

New Oriental Education & Technology

Guidance beat; our top pick in education space

Reiterate Rating: BUY | PO: 105.00 USD | Price: 75.81 USD

Raise estimates and PO after strong results and guidance

EDU's Nov-Q (2QFY24) results beat again. Revenue was +36% YoY to USD870mn, 8% above guidance's high-end. Non-GAAP OPM expanded 3.3ppt to 5.9%, 1.3ppt above guidance for 2ppt expansion. Guidance for Feb-Q is much better than expected at 42-45% YoY growth in USD terms. After the strong beat, we raise our FY24/25E non-GAAP EPS 7%/8%. We now look for 40%+ revenue growth in RMB terms and 13%+ non-GAAP OPM for FY24. We also lift our ADR/common PO 5% to USD105.0/HKD81.9, accordingly.

Top pick in education; reiterate Buy

We see favorable supply (reformed already with rational competition) and demand (strong offline demand – not impacted by macro) dynamics for the education sector. We continue to regard EDU as our top pick in education. EDU is the sector leader with solid earnings growth outlook, supported by multiple and balanced revenue growth drivers, as well as further room for margin expansion (strong education margin expansion to more than offset weaker East Buy margin). EDU's current valuation looks undemanding at 18x FY25E non-GAAP P/E for 31% FY24-26E non-GAAP EPS CAGR.

Nov-Q results highlights

EDU added another 50 learning centers this quarter, implying 7% QoQ and 14% in 1H FY24 expansion. It raised full-year expansion to 20% (from 15-20% earlier). All business lines show strong growth in the quarter – overseas test prep +47% YoY, overseas consulting +37%, new businesses +68%, college +43%, and East Buy +mid-teens% (our estimates). GPM grew on continuous improvement in utilization (+4.1ppt to 51.4%). Non-GAAP OPM expanded 3.3ppt YoY to 5.9%. As such, non-GAAP OP was up 212% YoY to USD51mn. East Buy's 1HFY24 revenue was +34% YoY, thanks to GMV growth of 19% and rising contribution from 1P business (33% of GMV in 1H24, up from 21% in 1H23). East Buy's adjusted NP declined 15% YoY on rising investments but rose 4% HoH.

Estimates (May) (US\$)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	(1,061)	258.05	522.44	704.26	899.21
EPS	(7.19)	1.05	2.44	3.54	4.72
EPS Change (YoY)	NM	NM	131.6%	45.2%	33.4%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(8.70)	4.93	4.19	4.91	6.66
Common EPS (US\$)	(0.719)	0.105	0.244	0.354	0.472
Common Dividend / Share (US\$)	0	0	0	0	0
Valuation (May)					
P/E	NM	72.06x	31.12x	21.44x	16.07x
EV / EBITDA*	NM	26.28x	15.51x	10.61x	8.09x
Free Cash Flow Yield*	-11.47%	6.64%	5.53%	6.48%	8.79%

* For full definitions of *IQmethod*SM measures, see page 8.

24 January 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	100.00	105.00
2024E EPS	2.00	2.44
2025E EPS	2.99	3.54
2026E EPS	4.09	4.72
2024E EBITDA (m)	689.2	644.9
2025E EBITDA (m)	949.0	942.9
2026E EBITDA (m)	1,238.4	1,237.1

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Stock Data

Price (ADR / Common)	75.81 USD / 58.50 HKD
Price Objective	105.00 USD / 81.90 HKD
Date Established	24-Jan-2024 / 24-Jan-2024
Investment Opinion	C-1-9 / C-1-9
52-Week Range	33.98 USD-83.73 USD
Market Value (mn)	12,474 USD
Shares Outstanding (mn)	164.5 / 1,645.5
Average Daily Value (mn)	153.12 USD
Free Float	85.4%
BofA Ticker / Exchange	EDU / NYS
BofA Ticker / Exchange	NWOEF / HKG
Bloomberg / Reuters	EDU US / EDU.N
ROE (2024E)	14.1%
Net Dbt to Eqty (May-2023A)	-65.6%

