EQUITY RESEARCH

PhillipCapital

BLOKS (325.HK)

Overseas revenue increased nearly fourfold YoY, marking initial success in globalization

China| TOY| Initiation Report

28 Apr 2026

Overview

BLOKS is a leader in China’s assembly character toys market. The company holds over 500 patents, possesses original IP capabilities, and has non-exclusive licenses for approximately 50 well-known IPs. Its product positioning is “high quality at a reasonable price.” Leveraging its product strength and supply chain advantages, BLOKS maintains cost competitiveness while continuously expanding its product categories. The company has established a multi-channel sales network, and since 2022, has primarily focused on offline channels centered on distributors. According to Frost & Sullivan, the company’s GMV reached approximately RMB 1.8 billion in 2023, + 170% YoY, with a market share of 30.3% in China’s assembly character toys market and 7.4% in the building toy market. During the same period, China’s assembly character toys market was valued at RMB 5.8 billion, accounting for 5.5% of the overall toy market, 14.3% of the character-based toy market, and 24.4% of the building toy market.

Achieved turnaround to profitability in 2025, with R&D capabilities systematically strengthened

The company achieved sales revenue of RMB 2.91 billion in 2025, + 30.0% YoY. By series, Transformers, Ultraman, Kamen Rider, and HEROSPIRE were the company's top four best-selling series, generating revenues of RMB 951 million, RMB 815 million, RMB 331 million, and RMB 264 million, respectively. By product category, building-and-character toy generated revenue of RMB 2.84 billion, accounting for 97.6% of total revenue, + 29.1% YoY; the assembly vehicle toys and building block toys generated revenue of RMB 70 million, accounting for 2.4% of total revenue, + 77.0% YoY. By channel, offline distribution generated revenue of RMB 2.64 billion, accounting for 90.5% of total revenue, + 27.8% YoY; consignment sales generated revenue of RMB 22.5 million, accounting for 0.8% of total revenue; online channels generated revenue of RMB 253 million, accounting for 8.7% of total revenue, + 62.3% YoY. The growth rate of online channels outpaced the company's overall revenue, demonstrating strong development momentum. Adjusted profit was RMB 675 million, + 15.5% YoY; profit for the year was RMB 634 million, achieving a turnaround from losses in the previous year. As of the end of 2025, the company's R&D team consisted of 618 members, accounting for 66.1% of total employees. The company holds 548 domestic granted patents, 24 overseas granted patents, and 83 domestic invention patents. The R&D expense ratio for 2025 was 9.1%, + 37.3% YoY, reflecting a systematic strengthening of the company's R&D capabilities. The company expands product categories based on core user demands, achieving significant R&D results in themes such as vehicles, animals, and dress-up. Its product matrix continues to diversify, with positive market feedback. During the reporting period, the company launched the " BLOKEES WHEEL " series, which combines ease of assembly and modification, integrates diverse IP themes and automotive culture, and utilizes high-density materials with independent intellectual property rights. It also developed the " TERRAVENTUR " animal-themed toys (e.g., Dinosaur series), achieving an integration of building, articulation, and fine skin textures through the " one-Skin-Feature System " Additionally, the company launched the " DaaLaMode 1/12 " dress-up theme series, featuring modular bodies and standardized joints, paired with fabric clothing suitable for various scenarios.

Buy

CMP HK$65.1

(Closing price as of 24 Apr)

Target 78.14 HKD (+20%)

COMPANY DATA

O/S SHARES (MN) :	249
MARKET CAP (HKD bn) :	16.18
52 - WK HI/LO (HKD):	198/51

SHARE HOLDING PATTERN, %

Next Bloks Limited	44.39%

PRICE VS. HSI

Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY25	FY26E	FY27E	FY28E
Revenue	2913	3797	4756	5795
Net profit	634	769	1046	1274
EPS (RMB)	2.58	3.09	4.20	5.11
P/E ratio, x	21.98	18.35	13.49	11.08
Dividend Yield,%	0.0%	0.0%	0.0%	0.0%

Source: Company reports, Phillip Securities Est.

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In 2025, the company continued to expand its overseas markets and deepen user engagement, launching "BLOKEES," an official fan community app covering 12 countries and regions across Asia-Pacific, aimed at building a global fan ecosystem to support overseas business growth. Overseas sales revenue reached RMB 319 million, an increase of nearly 4x YoY. By region, revenue from Asia (excl. China) grew to RMB 133 million, + 238.1% YoY; revenue from the Americas rose to RMB 150 million, + 804.1% YoY. The United States and Indonesia were the company's top two overseas revenue markets in 2025.

