

Financial Analysis of New Oriental under the Framework of Harvard

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Abstract. Based on the environment of increasing domestic competition for learning and employment and the increasing willingness to study abroad, New Oriental, which was initially mainly responsible for language training and language examination and exam-oriented services, has developed rapidly, but the reform of the national education system after 2021 has had a great impact on enterprises related to after-school courses. This essay is based on the analysis framework of Harvard, including the financial analysis of the enterprise from the perspectives of strategy, accounting, finance and prospect, and find that after 2022, the income declined and scale contraction and liabilities gradually increased, and the application of working capital is not flexible. Besides, New Oriental is shifting its focus on overseas study. This analysis of New Oriental can reflect the impact of education reform on tutoring enterprises because New Oriental can be representative of this industry. Besides, we can understand the development trend of overseas study industry including language training and application strategy.

Keywords: New Oriental, Harvard analysis framework, financial analysis.

1. Introduction

China is currently experiencing the reform of the education system. In order to improve education system and maintain social fairness and justice, China has published Double Reduction Policy [1] and is carrying out a major reform of the education system. The formal tutoring age has been adjusted to high school or above, and the subject of the college entrance examination has also been greatly adjusted, from arts and science to the subject selection system [2]. Under the pressure of the college entrance examination, many students choose to study abroad. As a leader of language training institutions, New Oriental has expanded its business scope after the same policy crackdown, and made a strategic shift to live broadcasting with goods while conducting language training and other education businesses [3]. In recent years, educational institutions have operational difficulties due to the influence of policies. As a typical transformation enterprise, New Oriental can reflect to some extent the degree of education and training institutions and the possibility of changing careers.

At present, there is no lack of research on educational institutions such as New Oriental, Chen and Wang analyzed the impact of the epidemic, But the special period can not directly reflect the problem [4]. Liu analyzed the overall capitalization of education, but not by accurate data analysis, and there is no analysis of individual head enterprises [5]. This paper will adopt the Harvard analysis framework and select a single enterprise —— New Oriental as a sample, Using the Harvard analytical framework, Conduct a strategic analysis, accounting analysis, Financial analysis and outlook analysis, It is concluded that the development of New Oriental enterprises is relatively stable, However, after the educational reform began in 2021-2022, This article will first describe the Harvard analytical framework, then apply the Harvard analysis framework to the analysis of New Oriental.

2. The Harvard Analytical Framework and Its Composition

2.1. Strategic Analysis

Strategic analysis is the starting point of Harvard analysis framework. It analyzes the external environment of New Oriental, its own advantages and disadvantages, aiming to identify its operating risks and find profit drivers. PEST model and SWOT model are used to study the macro environment

and micro environment faced by enterprises, and strategic analysis will add qualitative analysis to the traditional financial statement data analysis [6].

2.2. Page Numbers

Accounting analysis is the basis of financial analysis. Compared with strategic analysis, it belongs to quantitative analysis. This part starts from the most intuitive financial statement data and information, analyzes and judges whether the accounting information of the enterprise is objective and truly reflects the operating conditions of the enterprise, and the purpose is to ensure the integrity and accuracy of the financial data [6].

2.3. Financial Analysis

On the basis of strategic analysis and accounting analysis, in consecutive years, select bomerole, high way two enterprises in the same industry, scientifically using a series of key indicators, the enterprise's debt paying ability, profitability, operating ability and growth ability of horizontal and vertical analysis, to evaluate the business performance [6].

2.4. Prospect Analysis

According to the analysis results, the problems existing in the enterprise are summarized, and the future development of the enterprise from the qualitative and quantitative perspective. To predict the development potential is conducive to the internal operators to adjust the strategic plans, and also conducive to the external investors to make reasonable decisions [6].

3. New Oriental's Specific Analysis

3.1. Prospect Analysis

3.1.1 Macroscopic environment analysis —— pest analysis

(1) Political environment analysis (P)

General office of the central committee of the communist party of China, the General Office of the State Council issued the opinions on further reduce the compulsory education stage students homework training burden and burden, the Ministry of Education of the People's Republic of China published "interim measures for training administrative punishment outside the school", so tutoring institutions are required students in statutory holidays or advanced learning, also not be high salary dig rob school teachers, which causes New Oriental income reduction in 2022. Higher costs, education resources reduce the attraction to parents is also decline, stocks continued to fall. After 2022 as the domestic college entrance examination competition pressure and China's international situation, countries and encourage students to study abroad, for new Oriental language culture opportunities, students go abroad to study demand increases their demand for language learning will increase, but this is only indirect influence, similar traditional tutoring institutions like learning and thought by policy has directly closed [7, 8].

