29 Oct 2025

CMB International Global Markets | Equity Research | Company Update

招银国际 CMB INTERNATIONAL
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New Oriental (EDU US)

Inline 1QFY26 results; enhancing profitability and shareholder return

New Oriental reported 1QFY26 financial results: net revenue was up by 6% YoY to US$1.52bn, in line with Bloomberg consensus estimate; non-GAAP operating income was up by 11% YoY to US$336mn, 4% ahead of consensus estimate, mainly due to the enhanced operational efficiency and disciplined capacity expansion. For 2QFY26E, management guided net revenue to grow by 9-12% YoY to US$1.13bn-1.16bn, with growth reaccelerating thanks to the notable revenue growth acceleration of the K-12 business. Meanwhile, the company maintains its full-year revenue guidance of US$5.15-5.39bn (+5-10% YoY) in FY26E. We raise our FY26-28E total revenue forecast by 2-3% in view of the solid K-12 business, and lift our SOTP-derived target price to US$76.0 (previous: US$70.0). Maintain BUY on resilient revenue growth outlook and attractive shareholder return (c.5% of market cap).

- **Inline 1QFY26 results.** Overseas test prep and overseas study consulting businesses continued to face pressure amid macro uncertainty, with revenue growth decelerating to +1% YoY and +2% YoY respectively in 1QFY26. Domestic test prep revenue grew by 14% YoY in 1QFY26. New educational business initiatives revenue was up by 15% YoY in 1QFY26, thanks to the solid growth of non-academic tutoring course enrolment (+10% YoY) and the active paid users of intelligent learning system (+40% YoY). The company's newly launched AI-powered intelligent learning device further improves the study experience, which has driven solid growth of the paid users of intelligent learning devices. Besides, the company applies AI to enhance its internal operational efficiency, supporting margin expansion.
- **Expect revenue growth to reaccelerate in 2QFY26E.** For 2QFY26E, management noted the meaningful revenue growth acceleration of the K-12 business despite intense competition, primarily attributable to the enhanced retention rate and improved product quality. For 2QFY26E, we forecast domestic test prep for adults/new educational initiatives/high-school tutoring revenue to increase by 13%/12%/21% YoY respectively, but overseas-related business revenue to decrease by 5% YoY amid macro and geopolitical uncertainties.
- **Improving efficiency and shareholder return.** Non-GAAP OPM rose by 1ppt YoY to 22% in 1QFY26, mainly thanks to the company's cost optimization effort. Non-GAAP G&A expenses were down by 1% YoY to US$351mn in 1QFY26. Looking ahead, management will continue to balance revenue growth and profitability. We expect non-GAAP OPM to expand by 2ppt YoY to 5% in 2QFY26E. To implement its share return plan, the company also announced a cash dividend of US$1.2 per ADS (total amount of US$190mn) and a new 12-month share repurchase program of US$300mn, which together represent c.5% of its market cap as of 28 Oct.

Earnings Summary

(YE 31 May)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US$ mn)	4,314	4,900	5,414	5,935	6,407
YoY growth (%)	43.9	13.6	10.5	9.6	7.9
Adjusted net profit (US$ mn)	381.1	517.1	577.7	664.8	728.3
EPS (Adjusted) (US$)	2.30	3.19	3.64	4.19	4.59
Consensus EPS (US$)	2.30	3.19	3.42	3.87	4.48
P/E (x)	31.3	25.5	19.2	16.2	14.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**US$76.00**
(Previous TP	US$70.00)
Up/Downside	**29.8%**
Current Price	**US$58.56**

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Stock Data

Mkt Cap (US$ mn)	9,299.3
Avg 3 mths t/o (US$ mn)	19.8
52w High/Low (US$)	68.23/41.22
Total Issued Shares (mn)	158.8

Source: FactSet

Shareholding Structure

Minhong Yu	12.5%
First Beijing	11.0%

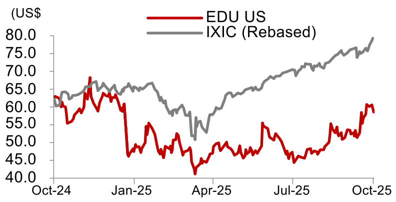
Source: Company data

Share Performance

	Absolute	Relative
1-mth	9.3%	3.6%
3-mth	25.3%	10.9%
6-mth	19.8%	-12.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: New Oriental: forecast revision

