



## Bulls Open Large Position in New Oriental Education with Technical Strength

**Ticker/Price:** EDU (\$82.5)

### Analysis:

**New Oriental (EDU)** buyers of 2,000 May \$80 calls today for \$7.10 to \$7.30, sizable opening trade with shares showing relative strength. EDU had 1,700 April \$70 puts sold to open last week and the October \$80 calls and July \$70 calls seeing buys over the last six weeks. Shares are consolidating in a multi-month range under \$85 following a strong quarter and a breakout targets \$97.50. RSI is moving back above 60 today and MACD has pulled back to zero after a strong run, setting up for another run. The \$12.9B company trades 24.6X earnings, 4.65X sales, and 4.89X cash. EDU sees 15.8%, 28.6%, and 27.2% EPS growth over the next three years with revenue growth between 23% and 28% as they continue to gain share and expand in a rapidly growing education market in China. EDU is coming off a strong quarter with enrollments in tutoring and prep courses up 23.6% while they expanded their school footprint to 1,125, up 185. Their K-12 after-school programs remains the standout up 33% with their online program expanding. Analysts have an average target for shares of \$78 with 5 buy ratings and 2 hold ratings. MSCO upgrading today to Overweight with a \$95 PT. They expect stricter regulations enacted in 2018 – which were a key overhang – to form a more normalized environment where high-quality leaders like EDU can benefit from higher barriers to entry. CLSA upgraded to Buy in January seeing concerns of further government intervention dissipating. Short interest is 3.2% and climbing since July 2018 when it was around 0.8%. Institutional ownership fell less than 1%. JANA a buyer of 797K shares, significantly adding to their stake which is now 875K.

### Hawk Vision:



**Trading Strategy:** EDU activity is sizable and the chart is strong, notable relative strength, a name that can be traded against a close under the 50 MA.

**Confidence Ranking:** \$\$