

POP MART (9992.HK)

IPs continuously introduce innovations and globalization expansion has yielded remarkable results
China | New Consumption

Overview

POP MART is primarily engaged in the design and development of trendy toys. It operates a comprehensive platform covering the entire industry chain of intellectual property (IP) for trendy toys, with businesses including IP incubation and operation, trendy toys and retail, theme park and experiences, and digital entertainment. The company's products include blind boxes, figurines, ball-jointed dolls (BJD), MEGA, plush toys, and derivatives, among others. Its self-developed products primarily feature artist-owned IPs such as THE MONSTERS, MOLLY, SKULLPANDA, and CRYBABY, as well as licensed IPs, which are sold in both domestic and international markets.

Industry Overview

(1) Definition of Trendy Toys:

Trendy toys, in the narrow sense, originated in Hong Kong, China, and Japan in the late 20th century. Created by independent designers and artists, they are also known as art toys or designer toys. Essentially, trendy toys are playthings that integrate concepts from art, design, fashion, painting, sculpture, anime, and more. Categories include action figures, vinyl toys, Japanese sofubi, resin toys, platform toys, blind box figures, building block toys, etc., possessing a semi-luxury attribute. In an environment of consumption downgrading, trendy toys have become symbols for the public to express individuality and attitude. The design style of many trendy toys aims to establish emotional connections and resonance with the audience, thereby attracting consumers to purchase. For example, "Xiaoye Hirono" personifies the emotions of the figures, with each figure corresponding to a different state of mind.

(2) Development of the Industry Chain:

POP MART has achieved a full industry chain layout. Its industry chain is mainly divided into three stages, encompassing: IP supply and operation, trendy toy manufacturing, and sales & after-sales service. These also correspond to the upstream, midstream, and downstream stages of the trendy toy industry. In the upstream stage, artists and design studios first create the IP, followed by licensing. Dedicated operation teams then market the IP and engage in secondary creation. The process then moves to the midstream manufacturing stage, and finally to the downstream sales stage. Sales channels include not only online e-commerce, physical stores, and vending machines, but also numerous secondary markets. There are instances where buyers modify or customize the toys after purchase and resell them at higher prices. Consequently, the blind box market holds considerable profit potential. For POP MART, the development of the entire industry chain is relatively mature, with seamless coordination between each link. In terms of industry chain development, POP MART can be considered a leader in the trendy toy industry. In short, as long as there is a market for blind boxes, POP MART's leading position is unlikely to be replaced.

Market Analysis

(1) Consumer Spending Level

In recent years, the primary age groups enthusiastic about purchasing blind boxes have been children, teenagers, and young adults, with most buyers under the age of 40. As China's economy continues to develop and people's disposable income increases, their material life and spiritual world are becoming increasingly enriched. Consequently, visually appealing crafts like blind boxes have gained popularity. In terms of spending power, the pocket money given by parents to minors is gradually increasing, and many young people face no pressure to support elderly family members or children. Therefore, the consumption capacity of this demographic is relatively strong.

31 Dec 2025

Buy

CMP HK\$190.8
(Closing price as of 30 Dec)
Target 237.3 HKD (+24.4%)

COMPANY DATA

O/S SHARES (MN) :	1342.94
MARKET CAP (HKD bn) :	256.2
52 - WK HI/LO (HKD):	339.8/78.61

SHARE HOLDING PATTERN, %

Ning Wang	44.6%
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PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY24	FY25E	FY26E	FY27E
Revenue	13038	40063	57298	67811
Net profit	3125	12904	19119	21147
EPS (RMB)	2.36	9.61	14.24	15.75
P/E ratio, x	72.88	17.87	12.06	10.91
Dividend Yield, %	0.5%	1.9%	2.9%	3.2%

Source: Company reports, Phillip Securities Est.

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(2) Market Size of the Trendy Toy Industry

The Trendy Toy Industry Development Report (2023) estimates that by 2026, the retail market size for trendy toys in mainland China will reach RMB 110.1 billion, with a compound annual growth rate (CAGR) of 24%. Surveys indicate that the number of paying consumers for trendy toys in mainland China is expected to reach 40 million by 2025 and 49 million by 2030. The average monthly spending per consumer on trendy toys increased from RMB 27 in 2015 to RMB 81 in 2020 and is projected to rise to RMB 194 and RMB 254 by 2025 and 2030 respectively. These high-growth industry figures indicate the company's potential to capture greater market dividends in the future.

