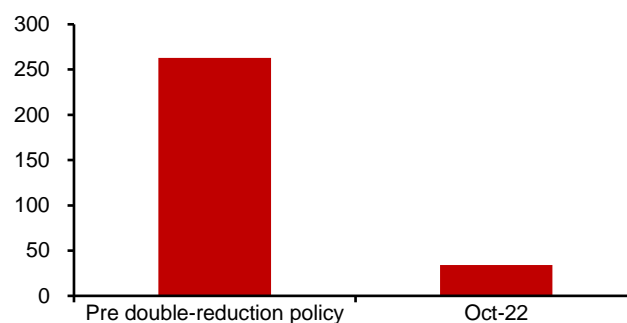
YoY	5.6%	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total domestic test prep market size (RMBbn)	12.8	16.4	18.7	23.3	26.4	29.3	31.9	34.4
YoY	32.9%	27.8%	14.0%	24.9%	13.2%	11.1%	8.9%	7.8%
<b>Academic tutoring business</b>								
Number of high-school students (mn)	24.1	24.9	26.1	27.1	28.2	29.1	29.9	30.8
YoY	1.6%	3.3%	4.4%	4.2%	4.0%	3.0%	3.0%	3.0%
No. of academic tutoring enrolment (mn)	7.2	7.5	7.0	7.7	8.5	8.7	9.0	9.3
Penetration rate	20%	20%	18%	19%	20%	20%	20%	20%
Enrolment per student	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
ASP (RMB)	2,500	2,400	2,500	2,500	2,500	2,500	2,500	2,500
YoY	0.0%	-4.0%	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Total academic tutoring market size (RMBbn)	18.1	18.0	17.6	19.3	21.2	21.8	22.5	23.1
YoY	1.6%	-0.8%	-2.1%	10.0%	9.5%	3.0%	3.0%	3.0%
<b>Non-academic tutoring business</b>								
Number of K-9 students (mn)	201.0	204.6	206.0	204.8	204.8	204.8	204.8	204.8
YoY	2.3%	1.8%	0.7%	-0.6%	0.0%	0.0%	0.0%	0.0%
No. of non-academic tutoring enrolment (mn)	4.7	5.7	7.7	9.8	12.2	14.7	17.5	20.5
Penetration rate	1.8%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Enrolment per student	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0
ASP (RMB)	2,000	1,800	2,000	2,000	2,000	2,000	2,000	2,000
YoY	0.0%	-10.0%	11.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total non-academic tutoring market size (RMBbn)	9.4	10.3	15.5	19.7	24.4	29.5	35.0	41.0
YoY	33.0%	9.6%	49.9%	27.2%	24.0%	21.0%	18.8%	17.0%

Source: Ministry of Education, National Bureau of Statistics (NBS), company data, CMBIGM estimates

Competition has become more rational and the market has consolidated since the implementation of double reduction policy. According to the Ministry of Education, the number of offline K-9 academic tutoring institutions was down by c.96% from 124,000 before the introduction of double reduction policy, to 4,932 in Oct 2022. We expect the consolidation of the tutoring market to benefit leaders like New Oriental, which has already established a strong brand and sustainable business model to address the market demand.

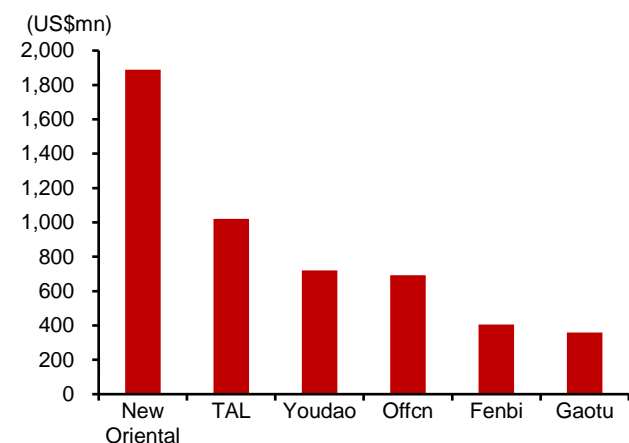
**Figure 17: China: no. of offline K-9 academic tutoring institutions**


Source: Ministry of Education, CMBIGM

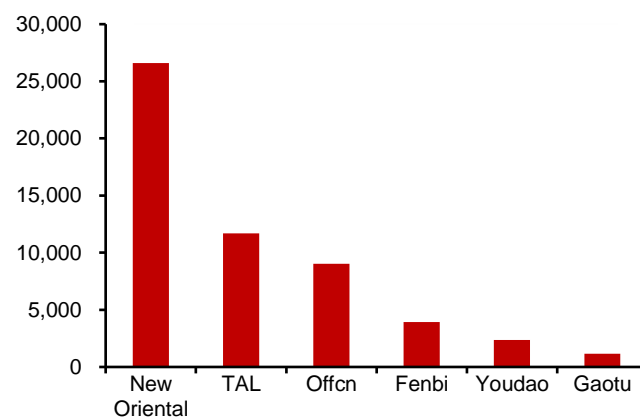
**Figure 18: China: no. of online K-9 academic tutoring institutions**


Source: Ministry of Education, CMBIGM

New Oriental has established leadership in terms of both revenue and teaching resources. New Oriental's educational and test prep revenue was US\$1.9bn in FY23, higher than the other platforms such as TAL (US\$1.0bn) and Youdao (US\$720mn). The number of New Oriental's instructors was 26.6k in FY23, also significantly higher than the other platforms like TAL (11.7k full-time employees) and Offcn (9,024 instructors).

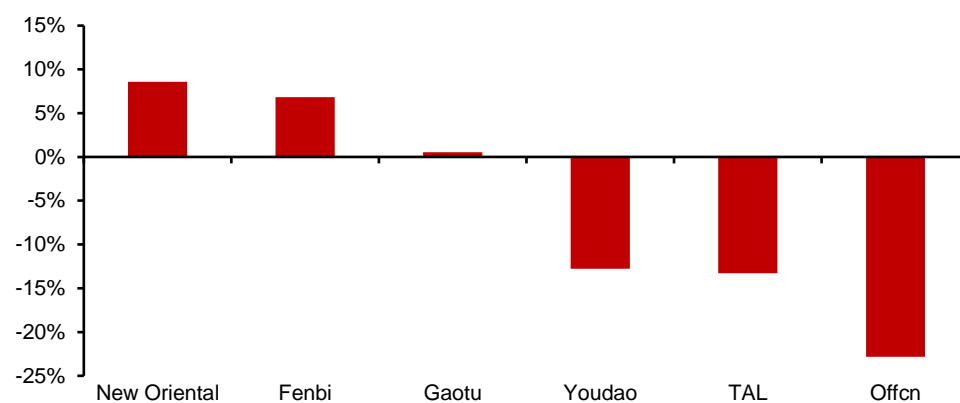
**Figure 19: China educational institutions: revenue (2022/FY23)**


Source: Company data, CMBIGM

**Figure 20: China educational institutions: no. of instructors (2022/FY23)**


Source: Company data, CMBIGM

New Oriental also has a sustainable business model, which further strengthens its leadership in China's education sector. New Oriental's adjusted net margin was 8.6% in FY23, higher than that of Fenbi (6.8%) and Gaotu (0.5%). The other education platforms like Youdao, TAL and Offcn remained loss-making in 2022.

**Figure 21: China educational institutions: net profit margin (2022/FY23)**

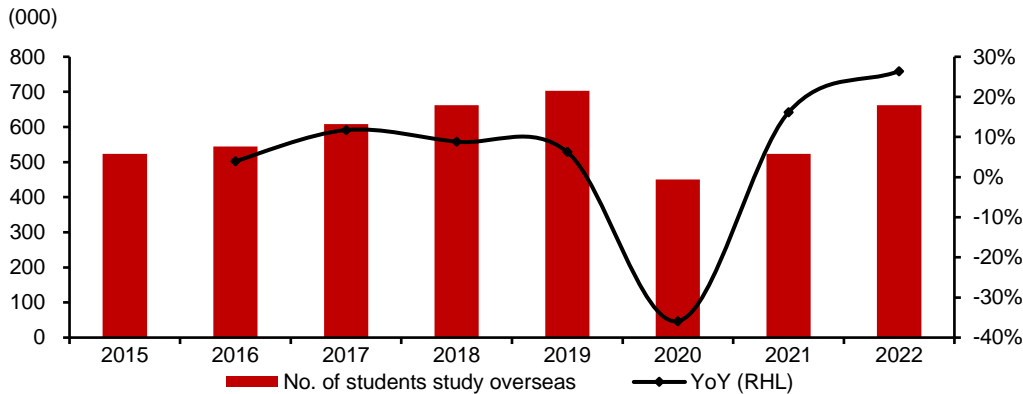
Source: Company data, CMBIGM



## Overseas test prep: solid rebound in the post-pandemic period

According to the Ministry of Education, the number of Chinese students studying abroad saw a strong rebound of 26% YoY to 662k in 2022, which is already equivalent to 94% of the level in 2019. We expect the overseas test prep market to further recover in the future, as cross-border travel normalizes in the post-pandemic period.

