30 Jul 2026

CMB International Global Markets | Equity Research | Company Update

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New Oriental (EDU US)

4QFY26 results beat; expect solid momentum to sustain in FY27E

New Oriental announced 4QFY26 results: net revenue was up by 23% YoY to US$1.53bn, 4% ahead of the Visible Alpha (VA) consensus estimate thanks to the solid growth of core educational businesses; non-GAAP operating income increased by 35% YoY to US$110mn, beating VA consensus by 7% thanks to the outperformance of revenue and enhanced operating efficiency. In FY26, net revenue/non-GAAP operating income grew by 16%/33% YoY to US$5.66/0.74bn. Looking into FY27E, management guided net revenue to grow by 14-18% YoY to US$6.45bn-6.68bn, also ahead of VA consensus of US$6.27bn. Meanwhile, management expects further margin improvement in FY27E, underpinned by the enhanced operational efficiency and operating leverage. The company's focus on teaching quality bear fruit, which improved student retention, enhanced utilization of teaching centre and accelerated revenue growth. We raise our FY27-28E non-GAAP OP forecasts by 8-9%, and lift our SOTP-derived target price to US$90.0 (previous: US$82.0). Maintain BUY.

- **Core educational business maintained strong momentum.** In 4QFY26: 1) new educational business initiatives revenue grew by 25% YoY, primarily driven by the solid growth of active paid users of intelligent learning system (+28% YoY) and non-academic tutoring course enrolment (+17% YoY); 2) domestic test prep targeting adults and university students increased by 29% YoY; 3) overseas test prep and consulting revenue was up by 4% YoY despite macro and geopolitical uncertainty. For 1QFY27E, we forecast total net revenue to grow by 19% YoY to US$1.82bn, with new educational initiatives/high-school tutoring/domestic test prep/overseas-related business up by 25%/19%/21%/5% YoY.
- **East Buy achieved solid revenue and earnings performance.** East Buy also recorded strong growth in FY26, with revenue up by 27-32% YoY to RMB5.6-5.8bn and net income of RMB520-550mn (vs net income of RMB6mn in FY25). Looking into FY27, East Buy will expand offline experience stores via New Oriental's learning centres, accelerate private label development, refine membership operations, and improve supply chain efficiency. On the AI front, New Oriental leverages AI to enhance its educational offerings and boost internal operational efficiency. The company also recently launched a proprietary AI-powered personalized learning platform and achieved meaningful sales in 25 days after launch.
- **Enhancing margin and shareholder return.** Non-GAAP OPM improved by 0.6ppts YoY to 7.2% in 4QFY26, mainly thanks to the disciplined capacity expansion, improved utilization and solid earnings performance of East Buy. Management expects further margin expansion in FY27E, supported by operating leverage and enhanced operational efficiency. The company announces an additional US$200mn 12-month share repurchase program and expects to pay a total cash dividend of US$300mn for FY27, which translates into an attractive shareholder return yield of c.6%.

Earnings Summary

(YE 31 May)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue (US$ mn)	4,900	5,661	6,651	7,299	7,792
YoY growth (%)	13.6	15.5	17.5	9.7	6.8
Adjusted net profit (US$ mn)	517.1	571.1	726.1	795.4	881.3
EPS (Adjusted) (US$)	3.19	3.66	4.75	5.31	6.00
Consensus EPS (US$)	3.19	3.66	4.38	5.06	5.70
P/E (x)	25.5	19.2	14.3	11.8	10.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$90.00**
(Previous TP	US$82.00)
Up/Downside	**53.6%**
Current Price	**US$58.58**

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Stock Data

Mkt Cap (US$ mn)	9,140.3
Avg 3 mths t/o (US$ mn)	11.4
52w High/Low (US$)	63.51/44.11
Total Issued Shares (mn)	156.0

Source: FactSet

Shareholding Structure

Minhong Yu	12.5%
First Beijing	11.0%

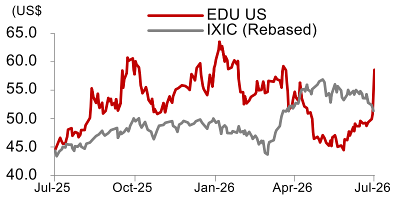
Source: Company data

Share Performance

	Absolute	Relative
1-mth	27.6%	36.8%
3-mth	7.1%	9.1%
6-mth	-3.0%	-6.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: New Oriental: forecast revision

