



## Size Call Buyers Step into New Oriental Amid Coronavirus-Driven Sale

Ticker/Price: EDU \$123.43

### Analysis:

**New Oriental Education (EDU)** large afternoon buy yesterday of 3,000 July \$125 calls for \$12.70, a more than \$3.8M position, and later 1,000 March \$125 calls for \$6.10. EDU has seen small buys in the April \$120 and \$130 calls recently while the April \$120 and March \$115 puts with sales. Shares have been in a steady uptrend since early 2019 and dipping this week with the coronavirus worries in China. The rising 200-day MA is just below at \$110 and ideal level to trade against for a return to recent highs back around \$140. Shares held the low-end of cloud support and the 38.2% Fibonacci of the recent run this week. The \$19.24B company trades 26.5X earnings and 5.8X sales and screens better than peers in the space with 27.95% and 23.5% revenue growth and 30%+ EPS growth. EDU is the largest provider of private educational services in China with over 8M enrollments last year. They're the most recognized name in the space which has built brand loyalty to new products, low CAC, and growing cross-sell opportunities between programs. They've expanded their online offerings across both classroom and tutoring in all ages and seeing strong demand which could increase significantly if the spread of coronavirus drives more people to stay home. Analysts have an average target for shares of \$135 with 8 buy ratings. Nomura raising their PT to \$158 on 1-22 and optimistic on the margin outlook. TH Data raising their PT to \$160 on 1-16 noting that the Chinese government imposed several policies in the off-school tutoring sector that have caused "tons of smaller vendors" to be driven out of business and allowed vendors like New Oriental and TAL Education (TAL) to become market consolidators. Short interest is 1.2%. Hedge fund ownership fell 2%. Tiger Global, Alkeon Capital, Melvin Capital, and Kylin Capital notable holders.

### Hawk Vision:



**Hawk's Perspective:** EDU is a quality name that has pulled back on fears over attendance at their physical facilities during the outbreak. I'd like to see it settle a bit more before re-evaluating and July calls give some time.

**Confidence Ranking:** \$\$