



Strategic Transformation and Financial Resilience: How New Oriental Reinvented Itself After China's Double Reduction Policy

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Abstract. This study focuses on the financial transformation of New Oriental Education & Technology Group in the context of China's "Double Reduction" policy. Utilizing financial data from 2021 to 2024, we conducted both horizontal and vertical analyses of income statements, balance sheets, and cash flow statements, complemented by a DuPont analysis to evaluate the company's resilience under regulatory stress. The findings reveal that, despite a significant decrease in revenue and net profit in 2022, strategic measures—such as selling under-performing assets, tightening cost controls, and expanding into high-margin sectors like live-streaming commerce and international education—enabled a return to profitability by 2024. Enhanced cash flow management, improved asset utilization, and a restructured capital framework were critical to this recovery, though challenges related to policy reliance, intensified competition, and geopolitical risks remain. These insights provide a decision-making framework for balancing immediate stability with long-term sustainable development in policy-sensitive industries, offering valuable guidance for both investors and policymakers.[1][2]

Keywords: Double Reduction Policy, New Oriental Education, Strategic Transformation, Financial Resilience

1 Introduction

1.1 Research Background

In 2021, the "Double Reduction" policy dramatically restructured China's education sector by decreasing academic extracurricular training, leading to a significant revenue decline for traditional education enterprises.[1] In response, New Oriental Education & Technology Group, a leading U.S.-listed Chinese company, shifted its strategic

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focus from K–12 tutoring to non-academic fields—including quality education, adult training, and live-streaming e-commerce—to safeguard operational stability and investor confidence in global markets. At the same time, as shown in Figure 1, a declining birth rate and accelerated population aging have reduced the future K–12 student base while creating opportunities in adult and senior education. This demographic evolution challenges education enterprises to adapt their business models and diversify services for sustained development.

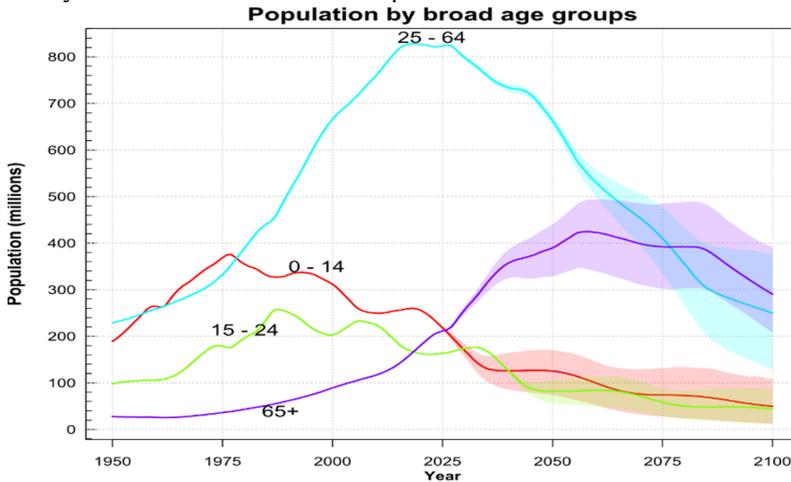


Fig. 1. China's Population by Broad Age Groups (1950–2100), Based on the United Nations World Population Prospects

1.2 Research Objectives

This study evaluates the financial resilience of New Oriental Education & Technology Group from 2021 to 2024 using financial statement analysis and the DuPont framework. It explores how the "Double Reduction" policy has affected the company's profitability, solvency, and operational efficiency, clarifying the drivers behind its financial fluctuations. In addition, the study identifies risks such as policy dependency, market competition, and geopolitical uncertainties that emerge during the transformation process. Furthermore, it examines the impact of internal restructuring, asset divestiture, and new business expansion on asset utilization, cash flow management, and core competitiveness, offering theoretical insights and practical guidance for achieving both short-term stability and long-term sustainable development.