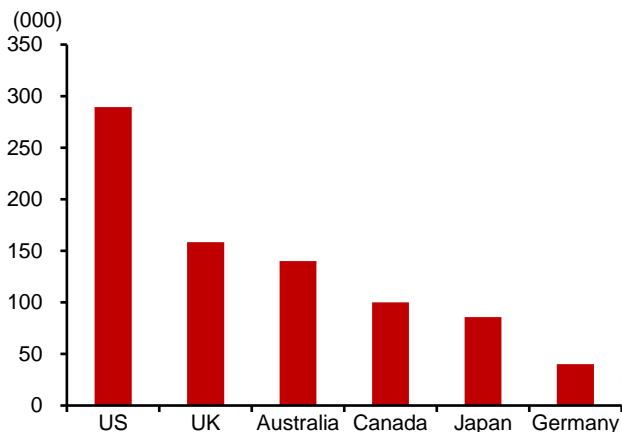
**Figure 22: China: number of students studying overseas**



Source: Ministry of Education, CMBIGM

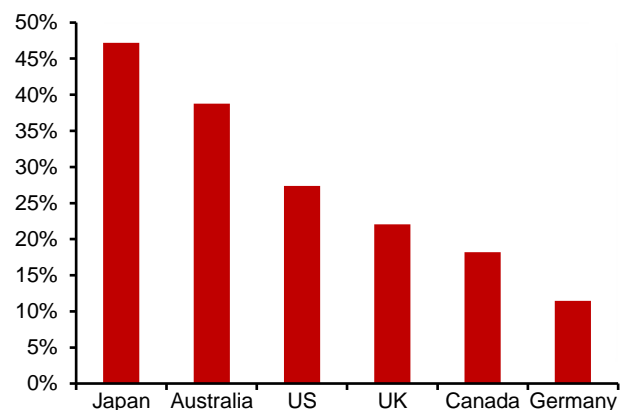
Chinese students remain the largest group of international students in many different countries, accounting for 47/39/27/22% of total international students in Japan/Australia/the US/the UK in 2023. The US remains the go-to destination for most Chinese students studying abroad. The number of Chinese students who obtained the US F1 Visa also saw a strong rebound of 104/161% YoY to 2,075/5,413 in 2022/2023. In 2023, China and the US stated that both countries will ensure more normalized communication and travel between the two countries. This will further boost demand for overseas study and overseas test prep, in our view.

**Figure 23: Number of Chinese students studying in other countries (2023)**

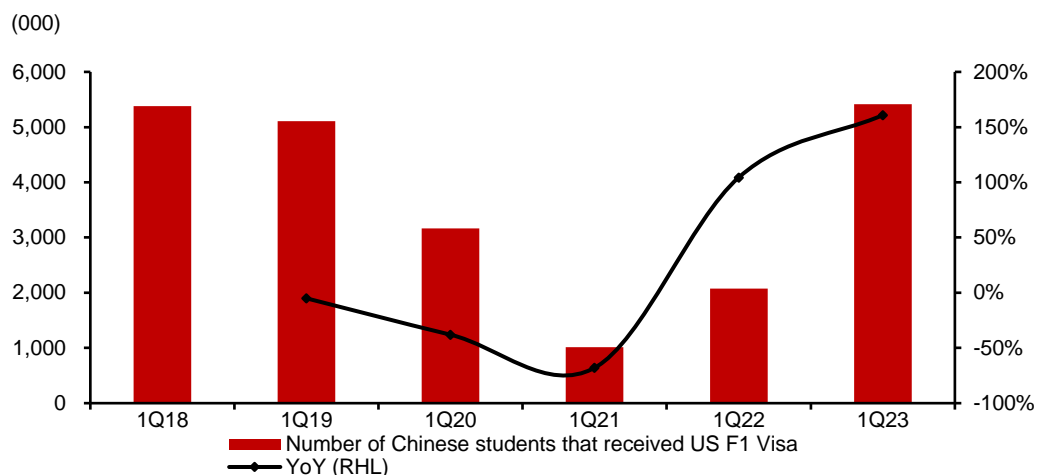


Source: US Institute of International Education (IIE), EIC Education, CMBIGM

**Figure 24: Chinese students as % of international students in other countries (2023)**

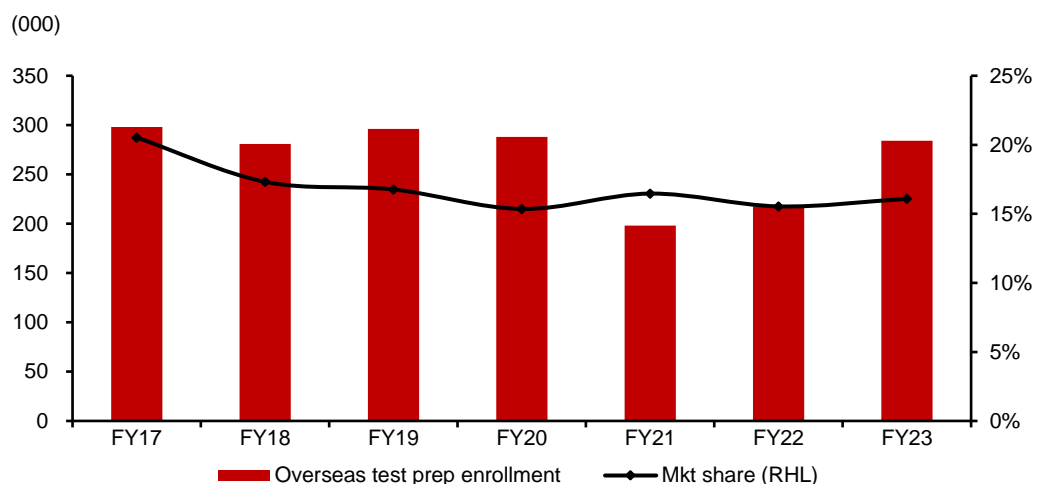


Source: US IIE, EIC Education, CMBIGM

**Figure 25: Number of Chinese students that received US F1 Visa**

Source: US IIE, CMBIGM

Supported by its abundant educational resources and strong brand name, New Oriental has established leadership in the overseas test prep market. The company's overseas test prep enrolment reached 284k in FY23, which accounted for 16% of the total market enrolment based on our estimate. We expect the company to further expand its market share, as more small players exit the market due to an unsustainable business model.

**Figure 26: New Oriental: overseas test prep enrolment and market share**

Source: Company data, Ministry of Education, CMBIGM

## Domestic test prep: rising demand against the backdrop of macro uncertainty

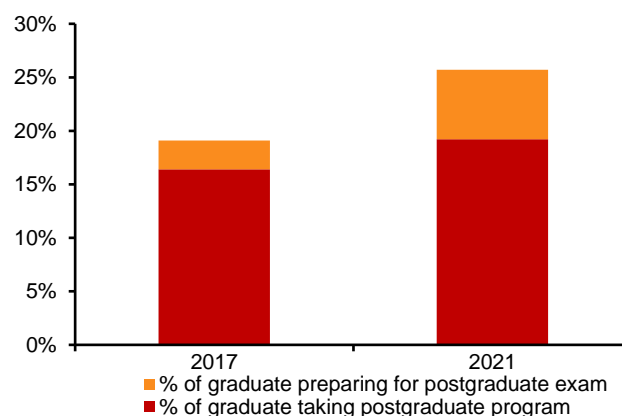
As the unemployment rate climbs (from 11% in Jan 2019 to 21% in May 2023) and more job positions have higher academic requirements, more undergraduate students choose to take the postgraduate programs after their graduation. The percentage of undergraduates who planned for/took the postgraduate programs increased from 19.1% in 2017 to 25.7% in 2021.