Significant Increase in Asset Scale and Notable Improvement in Debt-to-Asset Ratio

As of the end of 2025, the Company's total assets reached RMB 4.12 billion, + 156.6% YoY. Total liabilities stood at RMB 1.25 billion, while the debt-to-asset ratio was 30.4%, representing a substantial decrease of 169.3 percentage points YoY, indicating a marked improvement in the financial structure. Shareholders' equity turned positive to RMB 2.87 billion, primarily attributable to the automatic conversion of convertible redeemable preferred shares into ordinary shares upon the Company's listing in early 2025, as well as the turnaround from loss to profit during the year. Cash and bank balances amounted to RMB 2.33 billion, + 223% YoY, significantly strengthening the Company's cash position. With ample cash on hand, the Company has laid a solid foundation for future R&D investment, market expansion, and capacity build-out. Inventory stood at RMB 332 million, and inventory turnover days increased from 64 days in 2024 to 75 days in 2025. This increase was mainly due to higher product inventory to support sales performance. Accounts payable increased 33% YoY, primarily driven by continued business growth.

Continuous Expansion of the IP Matrix

In April 2026, the Company made its debut at the Thailand Toy Expo, showcasing its two core product categories: " Blokees " and " BLOKEES WHEELS." The exhibition highlighted a diverse matrix covering 17 globally recognized IPs and over 300 products, including Ultraman, Transformers, DC, Neon Genesis Evangelion, Naruto, Minions, Jurassic World, Hatsune Miku, and HEROSPIRE. During the event, the Company globally launched four brand-new Blokees models, which stood out as key highlights and are expected to further drive market enthusiasm and sales. The Company introduced the DaaLaMode series, developing multiple products around popular IPs such as Hatsune Miku, strategically addressing the underserved female customer segment. Meanwhile, the TERRAVENTURE series, set against the Jurassic World backdrop, features nature- and animal-themed assembly models, further refining the product portfolio for different customer groups. We believe the Company is building a diversified IP matrix that spans generations, geographies, and product categories, enabling it to effectively respond to increasingly discerning consumer preferences and mitigate the risk of over-reliance on any single IP.

Investment Thesis

BLOKS holds significant advantages in Lower-Tier Markets. BLOKS' channel penetration strategy in lower-tier markets is not a mere distribution push but a systematic effort. Its core logic can be summarized as: attracting customers with low-priced products, covering a dense network of outlets, maintaining an efficient distributor system, and precisely positioning stores near school campuses. Consumers in lower-tier markets are highly price-sensitive, but they do not simply chase low prices, they seek "ultimate cost-effectiveness." BLOKS accurately captures this demand by launching products such as the 9.9 RMB "Star Edition" and BLOKEES

WHEELS series, as well as the 14.9 RMB " TERRAVENTUR " animal-themed toys, further penetrating these markets. We believe BLOKS has built a moat in lower-tier market channels that are difficult to replicate. By deeply integrating classic IPs with modern brick-building techniques, BLOKS effectively satisfies the younger generation's desire for refined collecting and handling of childhood memories, creating a strong emotional bond with users. On the IP front, the company launches "Premium Blokees " centered on major IPs such as DC, Ultraman, and Transformers. With high-fidelity accuracy, these products trigger a sense of nostalgic compensation among consumers born from the 1980s to the 2000s. On the cultural front, based on over 500 patents, BLOKS builds a "Chinese Bricks" system infused with Chinese cultural elements, enhancing the cultural confidence and sense of belonging for a local brand. On the product front, the company emphasizes the assembly experience and high poseability, aligning with current trends in trendy toy consumption, thereby creating unique cultural products that are both display-worthy and collectible. Overall, BLOKS re-presents classic cultural symbols in the form of "building + collecting," establishing differentiated emotional connections and competitive barriers.

Looking ahead, we believe the company will continue to benefit from its moat in lower-tier markets and its globalization strategy. We forecast the company's operating revenue for 2026–2028 to be RMB 3.8 billion, RMB 4.76 billion, and RMB 5.8 billion, respectively. EPS is projected at RMB 3.09 / 4.20 / 5.11, corresponding to P/E ratios of 18.3x / 13.5x / 11.1x. We assign a 22x P/E ratio for 2026, resulting in a target price of HKD 78.14. Initiate coverage with an "Buy" rating. (Current price as of April 24)

Risk factors

1) High IP licensing costs, limited contribution from proprietary IPs

The company relies heavily on externally licensed IPs, with only a few proprietary IPs such as HEROSPIRE and MAGIC BLOCKS. Sales of licensed IPs continue to account for a persistently high share, and IP licensing fees represent a significant portion of costs. Moreover, the profit margin of licensed IPs is notably lower than that of proprietary IP models. In comparison, a leading trendy toy giant reported that over 90% of its revenue in the first half of 2025 came from proprietary products (including both proprietary and exclusive IPs), with a full-year gross margin of 72.1% in 2025. Leveraging the cultural attributes and high premium pricing power of its original IPs, this competitor holds a significant advantage in profitability. BLOKS's current business model leans more toward that of a traditional toy manufacturer, and there remains a structural gap in IP monetization efficiency compared to top-tier trendy toy companies.