2 Development Overview of New Oriental

New Oriental Education & Technology Group Inc. (EDU), founded in Beijing in 1993 by Yu Minhong, emerged as a pioneering entity in China's private education sector. Initially specializing in TOEFL training, the company rapidly ascended to a

leading position in standardized test preparation through precise market positioning and high-quality educational resources. After 2000, its services expanded to encompass GRE, GMAT, SAT, and other overseas exam preparations, eventually evolving into a comprehensive education system covering K-12 academic tutoring, multilingual training, and online learning platforms. By 2021, New Oriental had established over 1,600 directly operated learning centers across China, cumulatively serving more than 50 million students, solidifying its status as a benchmark enterprise in China education industry. In 2006, the firm achieved a milestone as the first Chinese education company to list on NASDAQ (ticker: EDU), a strategic move that not only injected fresh capital but also accelerated its global branding. Subsequent international expansions witnessed the establishment of overseas branches in North America and Southeast Asia.

The implementation of China's "Double Reduction" policy in 2021 precipitated unprecedented challenges. Confronted with the abrupt termination of its K-12 academic training operations—previously accounting for approximately 60% of total revenue—the company executed a rapid strategic transformation. This involved accelerating digital transformation through AI-enhanced online platforms (e.g., "New Oriental Online") [3] and diversifying into adult vocational education and non-academic courses. On the other, it ventured into live-streaming e-commerce by launching the "East Buy" platform, which pioneered a "knowledge-driven sales" pattern. [4] The platform's distinctive bilingual live streaming combined with artistic expression has intrigued many audiences, resulting in a rapid surge in sales revenue over a short period. Simultaneously, international education services rebounded through strengthened overseas exam preparation and study-abroad consulting, achieving revenue increase and adding new overseas campuses in the U.S. and Singapore through cooperation and investment with local partners. [5]

Currently, New Oriental has transitioned from a traditional education giant to an integrated "education + consumption" service provider, anchored by three pillars: online education, live-streaming commerce, and international education. Its asset-light strategy has proven remarkably effective, reducing fixed assets by 40.10% since 2021. By leveraging technology-driven solutions and agile market adaptation, the company continues to lead industry innovation, offering a significant blueprint for sustainable development in China's education sector.

3 Part I: Comprehensive Data Presentation

3.1 Income Statement Analysis

Total Revenue Trends. New Oriental's revenue profile underwent dramatic changes during the period under review. In 2022, the abrupt suspension of K-12 academic tutoring—formerly accounting for roughly 60% of total revenue—resulted in a decline from USD 4277 million to USD 3105 million (a decrease of 27.4%). This immediate impact was primarily driven by the closure of over 1000 teaching centers, as required by the regulatory changes. Although revenue from non-academic segments (such as

quality education and adult training) increased steadily between 2021 and 2024, these gains were insufficient to offset the loss from the terminated K–12 services.

By 2024, the revenue recovery was notably supported by two structural shifts. First, live-streaming e-commerce (“East Buy”), emerged as a dominant growth engine, benefiting from a differentiated, knowledge-driven sales approach and the network effects provided by major platforms like Douyin. Second, the international education segment experienced a rebound; the revenue share from study-abroad consulting and language training increased from 24% in 2021 to 28% in 2022, bolstered by a post-pandemic surge in study-abroad demand and the strategic expansion of overseas campuses.

Net Profit Volatility. The net profit figures reflect the considerable operational turbulence experienced during the transformation. In 2022, the sudden curtailment of K–12 services, combined with one-time charges such as asset impairments (USD 567 million) and severance payments (USD 286 million), resulted in a net loss of USD 1,188 million. This deep loss underscores the vulnerability of a business model overly dependent on a single revenue stream.

In response, 2023 marked the initiation of extensive restructuring. The company reduced its workforce by 40,000 and closed numerous redundant centers, which contributed to a 26% reduction in sales and management expenses. These measures, coupled with incremental revenue from emerging business lines (notably live-streaming e-commerce and international education), allowed net profit to recover to USD 177 million in 2023. By 2024, further operational improvements and market recovery efforts increased net profit to USD 310 million.

Profit Margin Trends and Cost Structure Optimization. Profit margins experienced significant fluctuations over the period. In 2021, New Oriental posted a net profit margin (NPM) of 7.81% and an operating profit margin (OPM) of 3.48%, reflecting a stable performance in its traditional business model. However, in 2022, the combined effects of regulatory impact and rising operational costs pushed NPM down to –38.26% and OPM to –17.62%.