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 24 January 2024 12:22PM EST

iQprofileSM New Oriental Education & Technology

Key Income Statement Data (May)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	3,105	2,998	4,107	5,101	6,112
Gross Profit	1,351	1,588	2,259	2,882	3,545
Sell General & Admin Expense	(2,333)	(1,398)	(1,858)	(2,268)	(2,709)
Operating Profit	(983)	190	401	614	836
Net Interest & Other Income	(50)	118	148	156	172
Associates	NA	NA	NA	NA	NA
Pretax Income	(1,032)	309	549	770	1,008
Tax (expense) / Benefit	(136)	(66)	(120)	(160)	(203)
Net Income (Adjusted)	(1,061)	258	522	704	899
Average Fully Diluted Shares Outstanding	165	169	165	165	165

Key Cash Flow Statement Data

Net Income	(1,136)	184	402	584	779
Depreciation & Amortization	194	110	124	209	281
Change in Working Capital	(1,358)	474	738	589	611
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,019	203	26	26	26
Cash Flow from Operations	(1,280)	971	1,290	1,408	1,697
Capital Expenditure	(151)	(143)	(600)	(600)	(600)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(686)	(649)	0	0	0
Cash Flow from Investing	(836)	(792)	(600)	(600)	(600)
Shares Issue / (Repurchase)	0	(200)	(200)	(200)	(200)
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	(232)	(251)	(200)	(200)	(200)
Free Cash Flow	(1,431)	828	690	808	1,097
Net Debt	(2,223)	(2,504)	(2,994)	(3,602)	(4,499)
Change in Net Debt	2,117	21	(490)	(608)	(897)

Key Balance Sheet Data

Property, Plant & Equipment	403	360	888	1,310	1,648
Other Non-Current Assets	1,158	1,619	1,567	1,535	1,516
Trade Receivables	16	33	12	44	23
Cash & Equivalents	2,289	2,519	3,009	3,617	4,513
Other Current Assets	2,169	1,862	1,914	2,003	2,063
Total Assets	6,035	6,392	7,389	8,509	9,764
Long-Term Debt	65	15	15	15	15
Other Non-Current Liabilities	466	312	312	312	312
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	1,710	2,251	3,019	3,729	4,379
Total Liabilities	2,241	2,578	3,346	4,056	4,706
Total Equity	3,794	3,815	4,043	4,453	5,058
Total Equity & Liabilities	6,035	6,392	7,389	8,509	9,764

iQmethodSM - Bus Performance*

Return On Capital Employed	-14.0%	5.0%	12.3%	15.4%	17.7%
Return On Equity	-24.6%	7.1%	14.1%	17.6%	20.1%
Operating Margin	-31.6%	6.3%	9.8%	12.0%	13.7%
EBITDA Margin	-21.3%	12.7%	15.7%	18.5%	20.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	NM	3.8x	2.5x	2.0x	1.9x
Asset Replacement Ratio	0.8x	1.8x	8.3x	3.4x	2.3x
Tax Rate (Reported)	NM	21.4%	21.9%	20.8%	20.1%
Net Debt-to-Equity Ratio	-58.6%	-65.6%	-74.1%	-80.9%	-88.9%
Interest Cover	NA	NA	NA	NA	NA

Key Metrics

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Education & Training Services

Company Description

New Oriental is a leading private education service provider in China, with exposure to overseas test preparation, domestic test preparation, Grade 9-12 academic tutoring, language training, K-12 non-academic tutoring, etc. The company was founded in 1993, and went public in 2006.

Investment Rationale

We rate EDU as Buy. We believe EDU's businesses are bottoming out from impact from double reduction policy. Its remaining businesses started to recover and new businesses to turn profitable. Its booming online livestreaming platform may provide additional optionality of future growth.