US$mn	Current FY27E	FY28E	FY29E	Previous FY27E	FY28E	FY29E	Change (%) FY27E	FY28E	FY29E
Revenue	6,650.9	7,298.9	7,791.6	6,405.0	6,961.7	NA	3.8%	4.8%	NA
Gross profit	3,667.5	4,026.4	4,308.2	3,521.2	3,829.1	NA	4.2%	5.2%	NA
Non-GAAP OP	961.7	1,077.6	1,191.6	882.3	995.6	NA	9.0%	8.2%	NA
Non-GAAP net income	726.1	795.4	881.3	755.2	832.7	NA	-3.9%	-4.5%	NA
Non-GAAP EPS (US$)	4.7	5.3	6.0	4.8	5.2	NA	-0.2%	1.2%	NA
Gross margin	55.1%	55.2%	55.3%	55.0%	55.0%	NA	0.2 ppt	0.2 ppt	NA
Non-GAAP OPM	14.5%	14.8%	15.3%	13.8%	14.3%	NA	0.7 ppt	0.5 ppt	NA
Non-GAAP net margin	10.9%	10.9%	11.3%	11.8%	12.0%	NA	-0.9 ppt	-1.1 ppt	NA

Source: CMBIGM estimates

Figure 2: New Oriental: CMBIGM estimates vs consensus

US$mn	CMBIGM FY27E	FY28E	FY29E	Consensus FY27E	FY28E	FY29E	Diff (%) FY27E	FY28E	FY29E
Revenue	6,650.9	7,298.9	7,791.6	6,271.7	6,917.6	7,776.6	6.0%	5.5%	0.2%
Gross profit	3,667.5	4,026.4	4,308.2	3,455.8	3,807.1	4,318.5	6.1%	5.8%	-0.2%
Non-GAAP OP	961.7	1,077.6	1,191.6	895.0	1,035.9	1,234.8	7.5%	4.0%	-3.5%
Non-GAAP net income	726.1	795.4	881.3	694.7	796.6	920.7	4.5%	-0.2%	-4.3%
Non-GAAP EPS (US$)	4.7	5.3	6.0	4.4	5.1	5.7	8.3%	5.0%	5.2%
Gross margin	55.1%	55.2%	55.3%	55.1%	55.0%	55.5%	0.0 ppt	0.1 ppt	-0.2 ppt
Non-GAAP OPM	14.5%	14.8%	15.3%	14.3%	15.0%	15.9%	0.2 ppt	-0.2 ppt	-0.6 ppt
Non-GAAP net margin	10.9%	10.9%	11.3%	11.1%	11.5%	11.8%	-0.2 ppt	-0.6 ppt	-0.5 ppt

Source: CMBIGM estimates, Visible Alpha

Valuation

1) US$86.1 for the educational and consulting business (96% of total valuation), based on 20x FY27E PE, which is at a premium to the educational sector average (17x) given New Oriental's solid leadership in China's educational sector.

2) US$2.8 for East Buy (3% of total valuation), based on 9x FY27E PE, which is on par with the e-commerce sector average.

3) US$1.1 for the Tourism and others business (1% of total valuation), based on 9x FY27E PE, which is on par with the other OTA platforms.

Figure 3: New Oriental: SOTP valuation

SOTP valuation							
(US$mn)	**Revenue (FY27E)**	**Revenue CAGR (FY27-29E)**	**Earnings (FY27E)**	**PE (x)**	**% Holding**	**Valuation**	**As % of total Valuation**
Educational & consulting	5,124.1	9%	729.0	20	100%	14,580.5	95.7%
East Buy	1,165.9	24%	93.2	9	56%	469.3	3.1%
Tourism and others	360.8	7%	21.0	9	100%	189.0	1.2%
Total valuation (US$mn)						**15,238.8**	
Holdco discount						10%	
Total valuation (US$mn)						**13,714.9**	
No. of ADS						152.9	
Valuation per ADS (US$)						**90.0**	

Source: Company data, CMBIGM estimates

Figure 4: Education: valuation comparison

Companies	Ticker	Price	PE (x)		PS (x)	
		(LC)	2027E	2028E	2027E	2028E
Education						
TAL	TAL US	10.4	10.8	9.1	1.6	1.3
Youdao	DAO US	16.0	40.7	29.4	1.8	1.6
Gaotu	GOTU US	1.6	13.3	7.6	0.3	0.3
Fenbi	2469 HK	0.3	1.7	NA	0.2	NA
Average			**16.6**	**15.3**	**1.0**	**1.1**
E-commerce						
Alibaba	BABA US	115.2	17.4	12.7	1.7	1.5
Pinduoduo	PDD US	85.7	6.8	5.7	1.6	1.4
JD.com	JD US	31.8	7.5	6.3	0.2	0.2
VIPShop	VIPS US	14.9	5.5	5.4	0.4	0.4
Kuaishou	1024 HK	42.3	8.4	7.3	1.0	0.9
Average			**9.1**	**7.5**	**1.0**	**0.9**
OTA						
Trip.com	TCOM US	45.3	11.2	9.9	2.9	2.7
Tongcheng Travel	780 HK	13.8	6.5	5.9	1.2	1.1
Average			**8.9**	**7.9**	**2.1**	**1.9**