The recovery began in 2023 as the company restructured and refined its cost management strategies. The improved operating efficiency allowed the NPM to rise to 5.90% and OPM to turn positive at 6.34%. By 2024, the margins had further recovered to 7.19% (NPM) and 8.11% (OPM). Key drivers of this recovery included the expansion into higher-margin sectors (live-streaming e-commerce and international education), a significant reduction in selling and administrative expenses (a decline from USD 270 million to USD 200 million), and a substantial decrease in interest expenses (a 95% reduction from USD 960 thousand to USD 40 thousand).

Earnings Per Share and Risk Indicators. Earnings per share (EPS) also mirror the company’s operational challenges and subsequent recovery. In 2021, EPS was USD 2.03, reflecting robust profitability from the K–12 segment. However, in 2022, EPS fell sharply to –USD 7.00 as a result of the adverse impact of the “Double Reduction”

policy and associated restructuring costs. Recovery was evident in 2023 with EPS reaching USD 1.06, and by 2024, EPS further increased to USD 1.87. Although these figures have not yet returned to pre-policy levels, the pace of recovery was relatively swift compared to industry peers.

Nonetheless, potential risks remain. Intensified tax compliance reviews in the live-streaming sector (illustrated by the 2023 Viya case) could compress margins if platform commission rates rise.[6] Similarly, new prepayment regulations for non-academic training fees may impose additional cash flow constraints. External factors, such as lower STEM visa approval rates in the U.S. and aggressive pricing strategies from competitors in Southeast Asia, continue to exert pressure on revenue streams.

3.2 Balance Sheet Analysis

Trends in Total Assets and Liabilities. The balance sheet reflects a systematic contraction of the asset base in response to strategic repositioning. Total assets declined from USD 10.151 million in 2021 to USD 7.532 million in 2024 (a compound annual decline of approximately 7.2%). The reduction was most pronounced in non-current assets, which dropped from USD 3577 million to USD 2143 million—a 40.1% decrease. Notably, the net book value of property, plant, and equipment fell from USD 2723 million to USD 1162 million, largely due to asset disposals driven by the reduction of offline operations. In contrast, long-term notes receivable increased from USD 4.157 million to USD 7.273 million, reflecting strengthened financing support for strategic partners.

Current assets also contracted—from USD 6574 million to USD 5389 million—primarily due to lower cash balances and reduced accounts receivable. This contraction underscores the dual impact of external pressures from the policy environment and a deliberate move toward a leaner, asset-light model with a focus on digital transformation.

Liability Structure Optimization and Liquidity Considerations. Total liabilities decreased from USD 5133 million in 2021 to USD 3483 million in 2024, a reduction of 32.1%. This improvement in the liability structure is attributable to proactive deleveraging measures. In particular, the company reduced its short-term debt significantly. However, the proportion of current liabilities increased from 67.6% to 86.2% during the same period, indicating rising short-term repayment obligations. This trend calls for enhanced liquidity management to ensure that near-term obligations are met without compromising operational flexibility.

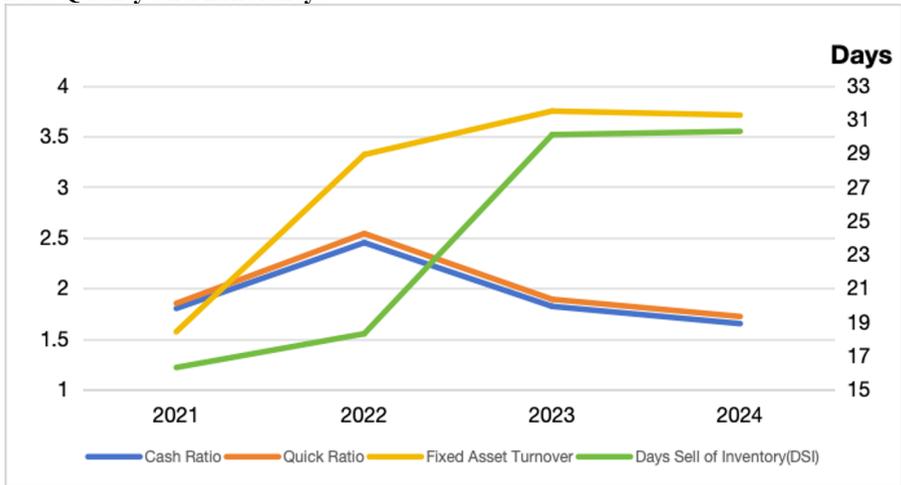
Asset Quality and Efficiency.

