

New Oriental (EDU US)

1QFY27 results: Solid top-line growth; stagnant margin trend weighs on ST sentiment

New Oriental reported 1QFY27 results: net revenue increased by 23% YoY to US\$1.87bn, and non-GAAP operating income grew by 21% YoY to US\$407mn, both in line with Visible Alpha (VA) consensus estimates. Looking ahead, management also maintains FY27E total net revenue guidance of US\$6.45-6.68bn (+14-18% YoY). The post-results share price correction, in our view, mainly reflects certain investor concerns on the stagnant margin trend; but this was primarily due to the revenue mix shift, and management highlighted the YoY margin expansion in both core education business and East Buy. Overall, we keep our FY27-29E revenue forecasts largely unchanged, but lower FY27-29E OP forecast by 2-5% in view of the slower-than-expected margin expansion. We trim our SOTP-derived target price to US\$85.0 (previous: US\$90.0). Current valuation (11x FY27E non-GAAP PE) offers attractive risk-reward, in our view. Maintain BUY on solid business outlook and shareholder return.

- **Solid core educational business.** By segment, in 1QFY27: 1) new educational business initiatives revenue increased by 25% YoY, mainly fuelled by the growth of active paid users of intelligent learning system (+14% YoY); 2) revenue from domestic test prep targeting adults and university students grew by 22% YoY; 3) overseas test prep and consulting revenue increased by 8% YoY amid macro and geopolitical uncertainty. Looking into 2QFY27E, we expect total net revenue to rise by 26% YoY to US\$1.50bn, with new educational initiatives/high-school tutoring/domestic test prep/overseas-related business up by 21%/16%/24%/7% YoY respectively.
- **East Buy recorded strong revenue growth.** East Buy achieved strong YoY revenue growth with margin expansion in 1QFY27, outpacing the group's revenue growth. East Buy has been exploring offline retail opportunities through leveraging New Oriental's learning centres and opening offline experience stores. New Oriental Home, a comprehensive customer service platform, had already served over 1.68mn families across 69 cities by 1QFY27-end. On the AI front, New Oriental has launched an AI-powered personalized learning platform, which generated meaningful revenue in 25 days after its launch. It will continue to advance AI-driven solutions to expand its market reach and improve operational efficiency.
- **Margin expansion across core business lines.** Non-GAAP OPM was largely flattish YoY at 22% in 1QFY27, as margin expansion in core education business & East Buy was offset by the revenue mix shift to lower-margin East Buy business. Looking ahead in 2QFY27E, management expects margin expansion to continue for both businesses, mainly thanks to the improved operational efficiency and cost control initiatives. In terms of shareholder return, the company announced cash dividend of US\$2.0 per ADS (dividend yield of 3%) and a US\$200mn 12-month share repurchase program (c.2% of current market cap).

Earnings Summary

(YE 31 May)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue (US\$ mn)	4,900	5,661	6,693	7,345	7,841
YoY growth (%)	13.6	15.5	18.2	9.7	6.7
Adjusted net profit (US\$ mn)	517.1	571.1	701.3	781.4	888.4
EPS (Adjusted) (US\$)	3.19	3.66	4.59	5.21	6.05
Consensus EPS (US\$)	3.19	3.66	4.43	5.16	5.86
P/E (x)	22.1	16.7	12.9	10.4	8.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$85.00
(Previous TP)	US\$90.00)
Up/Downside	67.6%
Current Price	US\$50.72

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Stock Data

Mkt Cap (US\$ mn)	7,755.6
Avg 3 mths t/o (US\$ mn)	10.1
52w High/Low (US\$)	63.51/44.44
Total Issued Shares (mn)	152.9

Source: FactSet

Shareholding Structure

Minhong Yu	12.9%
First Beijing	11.1%

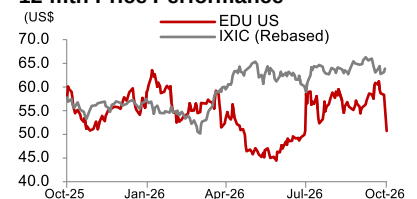
Source: Company data

Share Performance

	Absolute	Relative
1-mth	-6.9%	-6.0%
3-mth	-13.4%	-20.3%
6-mth	-4.9%	-11.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: New Oriental: forecast revision

US\$m	Current			Previous			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	6,693.2	7,345.3	7,840.6	6,650.9	7,298.9	7,791.6	0.6%	0.6%	0.6%
Gross profit	3,648.2	4,020.2	4,301.6	3,667.5	4,026.4	4,308.2	-0.5%	-0.2%	-0.2%
Non-GAAP OP	909.7	1,023.3	1,165.3	961.7	1,077.6	1,191.6	-5.4%	-5.0%	-2.2%
Non-GAAP net income	701.3	781.4	888.4	726.1	795.4	881.3	-3.4%	-1.8%	0.8%
Non-GAAP EPS (US\$)	4.6	5.2	6.0	4.7	5.3	6.0	-3.4%	-1.8%	0.8%
Gross margin	54.5%	54.7%	54.9%	55.1%	55.2%	55.3%	-0.6 ppt	-0.4 ppt	-0.4 ppt
Non-GAAP OPM	13.6%	13.9%	14.9%	14.5%	14.8%	15.3%	-0.9 ppt	-0.8 ppt	-0.4 ppt
Non-GAAP net margin	10.5%	10.6%	11.3%	10.9%	10.9%	11.3%	-0.4 ppt	-0.3 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 2: New Oriental: CMBIGM estimates vs consensus