(3) POP MART's Marketing Strategy

POP MART's marketing strategy is similar to that of companies in other consumer goods industries, with its distinctiveness lying primarily in its products. POP MART's products actually possess differentiated characteristics. The company scouts and signs artists globally, building a diversified IP matrix comprising self-owned, exclusive, and non-exclusive IPs to mitigate dependency risks. The products designed by its signed designers are all unique. Regarding pricing, a standard blind box typically costs between RMB 69 to 89, while limited editions can reach several thousand yuan. In the past, if an IP was unpopular, the company would clear inventory using "lucky bags" (mystery bags) sold at lower prices, which could attract a significant number of buyers. Sales channels combine online and offline methods. The company conducts social media operations to generate buzz for its products and leverages the celebrity effect of stars and influencers to attract more fans to purchase. Taking Labubu as an example, its explosive popularity resulted from long-term incubation and precise triggering: it first attracted a niche user base with its unique "ugly-cute" design, then went viral after top celebrities like Thai star Lisa shared photos on social media, rapidly expanded its audience by launching new product categories like vinyl and plush toys, and ultimately achieved personalized IP operation through offline theme parks, exclusive songs, and other means.

Performance Summary

Synergized Growth Across Online and Offline Channels

Online channel sales in Q3 2025 increased by 300%-305% year-on-year, primarily benefiting from e-commerce platform traffic dividends and optimized pre-sale models. Offline channel sales grew by 130%-135% year-on-year, largely driven by significant overseas sales growth. Furthermore, the debut of Labubu in the Macy's Thanksgiving Day Parade, where it replaced the classic Popeye float, marked its successful ascent as a global pop culture icon. As of the first half of 2025, POP MART has opened over 550 offline stores and more than 2,500 robot stores globally.

Remarkable Results from Global Expansion, Overseas Markets Emerge as a Second Growth Engine

Following the global organizational structure upgrade in April 2025, all four regions (The PRC, Asia-Pacific, Americas, Europe & Other Regions) achieved triple-digit year-on-year growth. In H1 2025, revenue from the Americas reached RMB 2.27 billion, surging by 1142.3% year-on-year, with the growth rate further accelerating to 1265%-1270% in the third quarter. Revenue from Europe & Other Regions was RMB 478 million with a 729.2% year-on-year increase, with landmark stores in locations like London's Oxford Street and the Paris Louvre effectively enhancing brand momentum. Asia-Pacific revenue amounted to RMB 2.85 billion, up 257.8% year-on-year, driven by new stores in Tokyo's Shibuya and Manila, enhancing regional penetration, and the Bangkok LABUBU theme store quickly gaining market traction. Revenue from the PRC was RMB 8.28 billion, reflecting a 135.2% year-on-year increase. The contribution of overseas revenue to total revenue reached 40.3%, an increase of 17.5 percentage points year-on-year, indicating that overseas income has become the core driver of growth.

High Gross Margin Sustained at Elevated Levels, Strong Cash Flow Position

The gross margin for H1 2025 remained high at 70.34%, significantly above the traditional toy industry average and approaching luxury goods levels, reflecting its strong IP premium pricing power. Net profit attributable to the parent company was RMB 4.57 billion, increasing nearly fourfold year-on-year, demonstrating continued optimization of profitability. Net cash flow from operating activities reached RMB 5.98 billion with a 213.7% year-on-year increase. The asset-liability ratio stood at 32.4%, reflecting a sound financial structure.

Industry-Leading IP Incubation Capabilities

The company continues to enrich its IP matrix through a model combining "artist collaborations + in-house R&D," with self-owned IPs accounting for over 80% of its portfolio. In the first half of 2025, revenue from each of the top five IPs, including THE MONSTERS (LABUBU), MOLLY, SKULLPANDA, and CRYBABY, exceeded RMB 1 billion. Notably, the series featuring LABUBU generated revenue surpassing RMB 4.8 billion, constituting 34.7% of the total and solidifying its role as the core growth engine. The new IP "Twinkle Twinkle" achieved revenue close to RMB 400 million in H1 2025, exceeding growth expectations and validating the sustainability of the IP incubation system. We believe POP MART possesses a diverse portfolio of IPs and continuously incubates new ones, creating a level of scarcity and exclusivity that is difficult for other similar companies to replicate. Strategies such as hidden variants, limited releases, and membership programs foster a unique sense of belonging and community for customers. This further reinforces its semi-luxury (affordable luxury) attributes. Coupled with celebrity/KOL influence and cross-industry collaborations, these efforts are expected to continuously drive social media proliferation and fuel revenue growth.

Trendy Toys Recognized as a Key Supported Sector; Promising Future for New Consumption

In recent years, China has consistently signaled its intent to boost consumption, with policy support for emerging consumption sectors like trendy toys becoming increasingly defined. The Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Commerce, the Ministry of Culture and Tourism, the People's Bank of China, and the State Administration for Market Regulation jointly issued the "Implementation Plan for Enhancing the Supply-Demand Adaptability of Consumer Goods to Further Promote Consumption". For the first time, this plan explicitly includes "trendy toys" within the "Diversified Interest-Based Consumption Supply" category as a key area for support, affirming the consumption value and growth potential of the trendy toy industry at the national policy level. This policy not only provides clear strategic direction for POP MART but also directly aligns with its IP-centric business model through specific measures such as "supporting IP incubation" and "developing brand licensing."