Stock Data

Shares / Common	0.10
Price to Book Value	3.3x

Key Changes

(US\$)	Previous	Current
Price Obj.	HK\$78.00	HK\$81.90
2024E EPS	0.20	0.24
2025E EPS	0.30	0.35
2026E EPS	0.41	0.47

Earnings revision

Exhibit 1: EDU: Earnings revisions

We lift our 2024/25E non-GAAP net profit by 7%/8%

	2024E			2025E		
	Old	New	+/-	Old	New	+/-
P&L (USDmn)						
Revenue	3,888	4,107	5.6%	4,856	5,101	5.1%
Gross profit	2,123	2,259	6.4%	2,671	2,882	7.9%
Operating expenses	-1,718	-1,858	8.2%	-2,091	-2,268	8.5%
Operating profit	405	401	-1.1%	580	614	5.9%
Non GAAP operating profit	565	561	-0.8%	740	774	4.6%
Other income	123	148	20.0%	127	156	22.8%
Profit before tax	528	549	3.8%	707	770	8.9%
Net profit	330	402	21.9%	494	584	18.3%
SBC	-160	-120	-25.0%	-160	-120	-25.0%
Non GAAP net profit	490	522	6.6%	654	704	7.7%
Ratio Analysis (as % of revenue)						
GP margin	54.6%	55.0%	40 bps	55.0%	56.5%	150 bps
Operating Expenses	44.2%	45.2%	106 bps	43.1%	44.5%	141 bps
OP margin	10.4%	9.8%	-66 bps	11.9%	12.0%	9 bps
Non GAAP OPM	14.5%	13.7%	-88 bps	15.2%	15.2%	-7 bps
Effective tax rate	23.0%	18.0%	-500 bps	20.0%	18.0%	-200 bps
Net margin	8.5%	9.8%	131 bps	10.2%	11.5%	128 bps
Non GAAP NPM	12.6%	12.7%	12 bps	13.5%	13.8%	34 bps

Source: BofA Global Research estimates

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We raise our non-GAAP FY24/25E EPS by 7%/8%. We lift our ADR/common PO by 5% to USD105.0/HKD81.9, based on SOTP methodology. Net cash per share is USD21.2. The P/E valuation is USD77.8/share, based on 23x FY24E ex-cash non-GAAP EPS (unchanged).

Results at a glance

Exhibit 2: EDU: FY1Q24 results at a glance

2QFY24 revenue/non-GAAP net profit was up 36.3%/504.7% YoY

	FY1H23	FY1H24	YoY%	FY2Q23	FY2Q24	YoY%	FY1Q23	FY1Q24	YoY%
P&L Highlights (USDmn)									
Revenue	1,383	1,970	42.4%	638	870	36.3%	745	1,100	47.7%
Cost of revenue	-648	-864	33.2%	-336	-423	25.7%	-312	-441	41.4%
Gross profit	735	1,106	50.5%	302	447	48.0%	433	659	52.2%
Operating expenses	735	1,106	50.5%	302	447	48.0%	433	659	52.2%
Operating profit	76	226	200.0%	-2	21	NM	78	205	163.0%
Non GAAP Operating profit	113	296	160.8%	16	51	212.2%	97	245	152.2%
Other income	58	72	23.2%	26	37	40.6%	32	35	8.9%
Profit before tax	134	305	128.4%	24	58	141.3%	110	247	125.5%
Income tax	-27	-71	161.9%	-4	-9	126.4%	-23	-63	167.9%
Net profit	67	195	192.9%	-10	30	NM	66	165	150.6%
SBC	-35	-51	47.3%	-19	-20	6.0%	-17	-31	79.3%
Non GAAP Net profit	101	239	136.0%	8	50	504.7%	84	189	126.2%
Margin									
GP margin	53.1%	56.1%	302 bps	47.3%	51.4%	409 bps	58.1%	59.9%	179 bps
SG&A/sales	-47.7%	-44.6%	302 bps	-47.7%	-49.0%	-124 bps	-47.6%	-41.2%	639 bps
incl. Selling & distribution/sales	-14.0%	-14.8%	-73 bps	-15.0%	-17.8%	-285 bps	-13.3%	-12.4%	88 bps
Admin/sales	-33.6%	-29.9%	375 bps	-32.7%	-31.1%	161 bps	-34.4%	-28.9%	551 bps
OP margin	5.5%	11.5%	604 bps	-0.4%	2.5%	284 bps	10.5%	18.6%	818 bps
Non GAAP OPM	8.2%	15.0%	682 bps	2.6%	5.9%	330 bps	13.0%	22.2%	922 bps
Net margin	4.8%	9.9%	510 bps	-1.6%	3.5%	506 bps	8.9%	15.0%	617 bps
Non GAAP NPM	7.3%	12.2%	482 bps	1.3%	5.8%	447 bps	11.2%	17.2%	597 bps

