



## New Oriental Education & Technology Group

### SECTOR: EDUCATION

REVENUE FY2007: \$136.4 MILLION

PROFIT FY2007: \$29.6 MILLION

AVERAGE REV. GROWTH FY2005-FY2007: 35.6%

AS A POOR STUDENT AT PEKING UNIVERSITY in the early 1980s, Michael Yu wanted to follow his ambitious classmates to the U.S. for graduate school. He scored high on the required Test of English as a Foreign Language (TOEFL) and was accepted at several universities, but he couldn't land the scholarships he needed to pay his way. So he stayed in Beijing, teaching English grammar and composition by day at Peking University and working nights coaching students on how to do well on overseas-placement tests.

But small defeats sometimes have a way of turning into big successes. While Yu's family lacked the money to send him abroad, the young teacher recognized China was changing. "Most parents, if they have the financial ability, want their kids to study English," Yu says today. "And with the development of the Chinese economy, every family is becoming richer and richer." Yu put the two trends together—and realized his moonlighting gig was actually a much larger opportunity. In 1993 he founded Beijing New Oriental School, offering TOEFL cram courses and English lessons to college students. After years of explosive growth, Yu's venture today is the largest provider of private education in China.

New Oriental, which listed on the New York Stock Exchange last year, continues to dominate the test-preparation market in education-obsessed China, with 75% of the mainland market share in TOEFL testing and 90% in the U.S. graduate-admission GRE and GMAT tests, according to Brean Murray, Carret & Co. analyst Alex Xu. Its language courses have expanded beyond English to Japanese, Korean and German; lessons are offered to children as young as 5 as well as to adult professionals. With 33 main teaching centers, mostly in major cities like Shanghai and Guangzhou, and two full-time schools for grades 1-12, New Oriental's annual enrollment has been growing by some 100,000 students a year,

surpassing 1 million in 2006. "It's hard to find these type of growth rates anywhere in the world," says Paul Keung, an analyst with CIBC World Markets, "much less one that comes with a consistent track record and a very strong brand."

That brand is in many ways Yu himself, who writes top-selling motivational books and is a frequent public speaker. "He's iconic," says James Mitchell, an analyst at Goldman Sachs in Hong Kong. "It's almost like Winnie the Pooh or Mickey Mouse is to Disney." Well, maybe—at least Yu tries to make his classrooms happier places than state schools. Classes should be "very inspiring, humorous and casual," he says. "This is a style that most Chinese teachers lack." While he no longer teaches, Yu and other top company instructors go on "Dream Tours," giving speeches to crowds of hundreds of young people about success, goals—and, of course, learning English. The company's message is even starting to spread internationally. Its prep courses for the SAT, the American college-entry exam, have attracted some overseas Chinese to return from the U.S. for summer courses in Beijing. Since the program started last year, enrollment has tripled from 3,000 to 10,000. That means another booming product line for New Oriental, and more students following the dream that Michael Yu deferred.

—BY AUSTIN RAMZY

**English whiz** Yu turned a job as a language coach into a cram-school empire

**Chips ahoy** Ouyang says his company's speedy video processors will bring high-quality TV images to mobile phones and other portable devices

By early 2006 the company had burned through the Amoi seed money, but Softbank Asia agreed to put up another \$12 million. With that, Shanghai Jade set about making a less expensive, slightly less powerful version of the first chip. Now they're competing with big players including Freescale Semiconductor and Marvell Technology. What's David's advantage, compared to those Goliaths? "We have a much stronger video processor than they do," Ouyang claims.

That could be standard entrepreneurial hyperbole. Shanghai Jade isn't profitable. But the company has locked in about 20 Chinese manufacturers as customers and is in talks with two industry powerhouses: Nokia and Philips Electronics. After taking in \$1 million in revenue this year, Ouyang says the company will introduce a next-generation chip in 2008 that will drive growth to at least \$5 million. And after that? "After that," he smiles, "we think we'll have shown that a Silicon Valley-style start-up works in Shanghai, too." —BY BILL POWELL