Fig. 2. New Oriental's Cash Ratio, Quick Ratio, Fixed Asset Turnover, and DSI, 2021–2024

As shown in Figure 2, liquidity ratios and efficiency indicators offer additional insights. The cash ratio improved from 1.8 in 2021 to 2.45 in 2022, suggesting that the company maintained robust cash reserves during the initial phase of restructuring. However, by 2023 and 2024, the cash ratio declined to 1.82 and 1.65, respectively, likely reflecting the redeployment of cash into strategic investments. Similarly, the quick ratio, after peaking at 2.54, declined to 1.89 in 2023 and 1.72 in 2024, though it remains above the industry average of approximately 1.2.

Inventory management, measured by Days Sales of Inventory (DSI), deteriorated as DSI increased from 16.3 days in 2021 to 30.3 days in 2024. This suggests a buildup of inventory or inefficiencies in the supply–demand cycle for educational materials, which requires further improvement.

Fixed asset turnover improved markedly from 1.57 in 2021 to 3.32 in 2022, rising to 3.75 in 2023 and stabilizing at 3.71 in 2024. This improvement is primarily the result of scaling down offline investments rather than genuine increases in operational efficiency. In parallel, intangible assets grew from USD 78.09 million to USD 123 million, indicating ongoing investments in brand development and technology. However, the extent to which these intangible assets contribute to long-term value creation remains to be fully assessed.

Capital Structure and Equity Stability. The company's capital structure underwent significant rebalancing. The debt-to-equity ratio declined from 1.02 in 2021 to 0.86 in 2024, indicating a strategic reduction in financial leverage. At the same time, shareholders' equity contracted by 19.3% over the period, reflecting the adverse effects of asset disposals and operational losses. Ordinary share capital continued to dominate, representing over 90% of total equity, while minority interests increased from USD 105

million to USD 273 million at a compound annual growth rate of 37.4%, suggesting a gradual dilution of control at the subsidiary level.

Peer Comparison. Benchmark against industry peers further highlights New Oriental’s conservative financial management.[7] For instance, in 2024, TAL Education reported an asset–liability ratio of approximately 55%, whereas New Oriental’s ratio was 46.2%, indicating more prudent leverage management. Furthermore, while a peer such as GOTU had a cash ratio of around 0.9, New Oriental maintained a significantly higher cash ratio of 1.65, which underscores its superior short-term solvency and capacity to buffer against market volatility.

3.3 Cash Flow Analysis

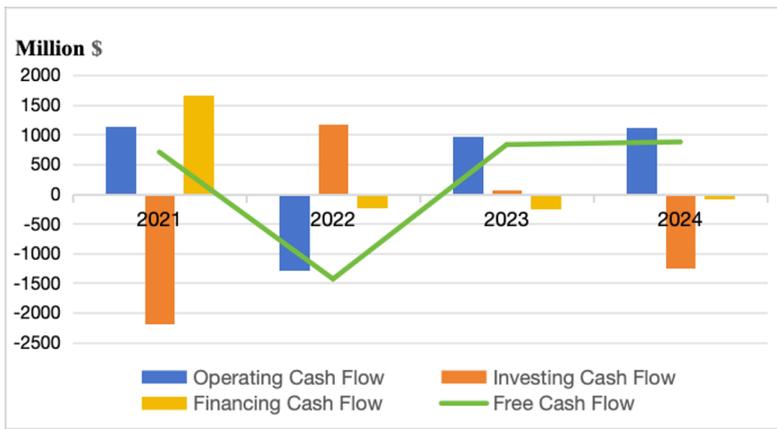


Fig. 3. New Oriental’s Operating, Investing, Financing, and Free Cash Flows, 2021–2024

Operating Cash Flow. As shown in Figure 3, operating cash flow (OCF) is a key indicator of the company’s core operational health. In 2021, New Oriental recorded an OCF of USD 1130 million, reflecting stable operations prior to the policy shock. In 2022, however, OCF fell sharply to –USD 1280 million due to the suspension of K–12 services, which triggered a decline in student enrollment and revenue. The closure of numerous physical learning centers, combined with one-time expenses such as severance payments and penalties, further deepened the negative cash flow.