Source: Visible Alpha, CMBIGM
Note: data as of 28 Jul 2026

Financial Summary

INCOME STATEMENT	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US$ mn)						
Revenue	**4,314**	**4,900**	**5,661**	**6,651**	**7,299**	**7,792**
Cost of goods sold	(2,051)	(2,183)	(2,568)	(2,983)	(3,273)	(3,483)
Gross profit	**2,263**	**2,717**	**3,093**	**3,667**	**4,026**	**4,308**
Operating expenses	**(1,912)**	**(2,289)**	**(2,450)**	**(2,806)**	**(3,007)**	**(3,179)**
Selling expense	(661)	(784)	(856)	(970)	(1,022)	(1,075)
Admin expense	(1,252)	(1,444)	(1,594)	(1,836)	(1,985)	(2,104)
Operating profit	**350**	**428**	**643**	**862**	**1,019**	**1,129**
Other income	124	118	77	61	61	61
Gain/loss on financial assets at FVTPL	19	(10)	11	0	0	0
Pre-tax profit	**494**	**536**	**731**	**923**	**1,081**	**1,191**
Income tax	(110)	(146)	(196)	(231)	(270)	(298)
Others	(59)	(14)	(18)	(23)	(23)	(23)
After tax profit	**325**	**376**	**517**	**669**	**787**	**870**
Minority interest	(16)	(4)	(41)	(43)	(43)	(43)
Net profit	**310**	**372**	**475**	**626**	**744**	**827**
Adjusted net profit	**381**	**517**	**571**	**726**	**795**	**881**

BALANCE SHEET	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US$ mn)						
Current assets	**5,389**	**5,188**	**5,832**	**5,979**	**6,153**	**6,269**
Cash & equivalents	1,389	1,612	1,821	1,797	1,896	1,946
Restricted cash	177	181	179	179	179	179
Account receivables	30	34	37	91	100	107
Inventories	93	81	106	163	197	229
Prepayment	309	308	389	449	481	509
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**	**3,224**	**3,503**	**3,788**
PP&E	508	767	880	1,143	1,423	1,708
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**	**9,203**	**9,656**	**10,058**
Current liabilities	**3,001**	**3,290**	**3,890**	**4,032**	**4,166**	**4,193**
Account payables	106	80	127	172	197	220
Tax payable	140	168	204	231	270	298
Lease liabilities	200	256	285	285	285	285
Contract liabilities	1,781	1,955	2,336	2,222	2,210	2,119
Accrued expenses	775	831	938	1,122	1,203	1,272
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**	**4,609**	**4,743**	**4,771**
Total shareholders equity	**3,776**	**3,662**	**3,986**	**4,212**	**4,488**	**4,819**
Minority interest	273	292	338	381	424	468
Total equity and liabilities	**7,532**	**7,805**	**8,792**	**9,203**	**9,656**	**10,058**

CASH FLOW	2024A	2025A	2026A	2027E	2028E	2029E
YE 31 May (US$ mn)						
Operating						
Profit before taxation	**494**	**536**	**731**	**923**	**1,081**	**1,191**
Depreciation & amortization	101	140	60	69	86	104
Tax paid	(110)	(146)	(196)	(231)	(270)	(298)
Change in working capital	519	251	366	(30)	59	(38)
Others	119	116	66	77	28	31
Net cash from operations	**1,123**	**897**	**1,027**	**809**	**983**	**990**
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	(23)	(55)	(80)
Net cash from investing	**(1,154)**	**(93)**	**(458)**	**(333)**	**(365)**	**(390)**
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	1,797	1,896
Exchange difference	(25)	10	90	0	0	0
Cash at the end of the year	**1,389**	**1,612**	**1,892**	**1,797**	**1,896**	**1,946**
GROWTH	**2024A**	**2025A**	**2026A**	**2027E**	**2028E**	**2029E**
YE 31 May						
Revenue	43.9%	13.6%	15.5%	17.5%	9.7%	6.8%
Gross profit	42.5%	20.1%	13.8%	18.6%	9.8%	7.0%
Operating profit	84.4%	22.2%	50.2%	34.0%	18.2%	10.8%
Net profit	74.6%	20.1%	27.8%	31.8%	18.8%	11.1%
Adj. net profit	47.2%	35.7%	10.5%	27.1%	9.5%	10.8%
PROFITABILITY	**2024A**	**2025A**	**2026A**	**2027E**	**2028E**	**2029E**
YE 31 May						
Gross profit margin	52.5%	55.4%	54.6%	55.1%	55.2%	55.3%
Operating margin	8.1%	8.7%	11.4%	13.0%	14.0%	14.5%
Adj. net profit margin	8.8%	10.6%	10.1%	10.9%	10.9%	11.3%
Return on equity (ROE)	8.4%	10.0%	12.4%	15.3%	17.1%	17.8%
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	31.3	25.5	19.2	14.3	11.8	10.4
P/E (diluted)	31.5	25.7	19.5	14.5	12.0	10.6
P/B	2.6	2.6	2.3	2.1	2.0	1.8

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

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