	Current			Previous			Change (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,413.7	5,935.4	6,406.6	5,303.7	5,783.7	6,213.3	2.1%	2.6%	3.1%
Gross profit	2,964.2	3,270.9	3,536.9	2,940.1	3,234.7	3,487.5	0.8%	1.1%	1.4%
Non-GAAP OP	648.6	754.4	833.3	619.0	730.3	815.8	4.8%	3.3%	2.1%
Non-GAAP net income	577.7	664.8	728.3	576.1	662.5	725.9	0.3%	0.4%	0.3%
Non-GAAP EPS (US$)	3.6	4.2	4.6	3.6	4.2	4.6	0.3%	0.4%	0.3%
Gross margin	54.8%	55.1%	55.2%	55.4%	55.9%	56.1%	-0.7 ppt	-0.8 ppt	-0.9 ppt
Non-GAAP OPM	12.0%	12.7%	13.0%	11.7%	12.6%	13.1%	0.3 ppt	0.1 ppt	-0.1 ppt
Non-GAAP net margin	10.7%	11.2%	11.4%	10.9%	11.5%	11.7%	-0.2 ppt	-0.3 ppt	-0.3 ppt

Source: CMBIGM estimates

Figure 2: New Oriental: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
US$mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,413.7	5,935.4	6,406.6	5,337.3	5,936.8	6,471.2	1.4%	0.0%	-1.0%
Gross profit	2,964.2	3,270.9	3,536.9	2,922.9	3,269.3	3,575.1	1.4%	0.1%	-1.1%
Non-GAAP net income	577.7	664.8	728.3	543.1	615.3	710.7	6.4%	8.0%	2.5%
Non-GAAP EPS (US$)	3.6	4.2	4.6	3.4	3.9	4.5	6.4%	8.0%	2.5%
Gross margin	54.8%	55.1%	55.2%	54.8%	55.1%	55.2%	0.0 ppt	0.0 ppt	0.0 ppt
Non-GAAP net margin	10.7%	11.2%	11.4%	10.2%	10.4%	11.0%	0.5 ppt	0.8 ppt	0.4 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

1) US$73.0 for the educational and consulting business (96% of total valuation), based on 26x FY26E PE, which is on par with the educational sector average.

2) US$2.0 for East Buy (3% of total valuation), based on 12x FY26E PE, which is on par with the e-commerce sector average.

3) US$1.0 for the Tourism and others business (1% of total valuation), based on 10x FY26E PE, which is a discount to other OTA platforms (16x) given that its tourism business remains at early development stage.

Figure 3: New Oriental: SOTP valuation

SOTP valuation							
(US$mn)	**Revenue (FY26E)**	**Revenue CAGR (FY26-28E)**	**Earnings (FY26E)**	**PE (x)**	**% Holding**	**Valuation**	**As % of total Valuation**
Educational & consulting	4,401.8	9%	493.8	26	100%	12,838.3	96.0%
East Buy	707.2	12%	51.1	12	56%	345.8	2.6%
Tourism and others	304.6	4%	18.4	10	100%	184.1	1.4%
Total valuation (US$mn)						**13,368.2**	
Holdco discount						10%	
Total valuation (US$mn)						**12,031.4**	
No. of ADS (mn)						158.8	
Valuation per ADS (US$)						**76.0**	

Source: Company data, CMBIGM estimates

Figure 4: Peer valuation comparison

Companies	Ticker	Price		PE (x)			PS (x)	
		(LC)	2025E	2026E	2027E	2025E	2026E	2027E
Education								
TAL	TAL US	12.5	40.3	31.8	21.8	3.4	2.6	2.1
Youdao	DAO US	11.1	NA	NA	21.8	1.6	1.4	1.3
Gaotu	GOTU US	3.1	NA	NA	19.2	0.9	0.7	0.6
Fenbi	2469 HK	2.9	24.9	19.3	16.3	2.2	2.1	2.0
Average			**32.6**	**25.6**	**19.8**	**2.0**	**1.7**	**1.5**
E-commerce								
Alibaba	BABA US	179.5	25.7	18.8	15.4	2.9	2.6	2.4
Pinduoduo	PDD US	137.8	14.2	11.6	9.7	3.2	2.8	2.5
JD.com	JD US	34.2	13.0	9.6	7.5	0.3	0.3	0.2
VIPShop	VIPS US	18.7	7.9	7.5	7.2	0.6	0.6	0.6
Kuaishou	1024 HK	76.1	14.9	12.6	10.7	2.2	2.0	1.8
Average			**15.1**	**12.0**	**10.1**	**1.8**	**1.7**	**1.5**

