

Report Review of May. 2026

Hong Kong | INVESTNOTES REPORTS REVIEW

Sectors:

Air & Automobiles (Zhang Jing),

Utilities, Commodity, Consumer Discretionary (Margaret Li)

Automobile & Air (Zhang Jing)

Sector Review:

The growth rate of the domestic automotive industry in the first quarter of 2026 is under pressure, mainly due to the early overdraft of some demand by the trade in policy, and strong consumer wait-and-see sentiment. Data shows that the cumulative sales of domestic automobiles in the first quarter reached 4.823 million units, a yoy decrease of 20.3%; However, the export sector continued its high growth trend, with a cumulative export volume of 2.226 million vehicles in the first quarter, a yoy increase of 56.7%, effectively offsetting the pressure of declining domestic sales. From the perspective of industry trends, in the first quarter of 2026, domestic automobile demand cooled down, coupled with rising raw material costs squeezing the profits of automobile companies, and most sub sectors experienced significant pullbacks. It is expected that industry differentiation will further intensify in 2026, and exports have become the core force driving the growth of domestic automobile production and sales. The promotion of electrification and intelligent transformation is expected to drive the performance growth of leading enterprises in 2026.

This month I released updated reports of Tuopu (601689.CH).

In 2025, Tuopu Group reported total revenue of RMB29.581 billion (RMB, the same below), up 11.21% year on year, showing a steady growth trend; net profit attributable to the parent company was RMB2.779 billion, down 7.38% yoy, and net profit attributable to the parent company after deducting non-recurring gains and losses was RMB2.611 billion, down 4.30% yoy. Revenue growth was mainly driven by the deepening of the company's "Tier 0.5" cooperation model and the realization of its platform-based strategy. The platform-based deployment of its nine major product lines generated a synergistic growth effect, and the supporting value per vehicle continued to increase. Combined with sales growth from core customers, this drove revenue scale to a new record high. However, due to cost pressure during the period of strategic investment and sales fluctuations among some customers, profits came under short-term pressure.

In the first quarter of 2026, the company reported operating revenue of RMB6.628 billion, up 14.92% year-on-year, continuing its steady low-double-digit growth. This was mainly driven by the Tier0.5 cooperation model gaining broad recognition from domestic and overseas customers, the continuous expansion of the customer base, stronger synergies among the nine major product series, and the orderly advancement of overseas production bases. However, net profit attributable to the parent company declined 2.4% year-on-year to RMB552 million, mainly due to the impact of exchange losses and rising raw material prices, as well as relatively high fixed costs during the ramp-up period of newly established overseas capacity.

Due to the reasons mentioned above, the company's gross profit margin in 2025 and the first quarter of 2026 was 19.43% and 19.26%, respectively (YoY -1.37/-0.63 pcts), and the net profit margin was 9.41% and 8.35%, respectively (YoY -1.88/-1.46 pcts), reflecting that profitability during the strategic transformation period was challenged by overseas expansion and the price war in the automotive market in terms of cost control.

Based on the situation of newly received orders and combined with judgments on the future penetration rate of new energy vehicles, the company continues to advance the implementation of its globalization strategy and increase its global production capacity scale: Hangzhou Bay Phase IX and Phase X have completed construction, the Thailand plant will be completed and put into operation in the first half of 2026, and Mexico Phase II and Poland Phase II are under planning to further increase production scale.

The company is planning a Hong Kong stock listing, aiming to raise approximately USD1 billion (about HK\$7.8 billion), to support two core strategic directions: global capacity expansion and mass production of humanoid robot actuators. The goal is to establish overseas production bases in Thailand, Mexico, and other locations, in order to respond to downstream customers' "going global" needs, achieve localized delivery, avoid geopolitical risks, and seize the first-mover advantage in the trillion-yuan robot components track. We believe that a Hong Kong stock listing is a key step for Tuopu to leap from a "China leader" to a "global giant", helping it transform from a "Chinese supplier" into a "globally localized partner", thereby securing more global nominated projects.

As the Mexico and Thailand factories gradually reach full production capacity in 2026, economies of scale are expected to dilute fixed costs, and profit margins are likely to see a marginal recovery. In the long term, the company's strategic positioning in humanoid robots and liquid cooling has entered the eve of commercialization. If it can achieve large-scale mass production in 2026–2027, it will completely raise the valuation ceiling, enabling its re-rating from a traditional auto parts stock to an emerging technology growth stock. At the same time, investors also need to pay attention to the impact of overseas geopolitical risks on capacity expansion, as well as the risk that the commercialization progress of the robotics business falls short of expectations.

Overall, we believe the Company possesses sustainable growth capability. We expect the EPS for 2026/2027/2028 to be 1.91/2.26/2.80yuan. So, we revise the Company's target price to RMB 76.2 yuan, respectively 40/34/27x P/E for 2026/2027/2028, a "Accumulate" rating. (Closing price as at 28 May)

Utilities, Commodity, Consumer Discretionary (Margaret Li)

This month I released update report of Pop Mart (9992.HK).

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.

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.

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

Fig 1. Performance of Recommended Stocks

Time	Ticker	Company	Analyst	Rating	Price on Recommendation	Target Price	Expected Return	Last Month Closing Price	Last Month Return	Closing Price 2M ago	1M Price Chg
20260513	9992 HK	Pop Mart	ML	Neutral	167.4	158.9	-5.08%	173.4	3.58%	154.463	12.26%
20260529	601689 CH	Tuopu	ZJ	Accumulate	65.82	76.2	15.77%	62.4	-5.20%	59.73	4.47%

A stock is calculated by RMB yuan.

Source: Phillip Securities Research

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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