EQUITY RESEARCH

POP MART (9992.HK)

Concentration and operating cost concerns emerge

China| New Consumption

13 May 2026

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.

High Margin Rivals Luxury Goods, but IP Concentration and Heavy-Asset Expansion Pose Risks

In 2025, the company achieved operating revenue of RMB 37.12 billion with a substantial year-on-year increase of 185%. Overseas sales accounted for 44% of total revenue, indicating that international markets have become a core growth engine. By product category, plush toys contributed 50.4% of revenue, surging 560.6% year-on-year. Centralized procurement effectively compressed costs, supporting profit release. Gross profit for the year reached RMB 26.76 billion, up 207% year-on-year, outpacing revenue growth. The gross margin stood at 72.1% with an increase of 5.3 percentage points. This margin rivals that of luxury goods (typically 60%-80%) and significantly exceeds conventional product pricing logic, reflecting strong pricing power driven by popular IPs and emotional value. In terms of IP structure, artist IPs generated 90% of revenue, with The Monsters contributing over RMB 14 billion, or 38% of total revenue. This highlights heavy dependence on hit IPs such as Labubu, SkullPanda, Molly, DIMOO, and Twinkle Twinkle. Should the company fail to continuously create new blockbuster IPs, a decline in the popularity of core IPs would put downward pressure on revenue.

On the expense side, distribution and selling expenses for 2025 totaled RMB 8.08 billion, up 121% year-on-year. Within that, commissions and e-commerce platform service fees were RMB 1.44 billion (+134%), advertising and marketing expenses were RMB 1.19 billion (+110%). While promotion and customer acquisition costs were gradually diluted as revenue grew, short-term lease and variable lease-related expenses reached RMB 1.34 billion (+192%), and transportation and logistics expenses reached RMB 2.043 billion (+276%). These increases indicate simultaneous expansion of stores, headcounts, and logistics systems, raising fixed operating costs – necessary for revenue growth, but also a double-edged sword: if IP sales weaken, the heavy-asset nature makes it difficult to scale back costs quickly, thereby hurting profits. General and administrative expenses were RMB 1.77 billion (+87%), significantly below revenue growth, demonstrating that the company had achieved economies of scale and built certain industry barriers.

City Theme Park Upgrade Exceeds Expectations, IP Omni-Scene Ecosystem Accelerates

Pop Mart's City Theme Park, a core offline IP ecosystem venue, recently saw major progress: part of the upgraded area has been completed, with 70% of new content opened early to the public on April 30 (ahead of the May Day holiday). The remaining landscape construction is expected to be fully completed by late July to early August. The park's first full operating year (2024) was already profitable, as the company prioritizes long-term refinement over short-term returns. Notably, even when only about one-third of the area was open, visitor traffic increased significantly, with non- family and non-local visitors each accounting for more than half. The concurrent expansion of "popop" accessory stores (in Beijing and Shanghai) and the independent dessert brand "POP BAKERY" (over 10 pop-up events in multiple cities) further enriches the IP consumption scene matrix, collectively building an immersive themed experience.

Neutral

CMP HK$167.4

(Closing price as of 11 May)

Target 158.9 HKD (-5.1%)

COMPANY DATA

O/S SHARES (MN) :	1341
MARKET CAP (HKD bn) :	224.5
52 - WK HI/LO (HKD):	339.8/140.1

SHARE HOLDING PATTERN, %

GWF Holding Limited	41.78%

PRICE VS. HSI

Source: Phillip Securities (HK) Research

KEY FINANCIALS

RMB mn	FY25	FY26E	FY27E	FY28E
Revenue	37120	44544	51582	58030
Net profit	12776	15443	18808	21561
EPS (RMB)	9.61	11.52	14.03	16.08
P/E ratio, x	15.16	12.65	10.38	9.06
Dividend Yield,%	1.6%	2.0%	2.4%	2.7%

Source: Company reports, Phillip Securities Est.

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Venturing into Small Home Appliances: High Premium, Weak Stability

Leveraging its IPs, Pop Mart has entered the small home appliance sector with an initial product line covering five categories, including the LABUBU refrigerator. Adopting an OEM asset-light model, the company plans to first establish a foothold in mainland China before expanding overseas. The LABUBU refrigerator, limited to 999 units globally and priced at RMB 5,999, garnered over 47,000 pre-orders before launch. Its secondary market price once surged to RMB 20,000 but later retreated; after a second batch sold out quickly, some units were resold below the original price. This reflects high emotional premium elasticity but weak stability. The home appliance industry's gross margin is significantly lower than the company's 72.1% overall margin, so near-term earnings contribution is expected to be limited. The long-term strategic rationale is to extend IPs into high-frequency scenarios. Home appliances are functional goods, with quality control and after-sales requirements far exceeding those of blind boxes; failure to meet practical standards could undermine IP trust. While a limited-quantity strategy remains effective in the short term, whether consumers can transition from impulse buying to pragmatic repeat purchases remains to be seen.