Recovery in operating cash flow became evident in 2023, with OCF rising to USD 971 million, and further improvement was observed in 2024 when OCF reached USD 1,123 million. This positive trend reflects the cumulative benefits of restructuring measures, cost containment efforts, and the gradual restoration of market demand as the company realigned its business model.

Investing Cash Flow. Investing cash flow (ICF) exhibited considerable volatility throughout the period. In 2021, aggressive capital expenditures aimed at expanding

offline facilities resulted in an ICF of –USD 2,178 million. With the onset of the “Double Reduction” policy, the company significantly curtailed its fixed asset investments. In 2022, asset disposals and reduced capital outlays led to a positive ICF of USD 1,169 million. In 2023, ICF registered a modest inflow of USD 37 million; however, in 2024 it reverted to –USD 1,238 million, suggesting renewed investments in growth initiatives. Key components of ICF include reduced investments in physical assets, continued expenditures on digital and intangible assets, periodic asset disposals, and allocations to external investments that partially offset outflows.

Financing Cash Flow. Financing cash flow (FCF) underwent a marked reversal as the company shifted from an expansion-oriented approach to one focused on deleveraging. In 2021, New Oriental benefited from a net financing inflow of USD 1,654 million, which supported rapid business expansion. From 2022 onward, however, the strategy pivoted toward reducing external debt and optimizing the capital structure. Consequently, financing cash flows turned negative, recording –USD 231 million in 2022, –USD 247 million in 2023, and –USD 76 million in 2024. This sustained negative FCF indicates the company’s commitment to debt repayment and share repurchase initiatives, thereby reducing financial risk.

Free Cash Flow. Free cash flow (FCF), which represents the cash available after accounting for capital expenditures, serves as an indicator of long-term financial flexibility. In 2021, free cash flow stood at USD 701 million. However, in 2022, FCF dropped sharply to –USD 1,431 million, reflecting the combined effects of reduced operating cash inflows and increased capital spending amid restructuring. The subsequent recovery in FCF was notable, with values rebounding to USD 828 million in 2023 and further improving to USD 873 million in 2024. This turnaround not only confirms the effectiveness of the company’s cost-control and operational realignment measures but also lays a foundation for reinvestment in core operations and future growth.

Looking ahead, if strategic initiatives in adult education, study-abroad consulting, and live-streaming e-commerce continue to generate positive operating cash flows while capital expenditures remain controlled, free cash flow is expected to stabilize. Conversely, if investments in these emerging sectors exceed planned levels or the payback period extends, some volatility in FCF may persist.

4 Part II: Discussion on Causes and Implications of Data Changes

4.1 Impact of the “Double Reduction” Policy and Strategic Restructuring

The severe financial disruptions in 2022 were primarily attributable to the “Double Reduction” policy, which forced an abrupt cessation of K–12 academic tutoring—a

service that historically underpinned over half of the company's revenue. The loss of this core business, compounded by one-off charges such as asset impairments and severance expenses, resulted in a dramatic net loss. In response, New Oriental undertook a comprehensive restructuring that included closing over 1,000 teaching centers and reducing its workforce by approximately 40,000 employees. Although these measures imposed short-term costs, they significantly reduced fixed operating expenses and laid the groundwork for a strategic pivot.

The company's shift from a heavy reliance on K–12 tutoring to a diversified model—with increased emphasis on live-streaming e-commerce and international education—proved critical in reversing the negative trends. The rapid growth of the “East Buy” platform and the rebound in demand for international education services facilitated a gradual recovery in both revenue and profitability by 2023 and 2024. This transformation illustrates how decisive strategic action, even when disruptive, can mitigate the impact of adverse regulatory changes.[2]

4.2 Transformation of Revenue Mix and Profitability Recovery

The evolution in New Oriental's revenue mix is a key outcome of its strategic transformation. While the immediate effect of the policy was a significant revenue loss from the cessation of K–12 services, the subsequent emergence and expansion of alternative revenue streams have diversified the income base. The accelerated growth in live-streaming commerce and the revival of international education have not only offset some of the initial losses but have also contributed to improved profit margins. The recovery of the net profit margin—from –38.26% in 2022 to 7.19% in 2024—demonstrates that the combination of cost control, digital transformation, and market repositioning has restored operational efficiency. Additionally, the reduction in selling, administrative, and financial costs has been pivotal in reestablishing profitability.