Source: Company

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Financials

Exhibit 3: EDU: P&L

Strong earnings growth

USDmn	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,105	2,998	4,107	5,101	6,112
COGS	-1,754	-1,409	-1,848	-2,219	-2,567
Gross profit	1,351	1,588	2,259	2,882	3,545
Other income/Gains	0	0	0	0	0
SG&A expenses	-2,333	-1,398	-1,858	-2,268	-2,709
Operating profit	-983	190	401	614	836
Non-GAAP Operating profit	-850	280	561	774	996
Net finance costs	0	0	148	156	172
Profit before tax	-1,032	309	549	770	1,008
Tax	-136	-66	-120	-160	-203
Net profit	-1,188	177	402	584	779
Non-GAAP net profit	-1,046	259	522	704	899

Source: BofA Global Research estimates, Company

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Exhibit 4: EDU: Cash flow

Healthy cash flow generating

USDmn	FY22	FY23	FY24E	FY25E	FY26E
EBITDA	-788	300	525	823	1,117
Less Changes in WK Capital	-1,358	474	738	589	611
Other Non Cash Items	-19	14	0	0	0
Gross Operating Cash flow	-2,165	788	1,263	1,412	1,728
Less Net Interest Paid	0	0	148	156	172
Less Tax Paid	-136	-66	-120	-160	-203
Others	0	0	0	0	0
Net Operating Cash flow	-1,280	971	1,290	1,408	1,697
Less Capex	-151	-143	-600	-600	-600
Others	-686	-649	0	0	0
Free Cash flow	-1,431	828	690	808	1,097
Equity Issue	0	-200	-200	-200	-200
Other	0	0	0	0	0
Change in Cash	-438	611	490	608	897

Source: BofA Global Research estimates, Company

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Exhibit 5: EDU: Balance Sheet

Strong balance sheet to support growth

USDmn	FY22	FY23	FY24E	FY25E	FY26E
Current Assets					
Bank Balances and Cash	4,191	3,997	4,487	5,095	5,991
Inventories	28	53	49	73	68
Trade and other receivables	16	33	12	44	23
Others	239	332	387	452	518
Total Current Assets	4,474	4,414	4,935	5,664	6,600
Non-Current Assets					
Property, Plant and Equipment	403	360	888	1,310	1,648
Long term investments	438	400	400	400	400
Others	720	1,219	1,167	1,136	1,117
Total Non-Current Assets	1,561	1,979	2,454	2,845	3,165
Total Assets	6,035	6,392	7,389	8,509	9,764
Current Liabilities					
Trade Payables	22	70	51	94	74
Accrued expense	510	569	821	1,020	1,222
Deferred revenue	933	1,338	1,873	2,341	2,809
Others	244	274	274	274	274
Total Current Liabilities	1,710	2,251	3,019	3,729	4,379
Non-Current Liabilities					
Deferred tax liabilities	19	24	24	24	24
Bank and other borrowings	65	15	15	15	15
Total Non-Current Liabilities	531	327	327	327	327
Total Liabilities	2,241	2,578	3,346	4,056	4,706
Minority Interest	88	210	236	262	288
Shareholders' Equity	3,794	3,815	4,043	4,453	5,058

Source: BofA Global Research estimates, Company

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Exhibit 6: EDU: Ratio Analysis

Healthy margin expansion

	FY22	FY23	FY24E	FY25E	FY26E
Profit & Loss					
Revenue Growth (%)	-27.4	-3.5	37.0	24.2	19.8
Earnings Growth (%)	-455.2	-114.9	126.9	45.2	33.4
Non-GAAP NPAT Growth (%)	-357.0	-124.7	101.8	34.8	27.7
Gross Margin (%)	43.5	53.0	55.0	56.5	58.0
Operating Margin (%)	-31.6	6.3	9.8	12.0	13.7
Non-GAAP Operating Margin (%)	-27.4	9.3	13.7	15.2	16.3
Net Margin (%)	-38.2	5.9	9.8	11.5	12.7
Non-GAAP Net Margin (%)	-33.7	8.6	12.7	13.8	14.7
Effective Tax Rate (%)	-15.3	16.9	18.0	18.0	18.0
Balance Sheet					
Net Cash (USDmn)	4,126	4,093	4,583	5,191	6,088
Net Debt/Equity (%)	-108.8	-107.3	-113.4	-116.6	-120.4
ROE (%)	-24.6	7.1	14.1	17.6	20.1
ROA (%)	-14.0	2.5	6.5	7.9	9.0