**Figure 27: China: unemployment rate for population aged 16-24**



Source: NBS, CMBIGM

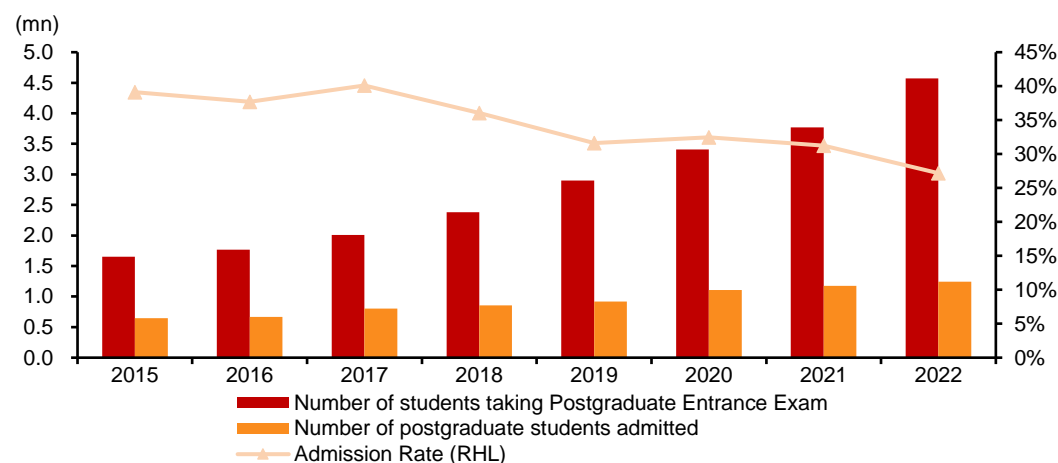
**Figure 28: China: post-graduation plans of undergraduates**



Source: Company data, CMBIGM

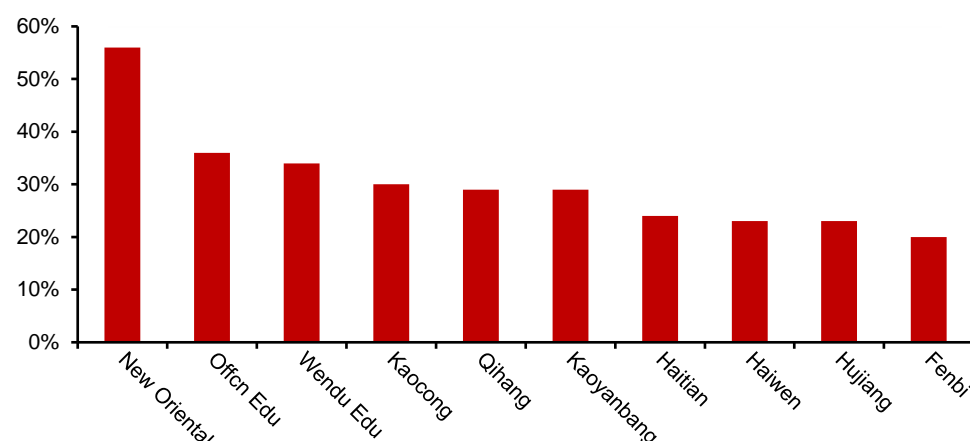
The postgraduate entrance exam has been more competitive over the past few years, which has further fuelled the demand for test preparation courses, in our view. The number of students taking postgraduate entrance exams reached 4.57mn in 2022, representing a CAGR of 18% over 2018-2022. The admission rate, however, declined from 36.1% in 2018 to 27.2% in 2022.

**Figure 29: China: number of students taking postgraduate entrance exams**



Source: Company data, CMBIGM

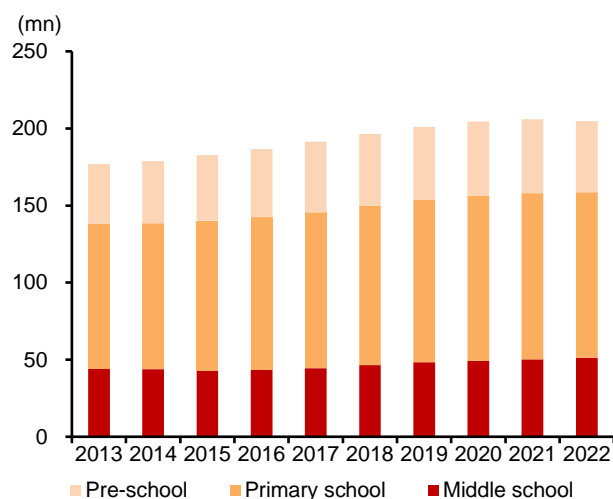
New Oriental has established one of the most recognized brands among all postgraduate test prep providers, underpinned by its quality teaching resources and over 10 years of experience. According to a survey by Analysys, 56/36/34% of the respondents recognized New Oriental/Offcn Edu/Wendu Edu as a quality postgraduate test tutoring brand.

**Figure 30: China: postgraduate test tutoring brand awareness**

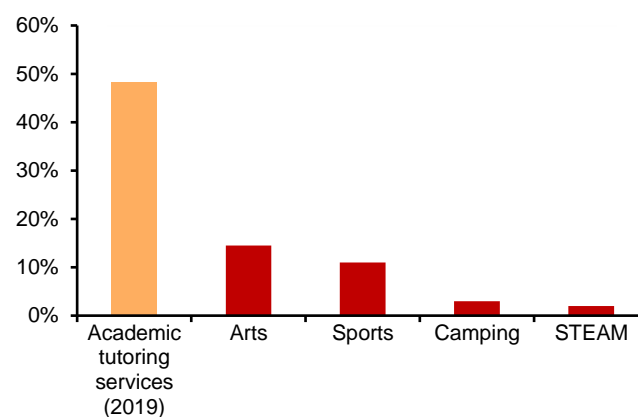
Source: Analysys, CMBIGM

### Non-academic tutoring business: ample growth potential

China's non-academic tutoring market has ample growth potential, underpinned by the massive student base and relatively low penetration of non-academic tutoring services. Total number of K-9 students reached 205mn in 2022. The penetration rate of non-academic tutoring services such as arts/sports/camping/STEAM remained low at 14/11/3/2% in 2022, versus the penetration rate of academic tutoring services (48% in 2019). We expect the penetration rate of non-academic tutoring services to rise in the future, as more education institutions transform their business model and start to offer non-academic tutoring services.

**Figure 31: China: number of K-9 students**

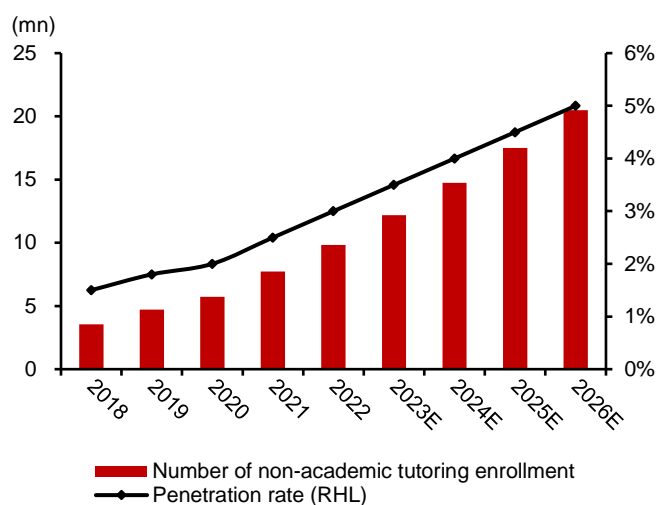
Source: Ministry of Education, CMBIGM

**Figure 32: China: penetration rate of tutoring services (2022)**

Source: Duoqing, CMBIGM

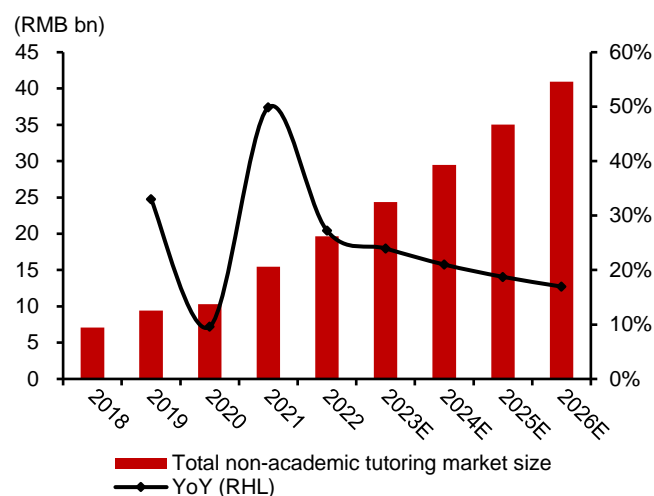
We expect the penetration rate of non-academic tutoring services to rise over FY23-26E, with the number of non-academic enrolment reaching 20.5mn in FY26E. Driven by the growing enrolment, we estimate China's non-academic tutoring market size to record a CAGR of 19% over 2024-2026E and reach RMB41.0bn in 2026E.