2) Weak channel pricing control, discounts erode brand premium

Consumers are shifting from purchasing at official original prices to other channels offering higher discounts, reflecting the company's weak control over its channel pricing system. Some unofficial channels offer substantial price markdowns, which may disrupt the unified brand pricing system, thereby affecting overall revenue quality and brand premium power.

3) Intensifying low-price competition, homogenization pressure amplifies earnings volatility

The assembly character toys market is becoming increasingly competitive. Rival products cover the RMB 19–99 and 100–199 price ranges, with a total SKU count exceeding 10,000 across blind boxes, building blocks, figurines, and other categories, directly competing with BLOKS. BLOKS’s core SKU price range is around RMB 40, with some new products dropping to around RMB 10, primarily targeting lower-tier markets. Under intense homogenized competition, price war pressure could lead to a decline in overall sales revenue. Moreover, given that BLOKS's product unit prices are already in the low-to-mid range, further room for price cuts is limited, amplifying the marginal impact on total revenue, and profitability may remain under sustained pressure.

Financial

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	2241	2913	3797	4756	5795
Cost of sales	-1062	-1549	-2044	-2462	-2987
Gross profit	1179	1364	1753	2294	2808
Operating expenses	-941	-749	-955	-1210	-1466
Finance costs	-2	-2	-2	-3	-3
Profit before tax	-296	694	842	1145	1394
Income tax expense	-102	-60	-73	-99	-120
Profit for the year	-398	634	769	1046	1274
Profit for the year attributable to					
– Owners of the Company	-401	634	769	1046	1274
EPS(RMB)	-2.69	2.58	3.09	4.20	5.11
DPS(RMB)	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio	0%	0%	0%	0%	0%
Weighted shares outstanding	149	246	249	249	249

Key Financial Data

Dec Y/E	FY24	FY25	FY26E	FY27E	FY28E
Valutation Ratio					
P/E ratio	N/A	22.0	18.3	13.5	11.1
Dividend Yield, %	0.0%	0.0%	0.0%	0.0%	0.0%
Per share data(RMB)					
EPS	-2.69	2.58	3.09	4.20	5.11
BVPS	N/A	11.7	14.6	18.8	23.9
DPS(RMB)	0.00	0.00	0.00	0.00	0.00
Growth & Margin					
Growth					
Revenue Growth	155.6%	30.0%	30.3%	25.3%	21.9%
Gross Profit Growth	184.1%	15.7%	28.5%	30.9%	22.4%
EBIT Growth	56.0%	N/A	21.4%	35.9%	21.8%
Net Profit Growth	91.8%	N/A	21.4%	36.0%	21.8%
Margin					
Gross Profit Margin	52.6%	46.8%	46.2%	48.2%	48.5%
EBIT Margin	N/A	23.9%	22.2%	24.1%	24.1%
Net Profit Margin	N/A	21.8%	20.3%	22.0%	22.0%
Key Ratios					
ROE	25.05%	22.09%	21.15%	22.33%	21.38%
ROA	N/A	15.38%	15.22%	16.86%	16.77%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
Current assets					
Inventories	279	332	524	631	766
Accounts receivable	112	270	235	294	358
Cash and cash equivalents	720	2325	2930	3790	4855
Others	105	634	677	697	702
Total current assets	1216	3561	4366	5412	6681
Non-current assets					
PPE	154	280	336	405	530
Others	237	281	353	387	386
Total current assets	391	561	690	792	916
Total Assets	1606	4122	5056	6203	7597
Current liabilities					
Accounts and bills payables	567	754	907	996	1102
Short-term Bank and other loans	0	0	0	0	0
Others	2615	495	507	519	533
Total current liabilities	3182	1249	1414	1515	1635
Non-current liabilities					
Long-term Bank& other loans	0	0	0	0	0
Others	25	4	4	4	4
Total non-current liabilities	25	4	4	4	4
Total liabilities	3207	1253	1417	1519	1639
Equity attributable to equity holders of the Company	-1601	2869	3638	4684	5958
Non-controlling interests	0	0	0	0	0
Total equity	-1601	2869	3638	4684	5958
Total liabilities and equity	1606	4122	5056	6203	7597

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
CFO	762	897	1012	1363	1678
Net profit before tax	-296	694	842	1145	1394
Change in working capital&others	-215	-3	-48	-97	-98
Depreciation and Amortization	88	198	277	399	485
Others	1185	8	-59	-83	-103
CFI	-119	-855	-405	-501	-609
Purchase of PP&E	-84	-235	-405	-501	-609
Others	-35	-620	0	0	0
CFF	-286	1602	-2	-3	-3
Cash payments for distribution of dividends, profits or repayment of interest	-2	-2	-2	-3	-3
Net Borrowings	0	0	0	0	0
Others	-284	1603	0	0	0
Net increase in cash and cash equivalents	359	1605	604	860	1066

Current Price as of: 24 Apr
Exchange rate: HKD/CNY = 0.87
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 ± 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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