Source: BofA Global Research estimates, Company

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Price objective basis & risk

New Oriental Education & Technology (EDU / NWOEF)

Our price objective for EDU is US\$105.0/HK\$81.9 based on SOTP of net cash and ex-cash P/E. Net cash per share is USD21.2. With positive free cash flow, we believe current net cash level is sustainable. Our P/E based value is USD77.8, based on 23x FY24E ex-cash P/E. The target multiple is higher than international education peers to reflect EDU's faster growth outlook

Upside risks to our PO: Less-than-expected policy implementation, faster roll out of high-school business, faster-than-expected development of non K-12 academic business. Downside risks to our price objective: regulatory risk, VIE corporate structure risk, execution risk on expansion, recruitment and retention of quality teachers, competition, foreign currency fluctuation, expiration of preferential tax holidays, potential ban of Chinese students' US visas and higher-than-expected online investment.

Analyst Certification

I, Lucy Yu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	ABC-MART	AMKYF	2670 JP	Arashi Nishizawa
	Adastria	PNMOF	2685 JP	Arashi Nishizawa
	AmorePacific Corp	AMRPF	090430 KS	Ahyung Cho
	Anta Sports	ANPDF	2020 HK	Lucy Yu
	Asahi Group Holdings	ASBRF	2502 JP	Haruka Ono
	Avenue Supermarts	XWCVF	DMART IN	Aditya Mathur
	BGF Retail	XWAHF	282330 KS	Ahyung Cho
	Bosideng	BSDGF	3998 HK	Lucy Yu
	BUD APAC	BDWBF	1876 HK	Chen Luo, CFA
	China Resources Beer (Holdings) Co Ltd	CRHKF	291 HK	Chen Luo, CFA
	Cosmos Pharmaceutical	CSMYF	3349 JP	Arashi Nishizawa
	Dabur India	DBUIF	DABUR IN	Aditya Mathur
	DESCENTE	DESLF	8114 JP	Arashi Nishizawa
	DPC Dash Ltd	DPCDF	1405 HK	Lucy Yu
	Eastroc	XEBSF	605499 CH	Jack Chen
	Eclat	ECLAF	1476 TT	Ronald Leung, CFA
	E-Mart	EMRTF	139480 KS	Ahyung Cho
	GOLDWIN	GWNCF	8111 JP	Arashi Nishizawa
	H&H International Holdings	BTSDF	1112 HK	Lynn Wu
	Haier Smart Home Co Ltd	TTHEF	600690 CH	Lucy Yu
	Haier Smart Home Co Ltd	HRSHF	6690 HK	Lucy Yu
	Henan Shuanghui Investment & Dev	HSUIF	000895 CH	Chen Luo, CFA
	Hindustan Unilever	HINLF	HUVR IN	Aditya Mathur
	Hisense Home Appliance	XMBQF	000921 CH	Lucy Yu
	Hisense Home Appliance	HISEF	921 HK	Lucy Yu
	ITC	ITCTF	ITC IN	Aditya Mathur
	JINS HOLDINGS	JNDOF	3046 JP	Arashi Nishizawa
	Kobe Bussan	KOBNF	3038 JP	Arashi Nishizawa
	KT&G	KTCIF	033780 KS	Ahyung Cho
	Kweichow Moutai Co. Ltd.	XHJBF	600519 CH	Chen Luo, CFA
	Lawson	LWSOF	2651 JP	Arashi Nishizawa
	Li Ning Co Ltd	LNNGF	2331 HK	Lucy Yu
	Ligao Foods	XLFLF	300973 CH	Jack Chen
	Luzhou Laojiao	XMBBF	000568 CH	Lynn Wu
	Makalot Industrial	MAKAF	1477 TT	Ronald Leung, CFA
	Man Wah Holdings	MAWHF	1999 HK	Yoyo Pang



APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	MatsukiyoCocokara & Co	MSMKF	3088 JP	Arashi Nishizawa
	Mengniu Dairy	CIADF	2319 HK	Chen Luo, CFA
	Merida Industry Co Ltd	MIUYF	9914 TT	Ronald Leung, CFA
	MINISO Group Holdings	MNSO	MNSO US	Lucy Yu
	MINISO Group Holdings	XKTAF	9896 HK	Lucy Yu
	New Oriental Education & Technology	EDU	EDU US	Lucy Yu
	New Oriental Education & Technology	NWOEF	9901 HK	Lucy Yu
	Nitori Holdings	NCLTF	9843 JP	Arashi Nishizawa
	Proya Cosmetics	XPXCF	603605 CH	Lynn Wu
	Ryohin Keikaku	RYKKF	7453 JP	Arashi Nishizawa
	Ryohin Keikaku	RYKKY	RYKKY US	Arashi Nishizawa
	Samsonite International	SMSOF	1910 HK	Jack Chen
	Seven & i Holdings	SVNDF	3382 JP	Arashi Nishizawa
	Shenzhou International	SZHIF	2313 HK	Chen Luo, CFA
	Sun Art Retail Group	SURRF	6808 HK	Chen Luo, CFA
	Sundrug	SDGCF	9989 JP	Arashi Nishizawa
	TAL	TAL	TAL US	Lucy Yu
	Tingyi	TCYMF	322 HK	Jack Chen
	Titan Company	XNXAF	TTAN IN	Aditya Mathur
	Topsports International Holding Ltd.	TPSRF	6110 HK	Lucy Yu
	Tsingtao Brewery	TSGTF	168 HK	Lynn Wu
	Tsingtao Brewery	XTSOF	600600 CH	Lynn Wu
	Uni-president China	UNPSF	220 HK	Jack Chen
	UNITED ARROWS	UARWF	7606 JP	Arashi Nishizawa
	United Breweries	UBWRF	UBBL IN	Aditya Mathur
	Varun Beverages	XMKDF	VLB IN	Aditya Mathur
	WH Group Limited	WHGRF	288 HK	Chen Luo, CFA
	Wuliangye Yibin	YBWUF	000858 CH	Chen Luo, CFA
	Yili Industrial Group	XIDRF	600887 CH	Chen Luo, CFA
	Yum China	YUMC	YUMC US	Chen Luo, CFA
	Yum China	XYUMF	9987 HK	Chen Luo, CFA

NEUTRAL

	Anjoy Foods	XSWCF	603345 CH	Jack Chen
	Asian Paints	XSAFF	APNT IN	Aditya Mathur
	China Feihe	CHFLF	6186 HK	Lynn Wu
	Chow Tai Fook Jewellery	CJWF	1929 HK	Ronald Leung, CFA
	Fast Retailing	FRCOF	9983 JP	Arashi Nishizawa
	Fast Retailing	FRCOF	FRCOF US	Arashi Nishizawa
	Fenbi Ltd	XFTTF	2469 HK	Lucy Yu
	Giant Manufacturing	GTMUF	9921 TT	Ronald Leung, CFA
	Godrej Consumer Products	XGOCF	GCPL IN	Aditya Mathur
	Gree Electric Appliances	ZHUHF	000651 CH	Chen Luo, CFA
	GS Retail	XGLTF	007070 KS	Ahyung Cho
	Haidilao International Holding Ltd.	HDALF	6862 HK	Lucy Yu
	Hengan Intl	HEGIF	1044 HK	Jack Chen
	Hotel Shilla	HSLLF	008770 KS	Ahyung Cho
	Hyundai Dept Store	HDTSF	069960 KS	Ahyung Cho
	Jason Furniture	XVZDF	603816 CH	Yoyo Pang
	Jubilant FoodWorks	XJUBF	JUBI IN	Aditya Mathur
	Kirin Holdings	KNBWF	2503 JP	Haruka Ono
	Kirin Holdings	KNBWF	KNBWF US	Haruka Ono
	LG H&H	LGHFF	051900 KS	Ahyung Cho
	L'Occitane International S.A.	LCCTF	973 HK	Lynn Wu
	Nestle India	XNTEF	NEST IN	Aditya Mathur
	Nongfu Spring	NNFSF	9633 HK	Jack Chen
	Pan Pacific International HD	DQJCF	7532 JP	Arashi Nishizawa
	Robam Appliance	XVPDF	002508 CH	Lucy Yu
	Sapphire Foods	XLQLF	SAPPHIRE IN	Aditya Mathur
	Shinsegae	SDKLF	004170 KS	Ahyung Cho
	Tata Consumer Products	XTCUF	TATACONS IN	Aditya Mathur
	Yamada Holdings	YMDAF	9831 JP	Arashi Nishizawa
	Yankershop Food	XYNKF	002847 CH	Jack Chen