Figure 33: China: no. of non-academic enrolment



Source: Ministry of Education, CMBIGM estimates

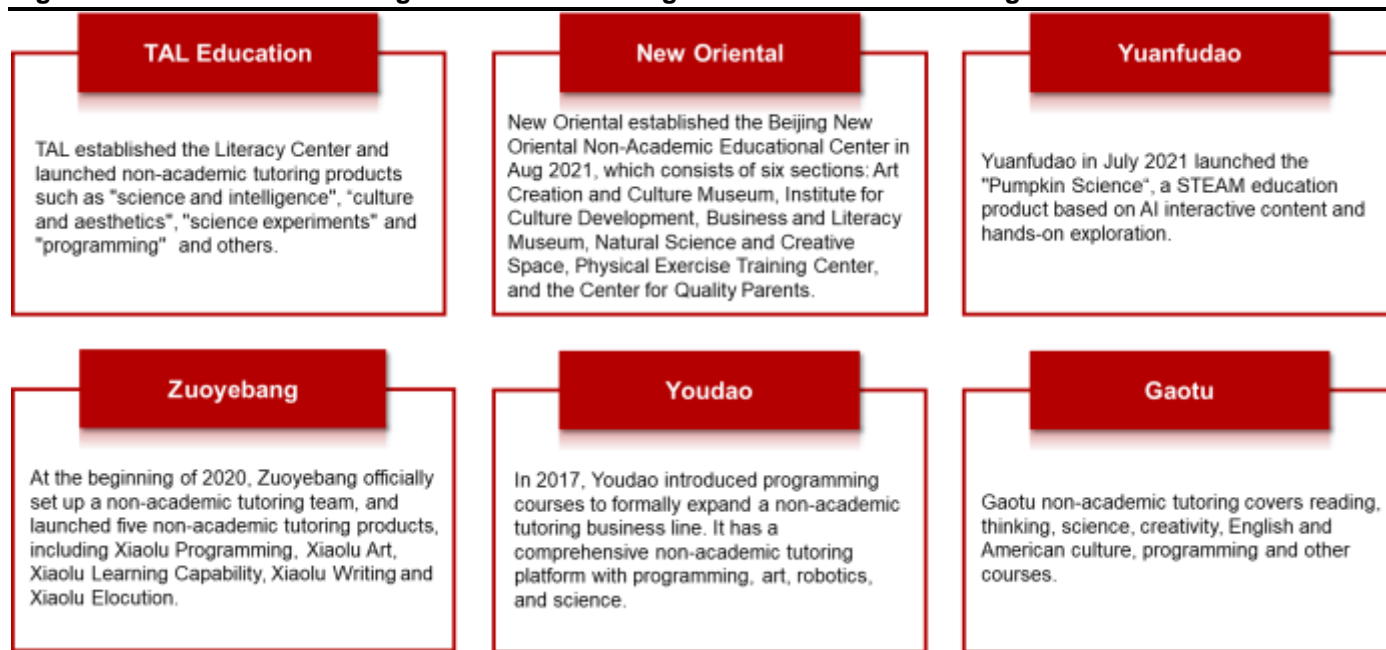
Figure 34: China: non-academic tutoring mkt size



Source: Ministry of Education, CMBIGM estimates

Several leading after-school tutoring institutions began to offer non-academic tutoring courses after they ceased operation of academic tutoring services in compliance with the regulations. New Oriental expanded its non-academic tutoring courses in 2021 and rolled out the courses in c.60 cities in China. In FY23, New Oriental has 1,621,000 students enrolled in non-academic tutoring courses. Gaotu also began to offer a variety of non-academic tutoring courses from 2021 onwards, including chess learning, science and other courses. The companies continue to enrich their products as they expand the student base.

Figure 35: After-school tutoring institutions: offerings of non-academic tutoring courses



Source: Company data, CMBIGM

Since 2014, China has introduced several policies to support the development of non-academic tutoring services. In 2017, the State Council released the *New Generation AI Development Plan*, and proposed to set up AI-related and programming courses in primary & secondary schools. In 2019, the Ministry of Education published the *Key Points of Education Informatization and Cybersecurity Work*, promoting AI-related courses in primary & secondary schools. We expect the policies to support healthy and sustainable development of China's non-academic tutoring sector.



Figure 36: Policy on supporting non-academic tutoring

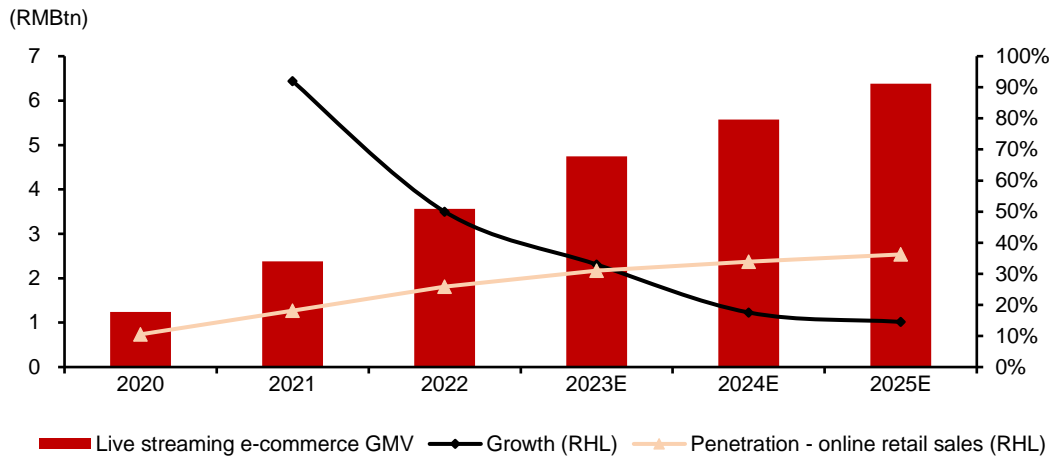
<b>2014-2015</b> <b>First proposed exploring STEAM education</b>	<b>2016-2017</b> <b>Focus on building an in-school science curriculum</b>	<b>2017-2018</b> <b>AI and other information technology were included in exams</b>	<b>2019-Current</b> <b>Continuous and in-depth promotion of information literacy</b>
<p>September 2014, Premier Li Keqiang first put forward the call for "mass entrepreneurship and innovation".</p> <p>June 2015, the State Council issued the Opinions on Several Policies and Measures to Vigorously Promote Mass Entrepreneurship and Innovation, and the introduction of the "Mass Entrepreneurship and Innovation" policy is an important landmark event that ushered in the development of STEAM education in China.</p> <p>September 2015, the Ministry of Education issued the "Guiding Opinions on Comprehensively and Deeply Promoting Educational Informatization during the 13th Five-Year Plan Period (Draft for Public Comments)", which for the first time puts forward the concept of "STEAM education" and explicitly points out that it will explore the new education modes such as STEAM education and Creative Education, and will promote the construction of "Crowd Creative Space".</p>	<p>March 2016, the State Council issued the Implementation Program of the Outline of the Plan of Action for the Scientific Quality of the Whole Population (2016-2020), which focuses on the implementation of scientific quality actions for young people and the improvement of the science curriculum system at the compulsory education stage.</p> <p>July 2016, the Ministry of Education issued the Opinions on Further Improving the Equipment Work of Ordinary Primary and Secondary Schools under the New Situation, which supports the exploration of the construction of comprehensive laboratories, specialty laboratories, educational creativity spaces and other educational environments.</p> <p>January 2017, the Compulsory Elementary Science Curriculum Standards were released.</p> <p>February 2017, the Ministry of Education issued the Guidance Opinions on Promote After-school Services for Primary and Secondary School Students, encouraging schools to carry out popular science activities, clubs and interest group activities.</p>	<p>July 2017, the New Generation Artificial Intelligence Development Plan was introduced, and the development of artificial intelligence was officially upgraded to a national strategy, proposing the implementation of an intelligent education program for all people, setting up AI-related courses at primary and secondary school levels, and promoting programming courses.</p> <p>January 2018, the Ministry of Education issued the General High School Curriculum Program and Curriculum Standards for Languages and Other Subjects (2017 Edition), in which artificial intelligence and open-source hardware project design were included as optional compulsory modules in high school information technology courses.</p> <p>April 2018, the Ministry of Education issued the Education Informatization 2.0 Action Plan, proposing to incorporate students' information literacy into the evaluation of students' non-academic capability; improve the content of courses such as artificial intelligence and programming, and incorporate information technology into the junior and senior high school academic level examinations.</p>	<p>February 2019, the Ministry of Education released the Key Points of Education Informatization and Cybersecurity Work in 2019, launching the assessment of information knowledge of primary and secondary school students, and promoting the establishment of AI-related courses at primary and secondary school levels.</p> <p>June 2021, the State Council issued the Outline of the Plan for Action on the Quality of Science for the Whole Population (2021-2035), which upgrades the level of science education at the basic education stage, improves the system of academic level exams and comprehensive non-academic evaluation for junior and senior high schools, including subjects such as information technology; and pushes forward the in-depth integration of information technology and science education.</p>