US\$m	CMBIGM			Consensus			Diff (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	6,693.2	7,345.3	7,840.6	6,662.7	7,410.9	8,149.1	0.5%	-0.9%	-3.8%
Gross profit	3,648.2	4,020.2	4,301.6	3,638.1	4,040.8	4,455.3	0.3%	-0.5%	-3.5%
Non-GAAP OP	909.7	1,023.3	1,165.3	931.8	1,091.6	1,237.1	-2.4%	-6.3%	-5.8%
Non-GAAP net income	701.3	781.4	888.4	693.9	810.0	909.7	1.1%	-3.5%	-2.3%
Non-GAAP EPS (US\$)	4.6	5.2	6.0	4.4	5.2	5.9	3.5%	1.1%	3.3%
Gross margin	54.5%	54.7%	54.9%	54.6%	54.5%	54.7%	-0.1 ppt	0.2 ppt	0.2 ppt
Non-GAAP OPM	13.6%	13.9%	14.9%	14.0%	14.7%	15.2%	-0.4 ppt	-0.8 ppt	-0.3 ppt
Non-GAAP net margin	10.5%	10.6%	11.3%	10.4%	10.9%	11.2%	0.1 ppt	-0.3 ppt	0.2 ppt

Source: CMBIGM estimates, Visible Alpha

Valuation

1) US\$81.2 for the educational and consulting business (96% of total valuation), based on 20x FY27E PE, which is on par with the educational sector average.

2) US\$2.9 for East Buy (3% of total valuation), based on 9x FY27E PE, which is on par with the e-commerce sector average.

3) US\$0.9 for the Tourism and others business (1% of total valuation), based on 7x FY27E PE, which is on par with the other OTA platforms.

Figure 3: New Oriental: SOTP valuation

SOTP valuation							
(US\$m)	Revenue (FY27E)	Revenue CAGR (FY27-29E)	Earnings (FY27E)	PE (x)	% Holding	Valuation	As % of total Valuation
Educational & consulting	5,108.7	9%	691.4	20	100%	13,828.3	95.5%
East Buy	1,202.2	25%	97.6	9	56%	491.6	3.4%
Tourism and others	382.4	9%	22.3	7	100%	156.2	1.1%
Total valuation (US\$m)						14,476.1	
Holdco discount						10%	
Total valuation (US\$m)						13,028.5	
No. of ADSs						152.9	
Valuation per ADS (US\$)						85.0	

Source: Company data, CMBIGM estimates

Figure 4: New Oriental: valuation comparison

Companies	Ticker	Price (LC)	PE (x)		PS (x)	
			2027E	2028E	2027E	2028E
Education						
TAL	TAL US	10.2	7.1	8.2	1.5	1.3
Youdao	DAO US	19.0	40.2	29.6	2.1	1.8
Gaotu	GOTU US	2.6	30.7	18.6	0.5	0.5
Fenbi	2469 HK	0.3	1.3	NA	0.2	NA
Average			19.8	18.8	1.1	1.2
E-commerce						
Alibaba	BABA US	100.2	15.3	11.0	1.5	1.4
Pinduoduo	PDD US	78.4	6.6	5.7	1.5	1.3
JD.com	JD US	25.6	6.2	5.3	0.2	0.2
VIPShop	VIPS US	12.7	5.1	4.9	0.4	0.4
Kuaishou	1024 HK	27.2	9.9	8.3	0.7	0.7
Average			8.6	7.0	0.9	0.8
OTA						
Trip.com	TCOM US	39.6	9.4	8.3	2.6	2.4
Tongcheng Travel	780 HK	10.0	4.9	4.4	0.9	0.8
Average			7.2	6.4	1.7	1.6

Source: Visible Alpha, CMBIGM

Note: data are as of 27 Oct 2026

Risks

A tightening regulatory environment; intensifying competition; macro and geopolitical uncertainties impacting overseas business.