Valuation and Investment Recommendations

As China's leading pop toy company, Pop Mart has the capability to cover the entire IP value chain, precisely capturing market demand for emotional consumption while continuously building a diversified IP matrix. The company's 2025 revenue surged, gross margin rivaled luxury goods, overseas and plush product segments drove strong growth, and scale effects are evident. However, IP concentration, heavy-asset expansion, and the quality control and repurchase risks of cross-sector home appliances coexist. We believe the company's share price will depend on the stability of new IP incubation and new scenario profitability. We project revenue for 2026–2028 at RMB 44.54 billion, RMB 51.58 billion, and RMB 58.03 billion respectively, with EPS of RMB 11.52 / 14.03 / 16.08. We downgrade the rating to Neutral, with a target price of HKD 158.9, corresponding to 12x forecast 2026 P/E.

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	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	13038	37120	44544	51582	58030
Cost of sales	-4330	-10355	-12426	-13669	-15088
Gross profit	8708	26765	32118	37913	42942
Operating expenses	-4598	-9853	-11823	-13205	-14624
Finance costs	163	77	92	106	110
Profit before tax	4366	17037	20601	25089	28762
Income tax expense	-1058	-4025	-4871	-5933	-6801
Profit for the year	3308	13012	15729	19156	21960
Profit for the year attributable to					
– Owners of the Company	3125	12776	15443	18808	21561
EPS(RMB)	2.36	9.61	11.52	14.03	16.08
DPS(RMB)	0.81	2.38	2.86	3.48	3.99
Dividend payout ratio	35%	25%	25%	25%	25%
Weighted shares outstanding	1327	1330	1341	1341	1341

Key Financial Data

Dec Y/E	FY24	FY25	FY26E	FY27E	FY28E
Valutation Ratio					
P/E ratio	61.81	15.16	12.65	10.38	9.06
Dividend Yield, %	0.6%	1.6%	2.0%	2.4%	2.7%
Per share data(RMB)					
EPS	2.36	9.61	11.52	14.03	16.08
BVPS	8.1	16.8	26.0	37.4	50.3
DPS(RMB)	0.81	2.38	2.86	3.48	3.99
Growth & Margin					
Growth					
Revenue Growth	106.9%	184.7%	20.0%	15.8%	12.5%
Gross Profit Growth	125.3%	207.4%	20.0%	18.0%	13.3%
EBIT Growth	232.5%	303.6%	20.9%	21.8%	14.7%
Net Profit Growth	203.8%	293.3%	20.9%	21.8%	14.6%
Margin					
Gross Profit Margin	66.8%	72.1%	72.1%	73.5%	74.0%
EBIT Margin	32.2%	45.7%	46.0%	48.4%	49.4%
Net Profit Margin	25.4%	35.1%	35.3%	37.1%	37.8%
Key Ratios					
ROE	29.25%	57.35%	44.36%	37.51%	31.97%
ROA	21.02%	39.80%	33.52%	30.28%	26.90%

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
Current assets					
Inventories	1525	5473	6213	6835	7544
Accounts receivable	478	921	1369	1585	1783
Cash and cash equivalents	6109	13775	24592	38275	54682
Others	4125	4746	5002	5156	5332
Total current assets	12236	24915	37176	51851	69341
Non-current assets					
PPE	739	1418	1982	2463	2269
Others	1895	5769	6915	7792	8530
Total current assets	2635	7187	8897	10255	10800
Total Assets	14871	32102	46073	62106	80141
Current liabilities					
Accounts and bills payables	1914	3636	4363	4319	4291
Short-term Bank and other loans	0	0	0	0	0
Others	1456	3533	3956	4357	4725
Total current liabilities	3370	7168	8318	8676	9015
Non-current liabilities					
Long-term Bank& other loans	0	0	0	0	0
Others	616	2281	2281	2281	2281
Total non-current liabilities	616	2281	2281	2281	2281
Total liabilities	3986	9449	10599	10957	11296
Equity attributable to equity holders of the Company	10684	22278	34813	50140	67437
Non-controlling interests	201	375	660	1008	1407
Total equity	10885	22652	35473	51149	68844
Total liabilities and equity	14871	32101	46073	62105	80140

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	FY24	FY25	FY26E	FY27E	FY28E
CFO	4954	10865	18293	22441	25960
Net profit before tax	4366	17037	20601	25089	28762
Change in working capital&others	70	-3377	-717	-1035	-1112
Depreciation and Amortization	863	1118	2760	3819	4662
Others	-344	-3912	-4351	-5432	-6353
CFI	9	-989	-4374	-5035	-5000
Purchase of PP&E	-517	-1172	-4470	-5177	-5207
Others	526	183	97	142	207
CFF	-959	-1767	-3102	-3723	-4553
Cash payments for distribution of dividends, profits or repayment of interest	-215	-1007	-3102	-3723	-4553
Net Borrowings	-15	0	0	0	0
Others	-729	-761	0	0	0
Net increase in cash and cash equivalents	4031	7666	10817	13683	16407

Current Price as of: 11 May
Exchange rate: HKD/RMB = 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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