Source: iResearch, CMBIGM

## Livestreaming e-commerce: transition in progress

China's livestreaming e-commerce market GMV was up 50% YoY to RMB3.6tn in 2022 and accounted for 26% of total online retail sales, according to NBS. We estimate China's livestreaming e-commerce GMV to deliver a CAGR of 21% over 2023-2025E, and reach RMB6.4tn in 2025E (equivalent to 36% of total online retail sales).

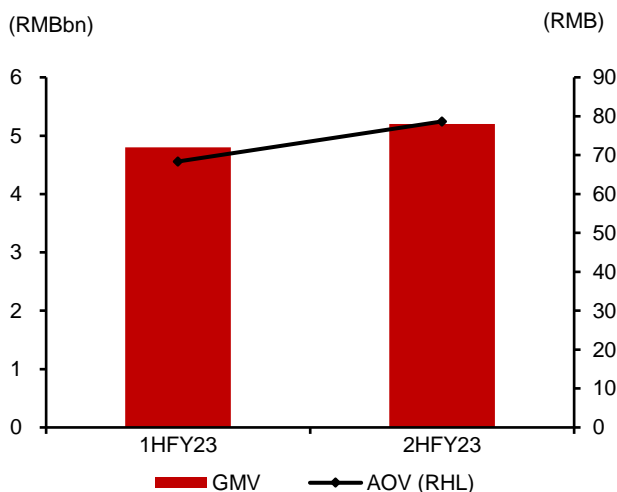
**Figure 37: China: livestreaming e-commerce GMV**



Source: NBS, iResearch, company data, CMBIGM

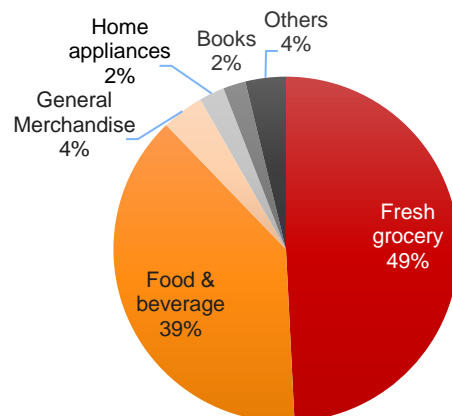
Leveraging its quality teacher resources and abundant user traffic on Douyin, East Buy has made a smooth transition from an online education platform to a livestreaming e-commerce platform. Total GMV reached RMB10.0bn in FY23, with daily average GMV staying above RMB10bn in 2H23. East Buy differentiates itself with its focus on high-quality agricultural products, daily necessities and books. Fresh grocery and food & beverage accounted for c.88% of the total GMV of East Buy's Douyin main account in Jan 2024.

**Figure 38: East Buy: GMV trend**



Note: AOV – average order value  
Source: Company data, CMBIGM

**Figure 39: East Buy Douyin main account: GMV mix (Jan 2024)**

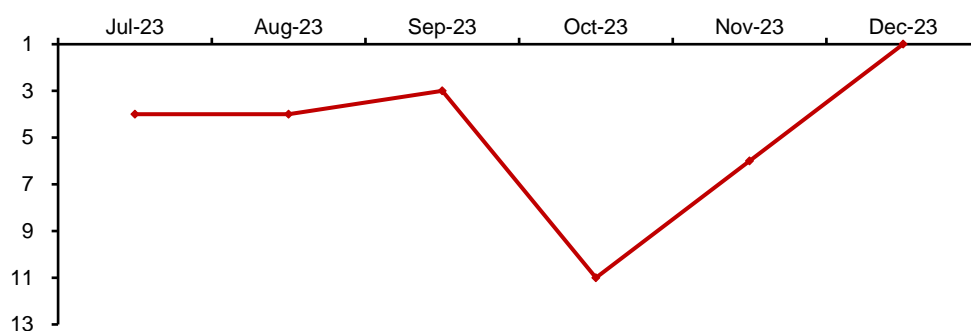


Source: Chanmama, CMBIGM

**Figure 40: East Buy: daily GMV (since Jun 2023)**

Source: Chanmama, CMBIGM

East Buy is one of the top-selling accounts on the Douyin platform, ranking among the top 15 accounts by GMV in 2H23, according to Chanmama. East Buy also has more diversified product offerings, compared to the other top accounts, which tend to focus on a single vertical such as apparel and jewellery. This allows East Buy to target a larger group of buyers and drive sustainable GMV growth, in our view.

**Figure 41: East Buy: ranking on Douyin platform by GMV**

Source: Chanmama, CMBIGM

**Figure 42: Douyin: top 10 accounts by GMV (Dec 2023)**

Ranking	Account	Followers (mn)	AOV (RMB)	Category
1	East Buy	31.3	52.9	Comprehensive
2	Hetianyu Laozheng (新疆和田玉老郑)	1.3	772.1	Jewelry
3	Mr. Dong (董先生)	31.4	156.1	Comprehensive
4	Liu Yiyi (刘一一)	1.2	567.1	Jewelry
5	Yunshangzhubao (云上珠宝)	4.5	567.3	Jewelry
6	Luoge (洛哥)	1.1	175.4	Apparel
7	Bosideng	5.7	804.1	Apparel
8	Zijie (姿姐)	3.8	1334.5	Apparel
9	Xiaoxiao 101 (小小 101)	14.9	117.4	Apparel
10	Gofans	1.9	120.0	Apparel

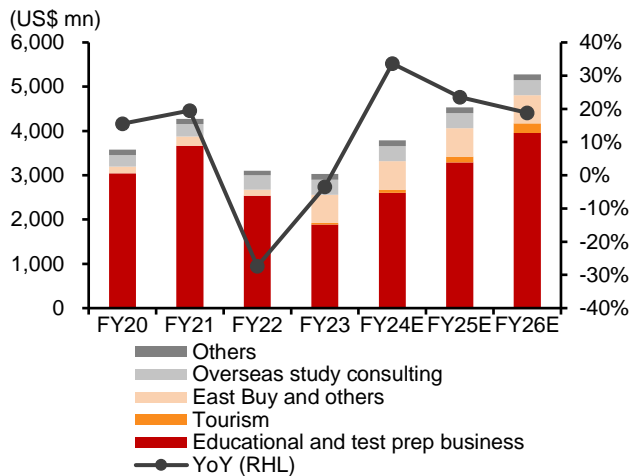
Source: Chanmama, CMBIGM

## New Oriental: financial forecast and valuation

We forecast total revenue to deliver a CAGR of 25% over FY24-FY26E, and reach US\$5.9bn in FY26E, mainly driven by the solid recovery of educational and test prep business. We estimate revenue of educational & test prep/East Buy/overseas consulting/tourism business to record a CAGR of 28/18/14/84% over FY24-26E, and account for 67/18/9/4% of total revenue in FY26E.

