



## Bullish Trades in New Oriental

**Ticker/Price:** EDU (\$104.60)

### Analysis:

**New Oriental Education (EDU)** with 1600 September \$110 calls bought on Friday up to \$2.90 and follows put sales earlier in the week at the October \$90 and January \$95 strikes. EDU has also seen put sales in the January \$85 and \$70 strikes. EDU's bullish flow comes with peer **TAL Education (TAL)** also drawing call buying and put sales recently. EDU has outperformed TAL up 89.12% for the year vs 26.51% while the 1-year return is 25.46% vs 5.66%. Shares are consolidating in a bullish flag under \$108 and pulled back to the 8- and 21-EMA the last two weeks where it has based. A move higher targets \$116 but also puts it above the early 2018 highs. The \$16.66B company trades 23.47X earnings, 5.4X sales, and 6.1X cash with 25% to 30% EPS growth. EDU expects 24.3% and 22.6% sales growth. The company is coming off of a strong quarter with their primary program, K-12 after-school tutoring, up 28.5%. Their Middle and High School tutoring businesses also jumping 27%. EDU continues to expand their footprint with square meters of classroom up 24% in Q4. Analysts have an average target for shares of \$91. MSCO with a \$105 PT in mid-June citing improving operations and industry consolidation as factors. TH Data Capital with a \$115 PT. The firm notes, "The current major risk for education companies is government regulations, specifically for online education, as regulations for offline occurred in 2018. However, we expect demand for off-school education to remain strong, whatever the policies may be." Short interest is 2.8%. Hedge Fund ownership fell 16.5% in Q2 filings. Harvest Fund, Hillhouse Capital, and DSM Capital notable holders.

### Hawk Vision:



**Hawk's Perspective:** EDU has a nice technical set up although the flows looked retail-driven in smaller lots. It's an intriguing group for growth and relative strength impressive, tradable versus the 50 SMA.

**Confidence Ranking:** \$\$