4.3 Adjustments in Asset Composition and Liability Management

The restructuring process was also reflected in significant changes to the balance sheet.[5][7] The deliberate reduction in total assets—particularly through the divestiture of fixed assets—signals a strategic move from a capital-intensive model toward a leaner, digital-focused operation. Although the asset base contracted, the improved fixed asset turnover indicates that the remaining assets are being utilized more efficiently. However, the reduction in shareholders' equity, coupled with an increased proportion of current liabilities, underscores the challenges of maintaining a sustainable asset–liability balance during such a transformation.

On the liability side, the proactive deleveraging efforts have led to a significant reduction in total liabilities and a lower debt-to-equity ratio. Nevertheless, the rise in the proportion of current liabilities indicates heightened short-term repayment pressure, which necessitates vigilant liquidity management. Compared with industry peers, New Oriental's conservative leverage and robust liquidity position (as evidenced by its

higher cash ratio) provide a relative buffer, yet the ongoing balance between asset-light strategies and sufficient capital retention remains critical.

4.4 Cash Flow Dynamics and Their Strategic Implications

The dynamics of cash flow further illuminate the company's strategic adjustments. The sharp decline in operating cash flow in 2022, driven by the disruption of core business activities and significant restructuring costs, was an early indicator of the crisis. The subsequent recovery in operating cash flow, which reached USD 1,123 million by 2024, reflects the cumulative benefits of cost containment measures and a successful realignment of revenue streams.

Investing cash flow fluctuations highlight the dual challenge of curbing excessive capital expenditures while ensuring sufficient investment in future growth. The reversal from a negative to a positive ICF in 2022, followed by renewed negative outflows in 2024, signals the company's ongoing efforts to strike a balance between asset disposal and targeted reinvestment. Moreover, the transition in financing cash flow—from an inflow in 2021 to sustained negative figures thereafter—demonstrates the company's commitment to deleveraging and optimizing its capital structure, albeit at the cost of limiting external funding for rapid expansion.

The improvement in free cash flow is particularly noteworthy, as it not only confirms the success of the restructuring measures but also provides the financial flexibility necessary for reinvestment in core business areas. The rebound in free cash flow to positive levels supports the notion that, despite short-term disruptions, New Oriental's financial fundamentals are on a more sustainable footing.

4.5 Broader Implications and Future Outlook

The integrated financial performance from 2021 to 2024 underscores the complex interplay between external regulatory shocks and internal strategic responses. New Oriental's experience illustrates that while a sudden policy change can trigger severe short-term disruptions, a comprehensive and well-executed restructuring can restore financial stability and set the stage for long-term growth.

However, the transformation is not without risks. The contraction in total assets and shareholders' equity, along with the increased pressure from short-term liabilities, points to the challenges inherent in transitioning from a traditional, asset-heavy model to a lean, digitally oriented enterprise. Additionally, the volatility in cash flows—particularly in the investing and financing domains—highlights the need for ongoing strategic adjustments and vigilant risk management.

Looking forward, New Oriental must continue to refine its cost structure, optimize asset utilization, and maintain robust liquidity while pursuing strategic investments in high-growth areas such as live-streaming commerce and international education. The company's ability to balance further investments with the preservation of cash reserves will be critical in sustaining the gains achieved during this period. In particular, enhancing operational efficiencies, improving inventory turnover, and closely managing working capital will be essential to mitigating future risks.

Ultimately, the integrated analysis of income, balance sheet, and cash flow data confirms that New Oriental has made significant progress in adapting to a rapidly changing regulatory and market environment. While short-term challenges and volatility remain, the company’s strategic transformation offers a viable path to long-term sustainable development. The lessons learned from this period may serve as a valuable reference for other educational enterprises facing similar disruptive pressures.