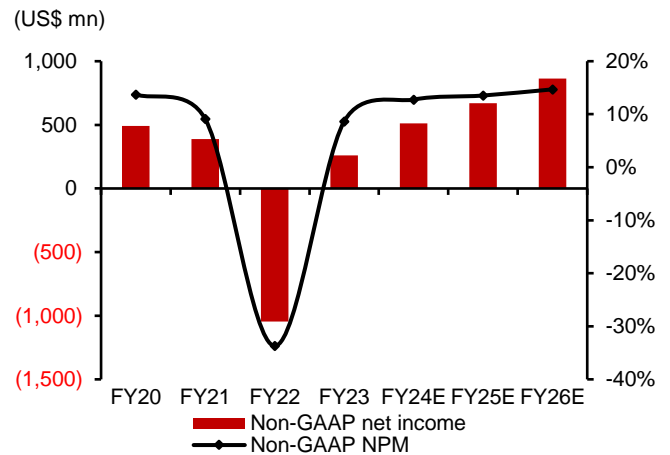
As New Oriental completed business transformation, its non-GAAP net margin recovered to 8.6% in FY23. We expect the non-GAAP net margin to further rise to 12.8/13.5/14.7% in FY24/25/26E, given the more rational competitive environment and its sustainable business model in compliance with the regulations. We forecast non-GAAP net income to deliver a CAGR of 49% over FY24-26E and reach US\$864mn in FY26E.

**Figure 43: New Oriental: total revenue trend**



Source: Company data, CMBIGM estimates

**Figure 44: New Oriental: non-GAAP net income**



Source: Company data, CMBIGM estimates

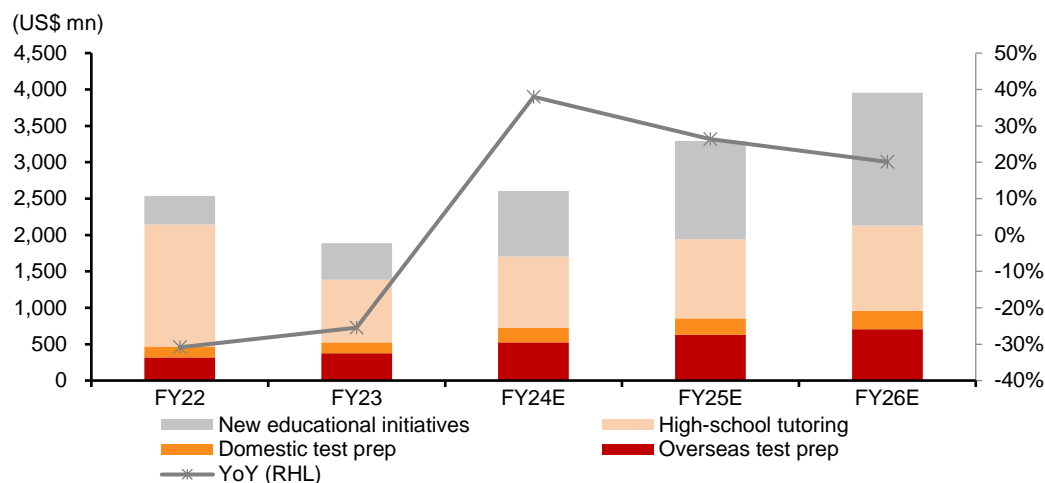
**Figure 45: New Oriental: financial forecast**

(US\$ mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Total revenue</b>	<b>4,276.5</b>	<b>3,105.2</b>	<b>2,997.8</b>	<b>4,006.9</b>	<b>4,950.6</b>	<b>5,884.1</b>
YoY	19.5%	-27.4%	-3.5%	33.7%	23.6%	18.9%
Educational and test prep business	3,667.3	2,535.3	1,888.8	2,606.2	3,292.8	3,955.8
YoY	20.6%	-30.9%	-25.5%	38.0%	26.3%	20.1%
Overseas study consulting	278.6	325.9	342.2	421.8	464.5	501.6
YoY	7.2%	17.0%	5.0%	23.3%	10.1%	8.0%
East Buy	210.6	136.7	637.2	771.1	911.1	1,047.7
YoY	38.1%	-35.1%	366.1%	21.0%	18.1%	15.0%
Tourism			34.7	72.2	130.0	214.5
YoY				107.9%	80.2%	65.0%
Others	120.1	107.3	94.8	135.7	152.2	164.4
YoY	-4.4%	-10.6%	-11.7%	43.1%	12.2%	8.0%
Gross profit margin	52.4%	43.5%	53.0%	55.1%	55.7%	56.1%
S&M expense ratio	14.0%	15.0%	14.8%	15.2%	14.0%	13.0%
G&A expense ratio	34.8%	60.1%	31.8%	28.9%	28.5%	28.5%
Non-GAAP net income margin	9.1%	-33.7%	8.6%	12.8%	13.5%	14.7%
<b>Non-GAAP net income</b>	<b>389.0</b>	<b>-1,046.2</b>	<b>258.9</b>	<b>511.4</b>	<b>669.8</b>	<b>864.5</b>
YoY	NA	NA	NA	97.5%	31.0%	29.1%

Source: Company data, CMBIGM estimates

**1) Educational and test prep (67% of FY26E total revenue):** we forecast education and test prep revenue to increase by 28/26/20% in FY24/25/26E to US\$2.6/3.3/4.0bn, mainly driven by the recovery of traditional educational businesses including overseas & domestic test prep business, and the strong growth of new educational initiatives like non-academic tutoring.

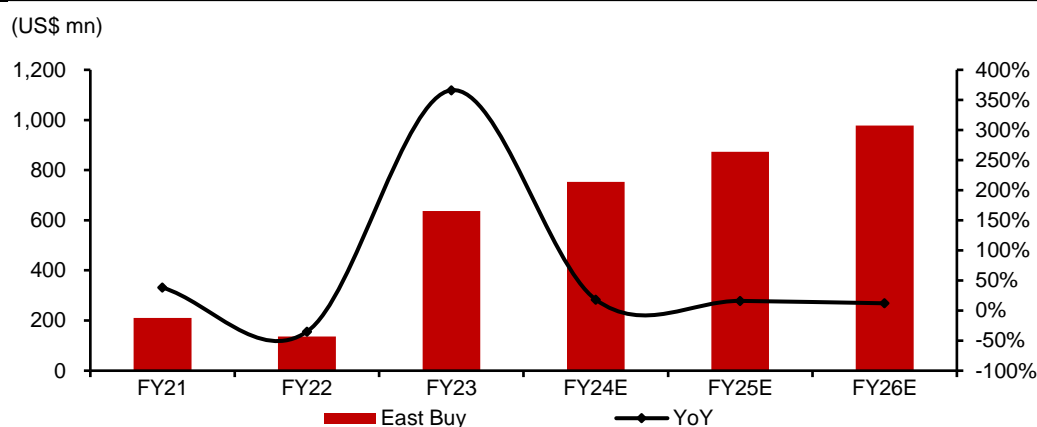
**Figure 46: New Oriental: educational and test prep revenue**



Source: Company data, CMBIGM estimates

**2) East Buy (18% of FY26E total revenue):** we forecast East Buy revenue to grow by 18/16/12% YoY to US\$753/873/978mn in FY24/25/26E, underpinned by its strategy to expand product categories, sales channels and active buyers. We are positive on its expansion strategy, leveraging its differentiated value proposition and quality supply chain.