(2) Economic Environment Analysis (E)

In recent years, the national GDP has continued to grow, but due to the high systematization and high cost of the education industry, parents have invested more in their children's education, which necessarily includes the cost of language learning. The language training institutions such as New Oriental have greater potential [9].

(3) Social and environmental factors (S)

The number of students in the college entrance examination continues to increase, and the pressure of students in the system continues to increase. More and more people choose to study abroad in order to reduce the pressure and achieve better development after [3]. In line with the principle of letting children receive better education, many families will choose to go to the United States or European

countries to receive easier access and quality educational resources [4], they need to conduct certain language learning to cope with the mandatory language test needs and the actual use ability [9].

(4) Technical and Environmental Analysis (T)

At present our English level is low, system education generally pay attention to language skill and problem ability [10], the practical application technique is very weak, in the face of the language test and consider the actual ability many students choose language training, and new Oriental as and development of language training institutions can meet the requirements of many receptor.

3.1.2 Microscopic environment analysis —— swot analysis

(1) Strength (S)

High brand awareness in the field of education and training in a wide visibility and good reputation, this makes students and parents more confident in the quality of their education and the effectiveness of their teaching, And the global layout and resource integration, New Oriental has many teaching sites and cooperative institutions at home and abroad. New Oriental provides students with a wider range of learning opportunities and resources, and diversified products including language training, discipline guidance, overseas study-abroad training, etc. To meet the learning needs of different students and expand the live teaching, New Oriental also innovates in teaching methods and technologies, stepping on the wind direction of the internet development. New Oriental constantly explores and applies new teaching methods and technologies, such as the development and application of online education platforms, to provide a more convenient and efficient learning experience.

(2) Weakness (W)

The education and training market is highly competitive, New Oriental faces competition pressure from other institutions, such as New Channel, and the new policy introduced new Oriental teachers 'resources, resulting in uneven teaching quality, shortening students' extracurricular class time and decreasing audience (from all students to non-compulsory education stage students).

(3) Opportunity (O)

After the epidemic, the demand for online education is getting higher and higher, and the audience range for enterprises is also greatly expanded. As New Oriental is innovating in online education and other fields, enterprises can gain a large number of audiences; in addition, the trend of globalization has increased the demand for international education. New Oriental can further expand overseas study training, international course guidance and other businesses to meet the needs of students to study abroad. It can also pay attention to the opportunities in overseas markets, carry out transnational education cooperation projects, and export high-quality education resources to other countries and regions.

(4) Threat (T)

The release of the new policy leads to the loss of student resources and the limitation of teacher resources, which leads to the vicious circle of the loss of students and teachers one after another. Due to high operating costs and greatly limited income, New Oriental needs to reduce its scale. If it does not rely on online market development to expand its scale, the scale and income of the enterprise may shrink one after another. In the near future, the brand image is damaged: some recent negative events or public opinion such as Dong Yuhui incident may have a certain impact on the brand image of New Oriental.

3.2. Accounting Analysis

As can be seen from the table 1 and 2, the total revenue of New Oriental began to decline rapidly after the gradual rise from 2019 to 2021 (among which the loss of educational courses was the largest), probably influenced by education policies, and the proportion of major project education services and exam preparation courses is gradually decreasing. New Oriental has sold its own brand products since 2019. The proportion of overseas study consulting and other programs is increasing and the total amount is almost also rising. It esting that New Oriental may begin to strategic shift. Policy reduces corporate revenue in corporate education services and exam preparation courses. Due to the rise of

the e-commerce industry and the demand for studying abroad, New Oriental is gradually developing steadily in these several businesses [3].

Table 1. New Oriental 2019-2023 All operating income

	2023		2022		2021		2020
	amount of money	proportion	amount of money	proportion	amount of money	proportion	amount of money
Educational services and exam preparation	1.825	60.89%	2.535	81.65%	3.667	85.75%	3.041
Brand Products and Live Streaming of e-commerce	0.6472	21.59%	0.3259	10.50%	0.2786	6.51%	0.2598
Overseas Study Consulting	0.3548	11.83%	0.1367	4.40%	0.2106	4.92%	0.1525
other	0.1706	5.69%	0.1073	3.46%	0.1201	2.81%	0.1256
Total Amount	2.998	100.00%	3.105	100	4.277	100	3.579

Table 2. New Oriental 2018-2023 year Inventory analysis table

Inventory turnover rate (times)	34.97	59.37	65.18	52.64
stock	-2190	182	375.2	-327.8
Inventory ratio	-30.7110	2.7266	5.8698	-5.3180

3.3. Financial analysis

Financial analysis includes four dimensions: solvency, profitability, operating ability and growth ability.