UNDERPERFORM

	Bairun	XSBZF	002568 CH	Jack Chen
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APR - Consumer Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Blue Moon	XBMGF	6993 HK	Jack Chen
	Britannia Industries	XJNDF	BRIT IN	Aditya Mathur
	Colgate-Palmolive India	CPIYF	CLGT IN	Aditya Mathur
	Feng Tay	FTGYF	9910 TT	Ronald Leung, CFA
	Foshan Haitian Flavouring & Food Co Ltd	XCMJF	603288 CH	Lynn Wu
	Fuling Zhacai	XSRTF	002507 CH	Lynn Wu
	Heilan Home Co Ltd	XYWDF	600398 CH	Lucy Yu
	Jiangsu Yanghe Brewery	XJBTF	002304 CH	Chen Luo, CFA
	Lotte Shopping	LOSPF	023530 KS	Ahyung Cho
	Marico	MAIOF	MRCO IN	Aditya Mathur
	Oppein Home Group	KKXRF	603833 CH	Yoyo Pang
	Pidilite Industries	PDLFF	PIDI IN	Aditya Mathur
	Seria	SAOGF	2782 JP	Arashi Nishizawa
	Shanghai Jahwa	SNJUF	600315 CH	Lynn Wu
	Shanghai M&G Stationery	XBHUF	603899 CH	Yoyo Pang
	Shanxi Fen Wine	XCKZF	600809 CH	Lynn Wu
	SHIMAMURA	SHAOF	8227 JP	Arashi Nishizawa
	Smoore	SMORF	6969 HK	Jack Chen
	Snow Peak	XZNCF	7816 JP	Arashi Nishizawa
	Suofeiya Home Collection Co Ltd	XGUZF	002572 CH	Yoyo Pang
	United Spirits	XUNIF	UNSP IN	Aditya Mathur
	Want Want China	WWNTF	151 HK	Chen Luo, CFA
	WORKMAN	WKISF	7564 JP	Arashi Nishizawa
	Xiabu Xiabu	XIAXF	520 HK	Lucy Yu
	Yihai Intl	YNNHF	1579 HK	Lucy Yu
	Yihai Kerry Arawana	XYIHF	300999 CH	Lynn Wu
	Yonghui Superstores Co Ltd	XQYXF	601933 CH	Lucy Yu
	Zhejiang Semir Garment Co Ltd	XARGF	002563 CH	Lucy Yu

RSTR

	Midea Group Co Ltd	XMGEF	000333 CH	Chen Luo, CFA
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RVW

	Adani Wilmar	XWMAF	AWLTD IN	Aditya Mathur
	Fancl	FACYF	4921 JP	Yuri Nishizaki
	Kose	KOSCF	4922 JP	Yuri Nishizaki
	Pola Orbis HD	PORBF	4927 JP	Yuri Nishizaki
	Shimano	SHMDF	7309 JP	Yuri Nishizaki
	Shiseido	SSDOF	4911 JP	Yuri Nishizaki
	Shiseido	SSDOY	SSDOY US	Yuri Nishizaki