**Figure 47: New Oriental: East Buy revenue**

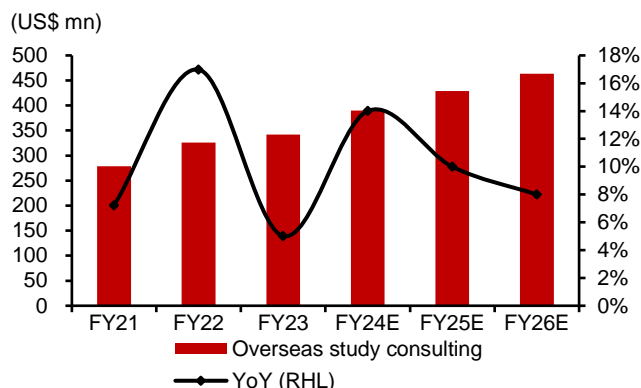


Source: Company data, CMBIGM estimates

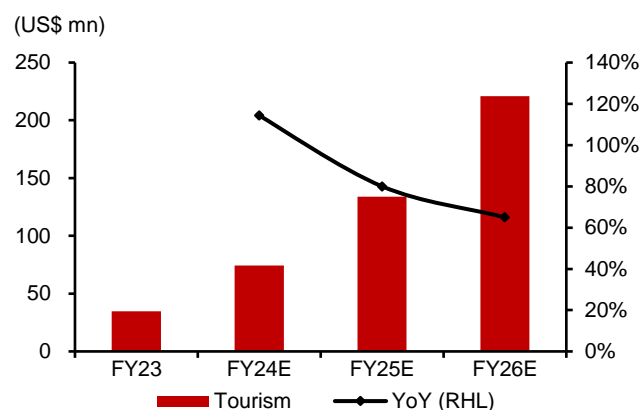
**3) Overseas study consulting (9% of FY26E total revenue):** we forecast overseas study consulting revenue to increase by 14/10/8% YoY to US\$390/429/464mn in FY24/25/26E, as the international travel and communication is back on track after the pandemic period.

**4) Tourism (4% of FY26E total revenue):** we estimate tourism revenue to increase by 114/80/65% YoY to US\$74/134/221mn in FY24/25/26E. The tourism business remains at the early development stage. We expect its tourism business to ramp up quickly, leveraging its strong brand name, quality human resources, and its self-operated livestreaming e-commerce account as an efficient customer acquisition channel.



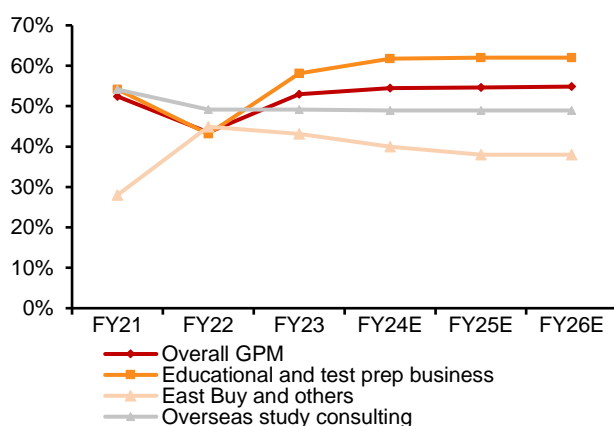
**Figure 48: New Oriental: overseas study consulting revenue**

Source: Company data, CMBIGM estimates

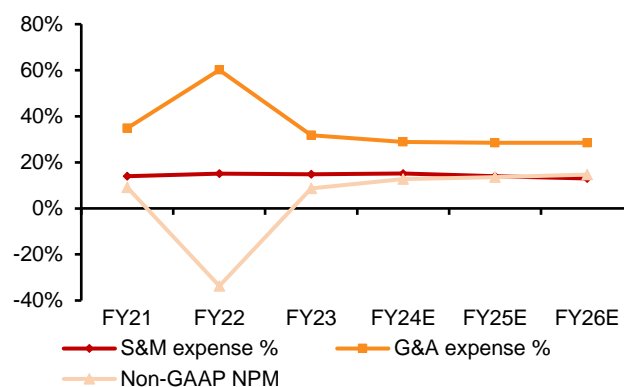
**Figure 49: New Oriental: tourism revenue**

Source: Company data, CMBIGM estimates

We expect New Oriental's overall gross margin to improve from 53.0% in FY23 to 54.5/54.7/54.8% in FY24/25/26E, primarily attributable to the improving margin of educational & test prep business and a favourable revenue mix shift. Based on our estimate, the non-GAAP net margin may further rise to 12.8/13.5/14.7% in FY24/25/26E.

**Figure 50: New Oriental: gross margin**

Source: Company data, CMBIGM estimates

**Figure 51: New Oriental: opex & margin**

Source: Company data, CMBIGM estimates

## Valuation

We use the sum-of-the-parts (SOTP) valuation methodology with a 10% holdco discount and value New Oriental at US\$104.5 per ADS, comprising:

- 1) US\$93.7 for the educational and consulting business (90% of total valuation), based on 30x FY25E PE, which is a discount to the sector average (36x PE).
- 2) US\$7.8 for East Buy (7% of total valuation), based on 20x FY25E PE, which is at a premium to the sector average (7x PE) to reflect its relatively strong earnings growth outlook (FY24-26E CAGR of 18%).
- 3) US\$3.0 for tourism and others business (3% of total valuation), based on 20x FY25E PE.

**Figure 52: New Oriental: SOTP valuation**

SOTP valuation							
(US\$m)	Revenue (FY25E)	Revenue CAGR (FY24-26E)	Earnings (FY25E)	PE (x)	% Holding	Valuation	As % of total valuation
Educational & consulting	3,757.3	26%	577.1	30	100%	17,312.9	90%
East Buy & online education	911.1	18%	131.2	20	55%	1,441.8	7%
Tourism and others	282.2	43%	27.8	20	100%	555.6	3%
<b>Total valuation (US\$m)</b>						<b>19,310.3</b>	
Holdco discount						10%	
<b>Total valuation (US\$m)</b>						<b>17,379.3</b>	
No. of ADS						166.2	
<b>Valuation per ADS (US\$)</b>						<b>104.5</b>	

Source: Company data, CMBIGM estimates

**Figure 53: Education: valuation comparison**

Company	Ticker	Price	PE (x)		PS (x)		EPS CAGR (%)
		(Local)	2024E	2025E	2024E	2025E	23-25E
Education							
TAL	TAL US	13.6	NA	62.0	6.0	4.7	NA
Youdao	DAO US	3.9	NA	30.2	0.6	0.5	NA
Gaotu	GOTU US	5.0	NA	39.0	2.6	2.1	NA
Fenbi	2469 HK	4.4	17.1	12.6	2.4	2.0	50%
Average			17.1	35.9	2.9	2.3	50%
E-commerce							
Alibaba Group	BABA US	75.6	8.5	7.5	1.4	1.3	8%
Pinduoduo	PDD US	129.8	17.7	13.4	3.7	2.9	31%
JD.com	JD US	23.8	8.0	6.9	0.2	0.2	9%
VIPShop	VIPS US	16.5	1.0	0.9	0.5	0.5	7%
Kuaishou	1024 HK	45.6	12.5	8.5	1.4	1.3	NA
Average			9.6	7.4	1.5	1.2	14%

