

New Oriental (EDU US)

2QFY26 results beat; strong core educational business and solid margin expansion

New Oriental announced 2QFY26 results: net revenue increased by 15% YoY to US\$1.19bn, 3% ahead of Bloomberg consensus estimate; non-GAAP operating income surged by 207% YoY to US\$89.13mn, beating consensus estimate of US\$54.87mn, primarily attributable to enhanced operational efficiency and improved utilization within the educational business. Looking ahead, management expected net revenue to grow by 11-14% YoY to US\$1.31bn-1.35bn in 3QFY26E, and also raised FY26E net revenue forecast to US\$5.29-5.49bn (+8%-12% YoY, vs. previously +5-10% YoY), given the solid momentum of new educational business and high-school tutoring business. We raise our FY26-28E total revenue forecast by 0-1% in view of the solid K-12 business, and lift our SOTP-derived target price to US\$78.0 (previous: US\$76.0). Maintain BUY on strong core educational business, solid margin expansion trend and attractive shareholder return.

- **Accelerating revenue growth on strong core educational businesses.** New educational business initiatives revenue grew by 21.6% YoY in 2QFY26, primarily driven by the solid growth of active paid users of intelligent learning system (+35% YoY) and non-academic tutoring course enrolment (+6% YoY). Revenue from overseas test prep business increased by 4% YoY in 2QFY26, despite the macro uncertainty. Domestic test prep revenue was up by 12.8% YoY in 2QFY26. Revenue from East Buy recovered by 6% YoY in 1HFY26, mainly thanks to the expansion of product categories and enhancement of supply chains.
- **Expect solid business momentum to continue in 3QFY26E.** For 3QFY26E, management remained upbeat on the K-12 businesses, primarily thanks to the enhanced product quality, which has boosted both the retention rate and customer lifetime value. Overseas-related business may continue to face macro headwinds, but management expected its revenue to be largely flattish YoY in 2HFY26E due to better execution. We forecast new educational initiatives/high-school tutoring/domestic test prep for adults/overseas-related business to grow revenue by 23%/18%/15%/2% YoY in 3QFY26E.
- **Enhanced margin profile and attractive shareholder return.** Non-GAAP OPM expanded by 5ppt YoY to 7.5% in 2QFY26, mainly due to the enhanced operational efficiency and improved utilization rate of educational business. GPM improved by 1ppt YoY and S&M expense ratio declined by 3ppt YoY in 2QFY26. Looking ahead, management expected further margin expansion in 2HFY26E, supported by improved operational efficiency of both core educational business and East Buy. We forecast non-GAAP OPM to expand by 1ppt YoY to 13.1% in 3QFY26E. In term of shareholder return, the company has repurchased 1.6mn ADSs for US\$86.3mn over the past three months, equivalent to 1% of the current market cap.

Earnings Summary

(YE 31 May)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (US\$ mn)	4,314	4,900	5,467	5,991	6,464
YoY growth (%)	43.9	13.6	11.6	9.6	7.9
Adjusted net profit (US\$ mn)	381.1	517.1	594.2	695.4	761.7
EPS (Adjusted) (US\$)	2.30	3.19	3.74	4.38	4.80
Consensus EPS (US\$)	2.30	3.19	3.37	3.84	4.36
P/E (x)	31.5	25.7	18.6	15.5	13.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$78.00
(Previous TP	US\$76.00)
Up/Downside	32.3%
Current Price	US\$58.95

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Stock Data	
Mkt Cap (US\$ mn)	9,361.2
Avg 3 mths t/o (US\$ mn)	44.7
52w High/Low (US\$)	60.71/41.22
Total Issued Shares (mn)	158.8

Source: FactSet

Shareholding Structure

Minhong Yu	12.5%
First Beijing	11.0%

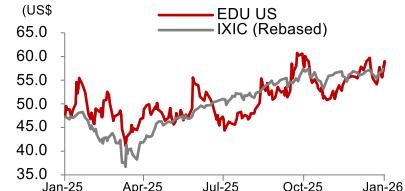
Source: Company data

Share Performance

	Absolute	Relative
1-mth	6.4%	4.9%
3-mth	2.0%	2.6%
6-mth	26.1%	11.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: New Oriental: forecast revision