4.6 Demographic Shifts and Market Implications

As shown in Figure 4 and 5, a comparison of China's population pyramids between 2005 and 2020 reveals a shrinking base of school-age children and a significant increase in the proportion of middle-aged and older individuals. This structural shift suggests a decline in potential demand within the K–12 education market, which may pressure New Oriental's core revenue streams; however, emerging sectors such as adult education, vocational training, and study abroad consulting could offer new growth opportunities. If New Oriental can promptly adjust its financial resources and business focus, it stands a chance to maintain financial stability and achieve new growth despite the shrinking student base and intensified competition.

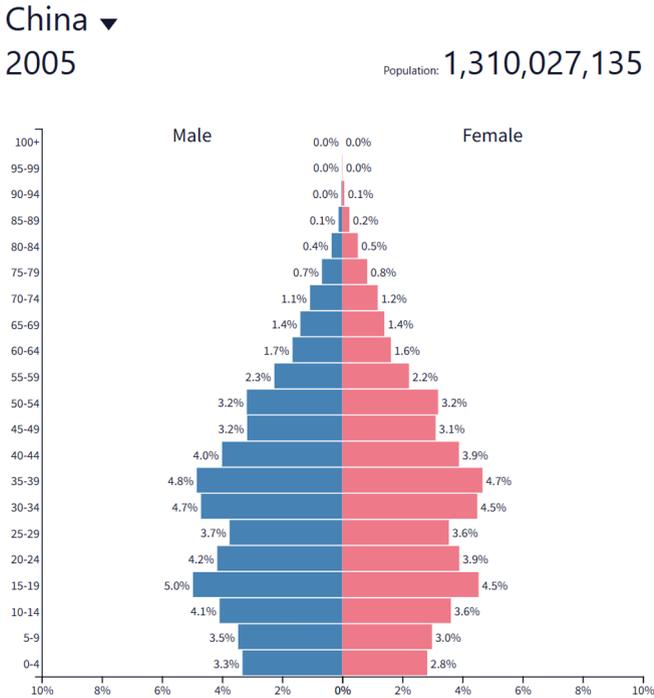


Fig. 4. China’s Population Pyramid (2005)

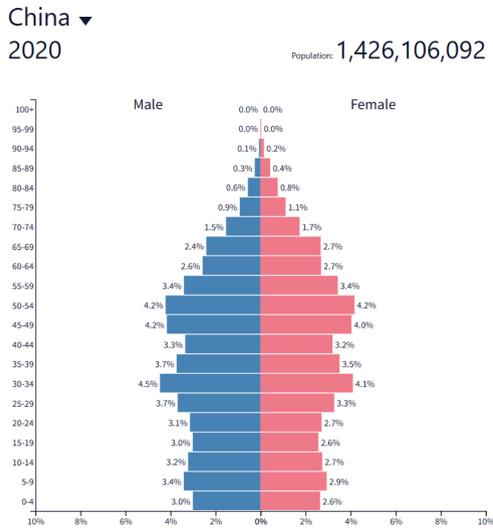


Fig. 5. China’s Population Pyramid (2020)

5 Dupont Analysis

Table 1. DuPont Analysis of New Oriental, 2021–2024

	Net Profit Margin	Total Asset Turnover	Equity Multiplier	ROE
2021	7.81%	0.42	2.02	6.63%
2022	-38.26%	0.51	1.59	-31.03%
2023	5.90%	0.47	1.68	4.66%
2024	7.19%	0.57	1.86	7.62%

Based on table 1, New Oriental’s Return on Equity (ROE) stood at 6.63% in 2021, dropped sharply to –31.03% in 2022 due to a significant decline in net profit margin, and then rebounded to 4.66% in 2023 and 7.62% in 2024. A closer examination of the three DuPont components offers a deeper understanding of these fluctuations:

5.1 Net Profit Margin

At 7.81% in 2021, it served as the primary driver of the relatively healthy ROE that year. In 2022, it plunged to –38.26%, directly causing ROE to turn highly negative. By 2023 and 2024, it recovered to 5.90% and 7.19%, respectively, indicating progress in restructuring efforts and cost control measures.