Note: data are as of 21 Feb 2024

Source: Bloomberg, CMBIGM

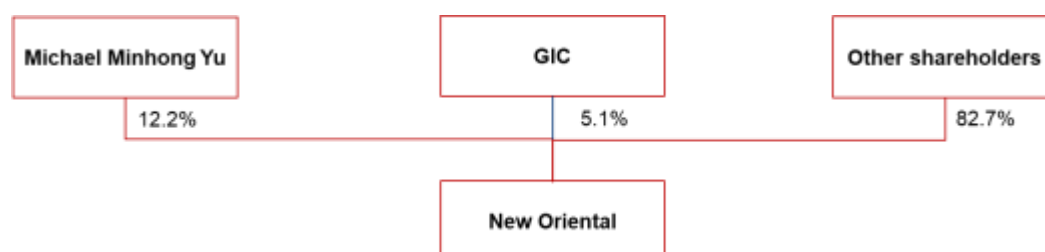
## Appendix

**Figure 54: New Oriental: management profile**

Name	Position	Prior experience
Minhong Yu	Executive Chairman	Minhong Yu is the founder of New Oriental and has served as the chairman of the board of directors since August 2001. He was also the company's chief executive officer from 2001 to September 2016. Mr. Yu currently serves as the chairman of the board and non-executive director of East Buy Holding Limited (HKEX: 1797). Mr. Yu also serves as Standing Committee Member of the Central Committee of the China Democratic League. Prior to founding the company's first school in 1993, Mr. Yu was an English instructor at Peking University from 1985 to 1991. Mr. Yu received his bachelor's degree in English from Peking University
Chenggang Zhou	Director and Chief Executive Officer	Chenggang Zhou has served as New Oriental's director since November 2010 and chief executive officer since September 2016. Mr. Zhou joined New Oriental in 2000 and has held multiple positions in the company since then, including president, executive president for domestic business, executive vice president, vice president and president of Beijing and Shanghai New Oriental Schools. Prior to joining the company, Mr. Zhou was a correspondent for the Asia Pacific region and a program host at BBC. Mr. Zhou received his bachelor's degree in English from Suzhou University in China and his master's degree in communications from Macquarie University, Australia
Zhihui Yang	Executive President and Chief Financial Officer	Zhihui Yang has served as New Oriental's executive president since January 2021 and chief financial officer since April 2015. He held multiple positions since he joined the company in April 2006, including vice president of finance, deputy director of president office and senior financial manager. Mr. Yang has served as an independent director of DiDi Global Inc. (OTC: DIDIY) since April 2023. Prior to joining the company, Mr. Yang served as the financial director of Beijing Hua De Xin Investment Co., Ltd. from July 2002 to March 2006. From August 1997 and May 2002, Mr. Yang worked for PricewaterhouseCoopers as a senior auditor. Mr. Yang received his bachelor's degree in economics from Guanghua School of Management of Peking University
Louis T. Hsieh	Director	Louis T. Hsieh has served as New Oriental's director since March 2007 and senior advisor since January 2016. From May 2009 to January 2016, Mr. Hsieh served as the company's president, and from December 2005 to April 2015, he served as the company's chief financial officer. Mr. Hsieh currently serves as the global chief financial officer, since April 2021, and board director, since June 2021, of Hesai Technology, a global leader in 3-D Lidar solutions. Mr. Hsieh holds a bachelor's degree in industrial engineering and engineering management from Stanford University, an MBA degree from the Harvard Business School, and a J.D. degree from the University of California at Berkeley.

Source: Company data, CMBIGM

**Figure 55: New Oriental: shareholding structure (as of 15 Sept 2023)**



Source: Company data, CMBIGM

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 May (US\$ mn)						
Revenue	4,277	3,105	2,998	4,007	4,951	5,884
Cost of goods sold	(2,037)	(1,754)	(1,409)	(1,800)	(2,195)	(2,582)
Gross profit	2,240	1,351	1,588	2,207	2,756	3,302
Operating expenses	(2,122)	(2,333)	(1,398)	(1,765)	(2,104)	(2,442)
Selling expense	(601)	(467)	(445)	(607)	(693)	(765)
Admin expense	(1,490)	(1,867)	(954)	(1,157)	(1,411)	(1,677)
Operating profit	117	(983)	190	442	652	860
Other income	202	(35)	119	72	0	0
Gain/loss on financial assets at FVTPL	(4)	(15)	(1)	0	0	0
Pre-tax profit	315	(1,032)	309	514	652	860
Income tax	(84)	(136)	(66)	(115)	(130)	(172)
Others	(1)	(51)	(7)	0	0	0
After tax profit	230	(1,220)	235	399	521	688
Minority interest	104	33	(58)	0	0	0
Net profit	334	(1,188)	177	399	521	688
Adjusted net profit	389	(1,046)	259	511	670	864

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 May (US\$ mn)						
Current assets	6,574	4,474	4,414	5,180	6,106	7,119
Cash & equivalents	1,612	1,149	1,663	2,338	3,151	4,066
Restricted cash	0	0	111	111	111	111
Account receivables	9	16	33	55	68	81
Inventories	31	28	53	69	96	127
Prepayment	269	215	211	265	337	391
ST bank deposits	1,214	1,140	856	856	856	856
Financial assets at FVTPL	3,435	1,902	1,478	1,478	1,478	1,478
Other current assets	4	23	9	9	9	9
Non-current assets	3,577	1,561	1,979	2,141	2,340	2,574
PP&E	865	403	360	522	721	955
Right-of-use assets	1,858	531	440	440	440	440
Deferred income tax	104	20	56	56	56	56
Investment in JVs & assos	538	438	400	400	400	400
Intangibles	5	3	25	25	25	25
Goodwill	73	71	106	106	106	106
Other non-current assets	135	95	593	593	593	593
Total assets	10,151	6,035	6,392	7,321	8,446	9,693
Current liabilities	3,471	1,710	2,251	2,668	3,124	3,506
Account payables	38	22	70	89	114	141
Tax payable	84	76	118	115	130	172
Lease liabilities	514	169	156	156	156	156
Contract liabilities	1,926	933	1,338	1,603	1,882	2,060
Accrued expenses	908	510	569	706	842	977
Non-current liabilities	1,661	531	327	327	327	327
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	1,661	531	327	327	327	327
Total liabilities	5,133	2,241	2,578	2,995	3,450	3,832
Total shareholders equity	4,913	3,706	3,604	4,116	4,786	5,650
Minority interest	105	88	210	210	210	210
Total equity and liabilities	10,151	6,035	6,392	7,321	8,446	9,693

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 May (US\$ mn)</b>						
<b>Operating</b>						
Profit before taxation	315	(1,032)	309	514	652	860
Depreciation & amortization	226	192	117	38	48	60
Tax paid	(84)	(136)	(66)	(115)	(130)	(172)
Change in working capital	529	(1,154)	538	326	343	284
Others	144	850	74	112	149	177
<b>Net cash from operations</b>	<b>1,130</b>	<b>(1,280)</b>	<b>971</b>	<b>875</b>	<b>1,061</b>	<b>1,209</b>
<b>Investing</b>						
Capital expenditure	(310)	(310)	(310)	(310)	(310)	(310)
Acquisition of subsidiaries/ investments	(13)	0	1	0	0	0
Net proceeds from disposal of short-term investments	(1,709)	1,447	117	0	0	0
Others	(147)	31	154	109	62	15
<b>Net cash from investing</b>	<b>(2,178)</b>	<b>1,169</b>	<b>(37)</b>	<b>(200)</b>	<b>(248)</b>	<b>(294)</b>
<b>Financing</b>						
Net borrowings	297	0	0	0	0	0
Share repurchases	(20)	0	0	0	0	0
Others	1,377	(231)	(247)	0	0	0
<b>Net cash from financing</b>	<b>1,654</b>	<b>(231)</b>	<b>(247)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	915	1,612	1,149	1,663	2,338	3,151
Exchange difference	91	(121)	(61)	0	0	0
<b>Cash at the end of the year</b>	<b>1,612</b>	<b>1,149</b>	<b>1,774</b>	<b>2,338</b>	<b>3,151</b>	<b>4,066</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 May</b>						
Revenue	19.5%	(27.4%)	(3.5%)	33.7%	23.6%	18.9%
Gross profit	12.6%	(39.7%)	17.6%	39.0%	24.9%	19.8%
Operating profit	(70.6%)	na	na	132.6%	47.4%	32.0%
Net profit	(19.1%)	na	na	125.1%	30.6%	32.0%
Adj. net profit	(20.9%)	na	na	97.5%	31.0%	29.1%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 May</b>						
Gross profit margin	52.4%	43.5%	53.0%	55.1%	55.7%	56.1%
Operating margin	2.7%	(31.6%)	6.3%	11.0%	13.2%	14.6%
Adj. net profit margin	9.1%	(33.7%)	8.6%	12.8%	13.5%	14.7%
Return on equity (ROE)	8.7%	(27.6%)	4.9%	10.3%	11.7%	13.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 May</b>						
Current ratio (x)	1.9	2.6	2.0	1.9	2.0	2.0
Receivable turnover days	0.7	1.9	4.0	5.0	5.0	5.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 May</b>						
P/E	76.1	na	29.7	36.6	28.0	21.2
P/E (diluted)	76.3	na	29.9	36.7	28.1	21.3
P/B	5.2	1.2	1.5	3.5	3.1	2.6

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



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