Source: Bloomberg, CMBIGM
Note: data are as of 27 Oct 2025

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US$ mn)						
Revenue	**2,998**	**4,314**	**4,900**	**5,414**	**5,935**	**6,407**
Cost of goods sold	(1,409)	(2,051)	(2,183)	(2,449)	(2,664)	(2,870)
Gross profit	**1,588**	**2,263**	**2,717**	**2,964**	**3,271**	**3,537**
Operating expenses	**(1,398)**	**(1,912)**	**(2,289)**	**(2,411)**	**(2,606)**	**(2,768)**
Selling expense	(445)	(661)	(784)	(850)	(920)	(974)
Admin expense	(954)	(1,252)	(1,444)	(1,561)	(1,686)	(1,794)
Operating profit	**190**	**350**	**428**	**553**	**665**	**769**
Other income	119	124	118	82	82	82
Gain/loss on financial assets at FVTPL	(1)	19	(10)	0	0	0
Pre-tax profit	**309**	**494**	**536**	**636**	**748**	**852**
Income tax	(66)	(110)	(146)	(152)	(172)	(187)
Others	(7)	(59)	(14)	0	0	0
After tax profit	**235**	**325**	**376**	**483**	**576**	**664**
Minority interest	(58)	(16)	(4)	0	0	0
Net profit	**177**	**310**	**372**	**483**	**576**	**664**
Adjusted net profit	**259**	**381**	**517**	**578**	**665**	**728**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US$ mn)						
Current assets	**4,414**	**5,389**	**5,188**	**5,476**	**5,943**	**6,451**
Cash & equivalents	1,663	1,389	1,612	1,742	2,146	2,594
Restricted cash	111	177	181	181	181	181
Account receivables	33	30	34	74	81	88
Inventories	53	93	81	121	146	173
Prepayment	211	309	308	386	417	443
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**	**2,828**	**3,051**	**3,282**
PP&E	360	508	767	978	1,200	1,432
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**	**8,304**	**8,994**	**9,733**
Current liabilities	**2,251**	**3,001**	**3,290**	**3,402**	**3,523**	**3,582**
Account payables	70	106	80	134	153	173
Tax payable	118	140	168	152	172	187
Lease liabilities	156	200	256	256	256	256
Contract liabilities	1,338	1,781	1,955	1,895	1,900	1,858
Accrued expenses	569	775	831	964	1,042	1,107
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**	**3,964**	**4,085**	**4,144**
Total shareholders equity	**3,604**	**3,776**	**3,662**	**4,048**	**4,617**	**5,297**
Minority interest	210	273	292	292	292	292
Total equity and liabilities	**6,392**	**7,532**	**7,805**	**8,304**	**8,994**	**9,733**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US$ mn)						
Operating						
Profit before taxation	**309**	**494**	**536**	**636**	**748**	**852**
Depreciation & amortization	117	101	28	60	74	89
Tax paid	(66)	(110)	(146)	(152)	(172)	(187)
Change in working capital	538	519	438	(46)	58	(1)
Others	74	119	41	94	89	64
Net cash from operations	**971**	**1,123**	**897**	**592**	**796**	**816**
Investing						
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	39	13	(11)
Net cash from investing	**(37)**	**(1,154)**	**(93)**	**(271)**	**(297)**	**(320)**
Financing						
Net borrowings	0	0	0	0	0	0
Share repurchases	(192)	(63)	(383)	(192)	(96)	(48)
Others	(55)	(97)	(202)	0	0	0
Net cash from financing	**(247)**	**(160)**	**(585)**	**(192)**	**(96)**	**(48)**
Net change in cash						
Cash at the beginning of the year	1,149	1,663	1,389	1,612	1,742	2,146
Exchange difference	(61)	(25)	10	0	0	0
Cash at the end of the year	**1,663**	**1,389**	**1,612**	**1,742**	**2,146**	**2,594**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 May						
Revenue	(3.5%)	43.9%	13.6%	10.5%	9.6%	7.9%
Gross profit	17.6%	42.5%	20.1%	9.1%	10.3%	8.1%
Operating profit	na	84.4%	22.2%	29.2%	20.2%	15.6%
Net profit	na	74.6%	20.1%	30.1%	19.1%	15.4%
Adj. net profit	na	47.2%	35.7%	11.7%	15.1%	9.6%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 May						
Gross profit margin	53.0%	52.5%	55.4%	54.8%	55.1%	55.2%
Operating margin	6.3%	8.1%	8.7%	10.2%	11.2%	12.0%
Adj. net profit margin	8.6%	8.8%	10.6%	10.7%	11.2%	11.4%
Return on equity (ROE)	4.9%	8.4%	10.0%	12.5%	13.3%	13.4%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 May						
Current ratio (x)	2.0	1.8	1.6	1.6	1.7	1.8
Receivable turnover days	4.0	2.5	2.5	5.0	5.0	5.0
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 May						
P/E	55.4	31.3	25.5	19.2	16.2	14.0
P/E (diluted)	55.7	31.4	25.7	19.4	16.3	14.1
P/B	2.7	2.6	2.6	2.3	2.0	1.8

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

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