Financial Summary

INCOME STATEMENT	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US\$ mn)						
Revenue	4,314	4,900	5,661	6,693	7,345	7,841
Cost of goods sold	(2,051)	(2,183)	(2,568)	(3,045)	(3,325)	(3,539)
Gross profit	2,263	2,717	3,093	3,648	4,020	4,302
Operating expenses	(1,912)	(2,289)	(2,450)	(2,843)	(3,056)	(3,199)
Selling expense	(661)	(784)	(856)	(1,016)	(1,065)	(1,082)
Admin expense	(1,252)	(1,444)	(1,594)	(1,827)	(1,991)	(2,117)
Operating profit	350	428	643	805	965	1,103
Other income	124	118	77	61	61	61
Gain/loss on financial assets at FVTPL	19	(10)	11	(2)	0	0
Pre-tax profit	494	536	731	864	1,026	1,164
Income tax	(110)	(146)	(196)	(224)	(256)	(291)
Others	(59)	(14)	(18)	0	0	0
After tax profit	325	376	517	640	770	873
Minority interest	(16)	(4)	(41)	(40)	(40)	(40)
Net profit	310	372	475	601	730	834
Adjusted net profit	381	517	571	701	781	888

BALANCE SHEET	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US\$ mn)						
Current assets	5,389	5,188	5,832	5,973	6,123	6,236
Cash & equivalents	1,389	1,612	1,821	1,781	1,855	1,906
Restricted cash	177	181	179	179	179	179
Account receivables	30	34	37	92	101	107
Inventories	93	81	106	167	200	233
Prepayment	309	308	389	455	489	512
ST bank deposits	1,320	1,092	919	919	919	919
Financial assets at FVTPL	2,066	1,874	2,372	2,372	2,372	2,372
Other current assets	4	7	8	8	8	8
Non-current assets	2,143	2,618	2,960	3,226	3,507	3,795
PP&E	508	767	880	1,146	1,427	1,715
Right-of-use assets	654	794	854	854	854	854
Deferred income tax	73	98	105	105	105	105
Investment in JVs & assos	356	388	383	383	383	383
Intangibles	19	13	8	8	8	8
Goodwill	104	44	47	47	47	47
Other non-current assets	430	513	683	683	683	683
Total assets	7,532	7,805	8,792	9,198	9,630	10,031
Current liabilities	3,001	3,290	3,890	4,057	4,188	4,211
Account payables	106	80	127	175	200	223
Tax payable	140	168	204	224	256	291
Lease liabilities	200	256	285	285	285	285
Contract liabilities	1,781	1,955	2,336	2,235	2,224	2,132
Accrued expenses	775	831	938	1,137	1,222	1,280
Non-current liabilities	482	562	578	578	578	578
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	482	562	578	578	578	578
Total liabilities	3,483	3,852	4,468	4,635	4,766	4,789
Total shareholders equity	3,776	3,662	3,986	4,186	4,447	4,785
Minority interest	273	292	338	378	418	457
Total equity and liabilities	7,532	7,805	8,792	9,198	9,630	10,031

CASH FLOW	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US\$ mn)						
Operating						
Profit before taxation	494	536	731	864	1,026	1,164
Depreciation & amortization	101	140	60	69	86	104
Tax paid	(110)	(146)	(196)	(224)	(256)	(291)
Change in working capital	519	251	366	(14)	54	(39)
Others	119	116	66	99	52	55
Net cash from operations	1,123	897	1,027	794	961	993
Investing						
Capital expenditure	(310)	(310)	(310)	(310)	(310)	(310)
Acquisition of subsidiaries/ investments	0	(11)	0	0	0	0
Net proceeds from disposal of short-term investments	(793)	245	(284)	0	0	0
Others	(52)	(18)	136	(25)	(58)	(82)
Net cash from investing	(1,154)	(93)	(458)	(335)	(367)	(392)
Financing						
Net borrowings	0	0	0	0	0	0
Share repurchases	(63)	(445)	(278)	(200)	(200)	(200)
Others	(97)	(139)	(102)	(300)	(320)	(350)
Net cash from financing	(160)	(585)	(380)	(500)	(520)	(550)
Net change in cash						
Cash at the beginning of the year	1,663	1,389	1,612	1,821	1,781	1,855
Exchange difference	(25)	10	90	0	0	0
Others	(57)	(5)	0	0	0	0
Cash at the end of the year	1,389	1,612	1,892	1,781	1,855	1,906
GROWTH	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May						
Revenue	43.9%	13.6%	15.5%	18.2%	9.7%	6.7%
Gross profit	42.5%	20.1%	13.8%	17.9%	10.2%	7.0%
Operating profit	84.4%	22.2%	50.2%	25.1%	19.9%	14.3%
Net profit	74.6%	20.1%	27.8%	26.4%	21.5%	14.2%
Adj. net profit	47.2%	35.7%	10.5%	22.8%	11.4%	13.7%
PROFITABILITY	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May						
Gross profit margin	52.5%	55.4%	54.6%	54.5%	54.7%	54.9%
Operating margin	8.1%	8.7%	11.4%	12.0%	13.1%	14.1%
Adj. net profit margin	8.8%	10.6%	10.1%	10.5%	10.6%	11.3%
Return on equity (ROE)	8.4%	10.0%	12.4%	14.7%	16.9%	18.1%
GEARING/LIQUIDITY/ACTIVITIES	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May						
Current ratio (x)	1.8	1.6	1.5	1.5	1.5	1.5
Receivable turnover days	2.5	2.5	2.4	5.0	5.0	5.0
VALUATION	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May						
P/E	27.1	22.1	16.7	12.9	10.4	8.9
P/E (diluted)	27.2	22.3	16.9	13.1	10.6	9.1
P/B	2.2	2.2	2.0	1.9	1.7	1.6

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

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