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} +$

Other LT Liabilities

Enterprise Value

Denominator

$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

$\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$

Sales

Basic EBIT + Depreciation + Amortization

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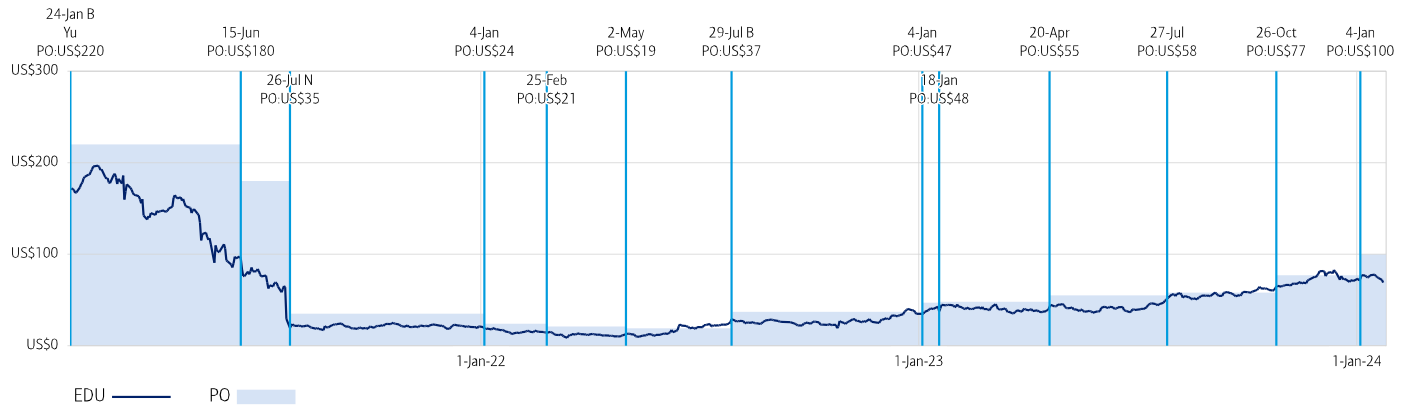
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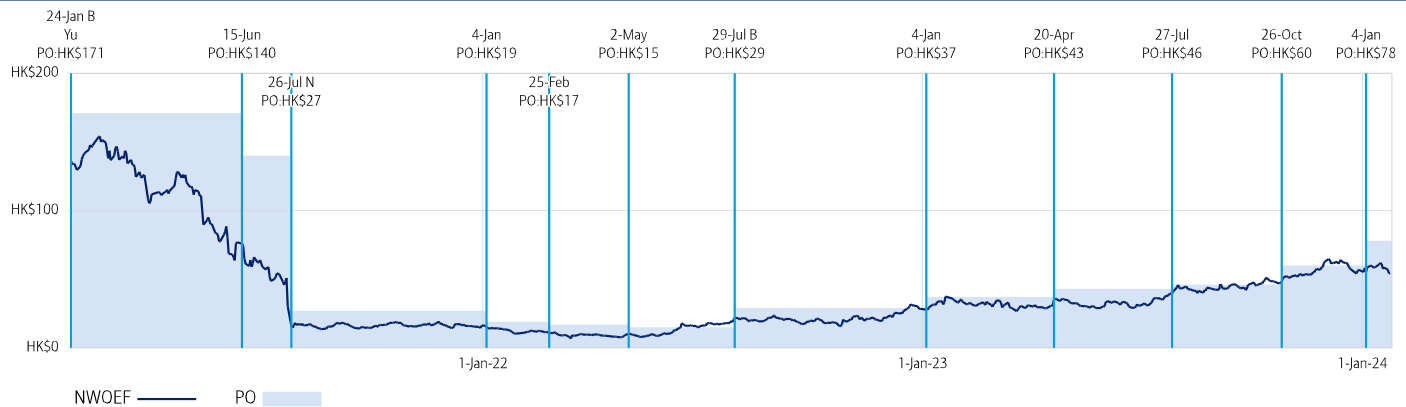
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New Oriental (EDU) Price Chart



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New Oriental (NWOEF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Education & Training Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	8	53.33%	Buy	2	25.00%
Hold	4	26.67%	Hold	1	25.00%
Sell	3	20.00%	Sell	0	0.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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