5.2 Total Asset Turnover

Increased from 0.42 in 2021 to 0.51 in 2022, signaling some improvement in asset utilization, though insufficient to offset the steep drop in profitability. Slightly dipped to 0.47 in 2023 before rising to 0.57 in 2024, suggesting more efficient operations and resource allocation, which contributed to the ROE recovery.

5.3 Equity Multiplier

Declined from 2.02 in 2021 to 1.59 in 2022, indicating a substantial reduction in leverage. Rebounded to 1.68 in 2023 and further to 1.86 in 2024, reflecting a measured increase in leverage that amplified the positive impact of improved earnings.

Overall, the severe downturn in 2022 stemmed primarily from the drastic fall in net profit margin. As profitability rebounded, asset utilization improved, and leverage was adjusted in 2023–2024, ROE recovered significantly. To maintain upward momentum, the company is suggested to focus on stabilizing net margins, enhancing asset efficiency, and employing financial leverage cautiously within acceptable risk limits.

6 Conclusion

The strategic transformation of New Oriental Education & Technology Group (EDU) in response to China's 2021 "Double Reduction" policy offers a compelling case study of corporate resilience and adaptive financial management. Through a comprehensive analysis of financial statements, capital structure dynamics, and cash flow patterns from 2021 to 2024, this study reveals both the efficacy and limitations of the company's crisis response strategies.

6.1 Key Findings

Strategic Realignment and Financial Resilience. The abrupt termination of K-12 academic tutoring—a segment contributing over 60% of preceding policy revenue—triggered a revenue collapse of 27.4% in 2022. However, rapid asset disposals (e.g., closing 1,000+ teaching centers) and aggressive cost rationalization (40,000 layoffs) enabled the company to mitigate liquidity risks. By 2024, the debt-to-asset ratio improved to 46.2%, while free cash flow rebounded to \$873 million, signaling restored operational stability. The success of live-streaming e-commerce ("East Buy") and international education expansion emerged as critical drivers, contributing 28% and 24% of total revenue, respectively, by 2024.

Structural Trade-offs in Capital Efficiency. While fixed asset turnover surged from 1.57 (2021) to 3.71 (2024), this improvement of metric primarily stemmed from denominator contraction (asset disposals) rather than genuine operational enhancements. Similarly, Days Sales of Inventory (DSI) extended to 30.3 days, reflecting inventory

accumulation risks in the nascent e-commerce segment. These trends underscore the dual challenge of balancing short-term liquidity preservation with long-term asset productivity.

Policy Dependency and Systemic Risks. Despite profitability recovery (ROE: 7.62% in 2024), the company remains vulnerable to regulatory uncertainties, particularly in live-streaming commerce and non-academic education. For instance, prepayment escrow mandates and potential tax compliance tightening could compress margins by 5–8%, while RMB depreciation exacerbates financial volatility.

6.2 Theoretical and Practical Implications

This study extends the discourse on corporate resilience by illustrating how policy-sensitive industries can leverage financial restructuring and diversification to navigate systemic shocks. New Oriental's transition from a rigid, asset-heavy model to a hybrid "education + consumption" ecosystem highlights the importance of agility in resource reallocation.[2] However, the trade-offs—such as equity dilution (minority interests up 37.4% CAGR) and reliance on short-term liabilities (86.2% of total debt in 2024)—emphasize the need for balanced risk management frameworks.

6.3 Future Directions

To sustain recovery momentum, New Oriental is recommended to address three strategic measures

Operational Synergy. Integrate AI-driven educational tools with live-streaming platforms to enhance cross-selling efficiency, targeting a 15% reduction in customer acquisition costs by 2025.[3]

Governance Optimization. Introduce preferred shares or convertible bonds to diversify financing sources, reducing WACC below 6.5% while mitigating control dilution risks.

Risk Hedging. Formalize currency hedging protocols and dynamic inventory monitoring systems to cap DSI at 25 days and limit foreign exchange risk exposure to <5% of net profit.[6]

In conclusion, New Oriental's journey from policy-induced crisis to cautious recovery emphasize the viability of strategic transformation in highly regulated sectors. Yet, its long-term success hinges on transcending reactive cost-cutting to cultivate sustainable innovation—a lesson with profound implications for global education enterprises facing analogous disruptions.

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