Company valuation

As a leader in China's trendy toy industry, POP MART possesses comprehensive end-to-end IP operation capabilities. The company has adeptly captured market demand for emotional consumption and built a diversified IP portfolio. We believe that under favorable policies, the company is well-positioned to continue incubating other hit IPs in the future, thereby reducing its revenue reliance on the Labubu series. With its ongoing global expansion, the company has achieved explosive growth in overseas revenue, indicating substantial potential for further growth. We forecast the company's revenue for 2025-2027 to be RMB 40.06 billion, RMB 57.3 billion, and RMB 67.8 billion respectively, with EPS of RMB 9.61, RMB 14.24, and RMB 15.75. We initiate coverage with a Buy rating and a target price of HK\$237.3, corresponding to a forecasted 2026 P/E ratio of 15x.

Risk factors

- 1) Macroeconomic downturn impacting end-consumer spending;
- 2) The company's overseas expansion falling short of expectations;
- 3) Weakening appeal of IPs/products;
- 4) Intensifying industry competition.

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Total Revenue	6301	13038	40063	57298	67811
Cost of sales	-2437	-4330	-11478	-14897	-19428
Gross profit	3864	8708	28585	42401	48383
Operating expenses	-2712	-4598	-11418	-16978	-20263
Finance costs	152	163	177	187	192
Profit before tax	1416	4366	17485	25774	28508
Income tax expense	-327	-1058	-4250	-6265	-6929
Profit for the year	1089	3308	13235	19509	21578
Profit for the year attributable to					
– Owners of the Company	1082	3125	12904	19119	21147
EPS(RMB)	0.81	2.36	9.61	14.24	15.75
DPS(RMB)	0.28	0.81	3.32	4.92	5.44
Dividend payout ratio	35%	35%	35%	35%	35%
Weighted shares outstanding	1338	1327	1343	1343	1343

Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
Valuation Ratio					
P/E ratio	212.28	72.88	17.87	12.06	10.91
Dividend Yield, %	0.2%	0.5%	1.9%	2.9%	3.2%
Per share data(RMB)					
EPS	0.81	2.36	9.61	14.24	15.75
BVPS	5.8	8.1	17.0	28.2	39.4
DPS(RMB)	0.28	0.81	3.32	4.92	5.44
Growth & Margin					
Growth					
Revenue Growth	36.5%	106.9%	207.3%	43.0%	18.3%
Gross Profit Growth	45.6%	125.3%	228.3%	48.3%	14.1%
EBIT Growth	107.1%	232.5%	311.9%	47.8%	10.7%
Net Profit Growth	128.9%	203.8%	300.1%	47.4%	10.6%
Margin					
Gross Profit Margin	61.3%	66.8%	71.4%	74.0%	71.4%
EBIT Margin	20.1%	32.2%	43.2%	44.7%	41.8%
Net Profit Margin	17.3%	25.4%	33.0%	34.0%	31.8%
Key Ratios					
ROE	13.93%	29.25%	56.51%	50.47%	40.01%
ROA	10.86%	21.02%	40.73%	38.72%	31.46%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Inventories	905	1525	4041	5245	6840
Accounts receivable	321	478	1595	2281	2699
Cash and cash equivalents	2078	6109	18373	33729	48930
Others	4380	4125	5077	5532	6135
Total current assets	7684	12236	29086	46787	64605
Non-current assets					
PPE	653	739	759	784	818
Others	1632	1895	1834	1800	1804
Total current assets	2286	2635	2593	2584	2622
Total Assets	9969	14871	31679	49371	67227
Current liabilities					
Accounts and bills payables	960	1914	5075	6587	8590
Short-term Bank and other loans	15	0	0	0	0
Others	758	1456	2621	3364	3817
Total current liabilities	1733	3370	7696	9950	12407
Non-current liabilities					
Long-term Bank& other loans	0	0	0	0	0
Others	455	616	616	616	616
Total non-current liabilities	455	616	616	616	616
Total liabilities	2188	3986	8312	10566	13023
Equity attributable to equity holders of the Company	7770	10684	22835	37883	52851
Non-controlling interests	11	201	532	922	1354
Total equity	7780	10885	23367	38805	54204
Total liabilities and equity	9969	14871	31679	49371	67227

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
CFO	1991	4954	14048	20488	22483
Net profit before tax	1416	4366	17485	25774	28508
Change in working capital&others	246	70	-1425	-833	-614
Depreciation and Amortization	669	863	980	951	941
Others	-340	-344	-2992	-5403	-6352
CFI	234	9	-877	-857	-864
Purchase of PP&E	-393	-517	-939	-942	-979
Others	626	526	62	85	116
CFF	-842	-959	-907	-4275	-6419
Cash payments for distribution of dividends, profits or repayment of interest	30	-215	-907	-4275	-6419
Net Borrowings	15	-15	0	0	0
Others	-887	-729	0	0	0
Net increase in cash and cash equivalents	1393	4031	12264	15356	15201

Current Price as of: 30 Dec

Exchange rate: HKD/RMB = 0.90

Source : PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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