US\$mn	Current			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,466.8	5,990.7	6,464.3	5,413.7	5,935.4	6,406.6	1.0%	0.9%	0.9%
Gross profit	3,018.0	3,329.0	3,598.9	2,964.2	3,270.9	3,536.9	1.8%	1.8%	1.8%
Non-GAAP OP	697.4	788.9	870.9	648.6	754.4	833.3	7.5%	4.6%	4.5%
Non-GAAP net income	594.2	695.4	761.7	577.7	664.8	728.3	2.9%	4.6%	4.6%
Non-GAAP EPS (US\$)	3.7	4.4	4.8	3.6	4.2	4.6	2.9%	4.6%	4.6%
Gross margin	55.2%	55.6%	55.7%	54.8%	55.1%	55.2%	0.5 ppt	0.5 ppt	0.5 ppt
Non-GAAP OPM	12.8%	13.2%	13.5%	12.0%	12.7%	13.0%	0.8 ppt	0.5 ppt	0.5 ppt
Non-GAAP net margin	10.9%	11.6%	11.8%	10.7%	11.2%	11.4%	0.2 ppt	0.4 ppt	0.4 ppt

Source: CMBIGM estimates

Figure 2: New Oriental: CMBIGM estimates vs consensus

US\$mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,466.8	5,990.7	6,464.3	5,377.4	5,940.1	6,466.0	1.7%	0.9%	0.0%
Gross profit	3,018.0	3,329.0	3,598.9	2,951.9	3,273.6	3,576.8	2.2%	1.7%	0.6%
Non-GAAP OP	697.4	788.9	870.9	607.8	724.2	824.8	14.7%	8.9%	5.6%
Non-GAAP net income	594.2	695.4	761.7	535.4	609.5	693.0	11.0%	14.1%	9.9%
Non-GAAP EPS (US\$)	3.7	4.4	4.8	3.4	3.8	4.4	11.0%	14.1%	9.9%
Gross margin	55.2%	55.6%	55.7%	54.9%	55.1%	55.3%	0.3 ppt	0.5 ppt	0.4 ppt
Non-GAAP OPM	12.8%	13.2%	13.5%	11.3%	12.2%	12.8%	1.5 ppt	1.0 ppt	0.7 ppt
Non-GAAP net margin	10.9%	11.6%	11.8%	10.0%	10.3%	10.7%	0.9 ppt	1.3 ppt	1.1 ppt

Source: CMBIGM estimates, Bloomberg

Valuation

1) US\$75.0 for the educational and consulting business (96% of total valuation), based on 25x FY26E PE, which is on par with the educational sector average.

2) US\$1.8 for East Buy (2% of total valuation), based on 12x FY26E PE, which is on par with the e-commerce sector average.

3) US\$1.2 for the Tourism and others business (2% of total valuation), based on 10x FY26E PE, which is a discount to other OTA platforms (14x) given that its tourism business remains at early development stage.

Figure 2: 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	4,464.0	10%	528.4	25	100%	13,210.3	96.1%
East Buy	650.9	9%	46.9	12	56%	317.1	2.3%
Tourism and others	351.9	9%	21.2	10	100%	212.3	1.5%
Total valuation (US\$mn)						13,739.7	
Holdco discount						10%	
Total valuation (US\$mn)						12,365.8	
No. of ADSs						158.8	
Valuation per ADS (US\$)						78.0	

Source: Company data, CMBIGM estimates

Figure 3: Peer valuation comparison

Companies	Ticker	Price (LC)	2025E	PE (x)	2027E	2025E	PS (x)	2027E
Education								
TAL	TAL US	10.7	34.2	23.5	18.3	2.9	2.2	1.7
Youdao	DAO US	11.3	NA	38.2	26.8	1.6	1.4	1.3
Gaotu	GOTU US	2.2	NA	NA	17.2	0.7	0.6	0.5
Fenbi	2469 HK	2.1	15.7	12.7	10.7	1.6	1.5	1.4
Average			25.0	24.8	18.3	1.7	1.4	1.2
E-commerce								
Alibaba	BABA US	172.7	27.7	19.3	16.4	2.8	2.5	2.3
Pinduoduo	PDD US	106.9	9.9	8.6	7.3	2.4	2.1	1.9
JD.com	JD US	29.5	11.6	9.7	7.0	0.2	0.2	0.2
VIPShop	VIPS US	17.6	7.5	7.0	6.7	0.6	0.6	0.6
Kuaishou	1024 HK	78.8	14.8	13.0	11.2	2.2	2.0	1.9
Average			14.3	11.5	9.7	1.6	1.5	1.4
OTA								
Trip.com	TCOM US	62.4	9.6	14.7	13.0	4.8	4.2	3.8
Tongcheng	780 HK	23.5	14.7	12.8	11.4	2.5	2.2	2.0
Average			12.2	13.8	12.2	3.7	3.2	2.9