3.3.1 Debt Ability

As can be seen from the table 3, 4 and 5, the current ratio of New Oriental is basically stable between 1.5 and 2.5, and there is a slight upward trend, indicating that the liquidity of enterprises is stable and the liquidity is relatively strong. From the trend of continuously rising cash ratio, New Oriental's cash ability is gradually becoming stronger, and gradually increasing the utilization rate of cash, which may be reflected in the organization opening branches and accepting more audiences. Combined with the table revenue data, 2017-2021 should be in the education institutions with explosive development stage, so income increased rapidly, and during the 2017-2020 asset-liability ratio is higher than 50%, may need to short-term investment in education resources and branch expansion, from 2021 after countries gradually to tutoring institutions, the rapid development momentum of new Oriental, revenue rapidly reduced flow ratio also began to decline, in 2021 after stabilizing. Therefore, New Oriental has a strong solvency, but there are still some risks.

Table 3. New Oriental 2017-2022 Debt analysis table

	2022	2021	2020	2019	2018	2017
Flow ratio (x)	1.96	2.62	1.89	1.52	1.73	1.68
cash ratio	39%	38%	38%	28%	22%	24%
asset-liability ratio	40.32%	37.14%	50.56%	56.23%	45.66%	44.32%

Table 4. BEDU 2017-2022 Debt analysis table

	2022	2021	2020	2019	2018	2017
Flow ratio (x)	0.63	0.76	0.91	1.16	1.49	2
Cash rate	58%	55%	23%	14%	87%	97%
asset-liability ratio	65.98%	61.73%	67.18%	76.84%	60.41%	35.46%

Table 5. GOTU 2017-2022 Debt analysis table

	2022	2021	2020	2019	2018	2017
Flow ratio (x)	2.59	2.24	2.01	1.1	0.79	0.34
Cash rate	20%	19%	4%	4%	12%	37%
asset-liability ratio	36.51%	42.66%	46.38%	54.12%	107.83%	150.66%

3.3.2 Profitability

From the table 6, during the 2018-2021 revenue expanded rapidly, cost also increases, net profit remains stable, and in 2022 and later income fell rapidly, in 2022 net profit fell to negative, revenue and cost reduction at the same time may indicate that new Oriental after the policy of income fell rapidly and cost is still higher, lead to losses, in 2022, 2023 years may fail several branches reduce the cost, stable net profit in 2023.

Table 6. New Oriental 2018-2023 Business Circumstance Sparse List

	2023	2022	2021	2020	2019	2018
operating receipt	2.99	3.105	4.277	3.579	3.096	2.447
cost in business	1.409	1.754	2.037	1.589	1.376	1.066
net margin	0.2354	-1.220	0.2300	0.3549	0.2278	0.2972

3.3.3 Operating Capability

As can be seen from Table 7, the receivables turnover rate has been declining since 2020, and the rising turnover days indicates that the receivables liquidity of New Oriental is poor; the total asset turnover is stable, but the overall decline, and the total asset turnover days are basically increased, indicating that New Oriental operation ability is relatively low, which may be reflected in the process of course signing is usually the customer deposit after payment, before the educational institution fails.

Table 7. New Oriental 2018-2023 Business Capacity Indicators

	2023	2022	2021	2020	2019	2018
Accounts receivable turnover rate (times)	121.11	247.46	665.87	957.12	955.85	750.52
Total assets turnover rate (secondary)	0.48	0.38	0.51	0.64	0.72	0.71
Days of receivables turnover	2.97	1.45	0.54	0.38	0.38	0.48
Total asset turnover days	746.18	938.23	703.24	563.51	501.33	507.67

3.4. Prospect Analysis

In the face of the new education policy and public opinion, new Oriental still has larger operating risk, by the income distribution of new Oriental future may continue to focus to online product promotion and study planning services to obey times development, and from the point of its debt and income, new Oriental may need from the Internet income sources such as support to gradually from the scale of income shrinking cycle, for benign operation. If New Oriental makes a breakthrough in online education or online live streaming, and pays more attention to overseas study abroad services, the company may have greater prospects

4. Conclusion

This paper studies the new Oriental in recent years financial position and forecasts its development trend. Through the Harvard framework, pest, swot, financial analysis (including solvency, profitability and operational ability) and combined with since the table data of nearly 6 years, this essay sums up the conclusion: New Oriental was badly influenced by 2022 education reform, but quickly reduced cost by reducing the scale Gradually maintain the profits. This paper also has several shortcomings. There are only data for 2022 and 2023 after the education reform in 2022 for reference,

the forecast is likely to be inaccurate; moreover, in 2024 the system becomes individual free choice, so there may be new changes in 2024.

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