Source: Bloomberg, CMBIGM

Note: data are as of 27 Jan 2026

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Revenue	2,998	4,314	4,900	5,467	5,991	6,464
Cost of goods sold	(1,409)	(2,051)	(2,183)	(2,449)	(2,662)	(2,865)
Gross profit	1,588	2,263	2,717	3,018	3,329	3,599
Operating expenses	(1,398)	(1,912)	(2,289)	(2,415)	(2,630)	(2,793)
Selling expense	(445)	(661)	(784)	(828)	(929)	(983)
Admin expense	(954)	(1,252)	(1,444)	(1,586)	(1,701)	(1,810)
Operating profit	190	350	428	603	699	806
Other income	119	124	118	87	87	87
Gain/loss on financial assets at FVTPL	(1)	19	(10)	6	0	0
Pre-tax profit	309	494	536	697	786	894
Income tax	(66)	(110)	(146)	(170)	(181)	(197)
Others	(7)	(59)	(14)	(7)	0	0
After tax profit	235	325	376	520	606	697
Minority interest	(58)	(16)	(4)	(18)	0	0
Net profit	177	310	372	503	606	697
Adjusted net profit	259	381	517	594	695	762
BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Current assets	4,414	5,389	5,188	5,543	6,037	6,574
Cash & equivalents	1,663	1,389	1,612	1,808	2,235	2,713
Restricted cash	111	177	181	181	181	181
Account receivables	33	30	34	75	82	89
Inventories	53	93	81	121	146	173
Prepayment	211	309	308	386	421	447
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	2,831	3,056	3,290
PP&E	360	508	767	980	1,206	1,440
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	8,374	9,093	9,865
Current liabilities	2,251	3,001	3,290	3,440	3,559	3,617
Account payables	70	106	80	134	153	173
Tax payable	118	140	168	170	181	197
Lease liabilities	156	200	256	256	256	256
Contract liabilities	1,338	1,781	1,955	1,914	1,917	1,875
Accrued expenses	569	775	831	966	1,052	1,117
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	4,002	4,121	4,179
Total shareholders equity	3,604	3,776	3,662	4,062	4,662	5,376
Minority interest	210	273	292	309	309	309
Total equity and liabilities	6,392	7,532	7,805	8,374	9,093	9,865

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May (US\$ mn)						
Operating						
Profit before taxation	309	494	536	697	786	894
Depreciation & amortization	117	101	28	60	74	89
Tax paid	(66)	(110)	(146)	(170)	(181)	(197)
Change in working capital	538	519	438	(9)	53	(1)
Others	74	119	41	83	90	65
Net cash from operations	971	1,123	897	661	822	849
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	36	10	(14)
Net cash from investing	(37)	(1,154)	(93)	(273)	(300)	(323)
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	1,808	2,235
Exchange difference	(61)	(25)	10	0	0	0
Cash at the end of the year	1,663	1,389	1,612	1,808	2,235	2,713
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
Revenue	(3.5%)	43.9%	13.6%	11.6%	9.6%	7.9%
Gross profit	17.6%	42.5%	20.1%	11.1%	10.3%	8.1%
Operating profit	na	84.4%	22.2%	40.8%	15.9%	15.3%
Net profit	na	74.6%	20.1%	35.2%	20.5%	15.1%
Adj. net profit	na	47.2%	35.7%	14.9%	17.0%	9.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 May						
Gross profit margin	53.0%	52.5%	55.4%	55.2%	55.6%	55.7%
Operating margin	6.3%	8.1%	8.7%	11.0%	11.7%	12.5%
Adj. net profit margin	8.6%	8.8%	10.6%	10.9%	11.6%	11.8%
Return on equity (ROE)	4.9%	8.4%	10.0%	13.0%	13.9%	13.9%
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	55.8	31.5	25.7	18.6	15.5	13.4
P/E (diluted)	56.0	31.7	25.9	18.8	15.6	13.6
P/B	2.7	2.6	2.6	2.3	2.0	1.7

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

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