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Beansprout

Pop Mart HK SDR 20to1

(SGX: HPPD)

Global collectibles leader with expanding growth but rising risk

- **Beyond a toy company**: Founded in 2010, Pop Mart is best known for its blind box toy collectibles and popular IPs such as Labubu, Molly, Skullpanda, and Crybaby. As of June 2025, it operates 571 stores across 18 countries and over 2,500 roboshops, establishing itself as a global leader in designer collectibles.
- **Evolving beyond blind boxes**: While blind boxes remain core to its appeal, plush toys have become a major growth driver, rising to 35% of revenue in 1H25 from 22% in 2024. The surge in Labubu plush toys highlights Pop Mart's ability to broaden product formats and reduce reliance on blind boxes.
- **Heavy reliance on key Ips**: Growth is still concentrated in a few franchises, with the top five IPs contributing 70% of revenue in 2025 and Labubu alone at 23%. The launch of new IPs like Twinkle Twinkle shows potential to diversify, but dependence on a handful of characters exposes the company to brand fatigue risk.
- **Extending IP monetisation**: Pop Mart is leveraging its IPs beyond toys through ventures like an in-house film studio, animated series, and its Beijing-based theme park "Pop Land." While still modest compared to global entertainment giants, these initiatives show ambition to expand consumer touchpoints and revenue streams.
- **Accelerating international growth**: Overseas markets are gaining importance, with Asia Pacific and the Americas contributing 21% and 16% of 1H25 revenue, respectively. Overseas sales grew sharply (+258% and +1,142% YoY), though the store base remains small compared with China, leaving significant runway for expansion.
- **Strong financial performance**: Revenue surged 204% YoY to RMB 13.9 billion in 1H25, with net profit rising 386% YoY to RMB 4.7 billion. Gross margin improved to 70.3% from 64.0%, supported by higher overseas sales, cost optimisation, and stronger supplier terms, making Pop Mart the most profitable among peers.
- **Risks of brand fatigue and high expectations**: Pop Mart's reliance on a few key IPs makes it vulnerable to shifting consumer sentiment. Recent weakness in the resale value of Mini Labubu collectibles illustrates the risk. With high growth already priced in, the share price remains sensitive to any slowdown in sales momentum.
- **Valuation highlights growth and risk**: The stock has rallied 192% year-to-date, far outpacing the Hang Seng Index, reflecting its global appeal and strong growth. However, recent volatility highlights near-term risks, and the company's ability to diversify IPs and sustain new monetisation channels will be key for future growth.

Ticker	HPPD
Rating	Not Rated

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING IN APPENDIX.

Pop Mart – Beyond a mere toy company

Founded in 2010 in China, Pop Mart has achieved global success with its blind box toy collectibles and the development of its own intellectual property (IP). Popular characters such as Molly, Skullpanda, Labubu, and more recently Crybaby have built strong brand recognition, with consumers often forming long queues at retail stores to purchase the products.

Pop Mart is not just a consumer company retailing blind box toys, but one that develops and owns its IP portfolio. This has allowed it to establish a stronger competitive position compared to traditional toy retailers.

As of June 2025, Pop Mart operates 571 retail shops in 18 countries worldwide. In addition, it has expanded its reach through 2,597 “roboshops” – self-operated vending machines selling its blind box items.

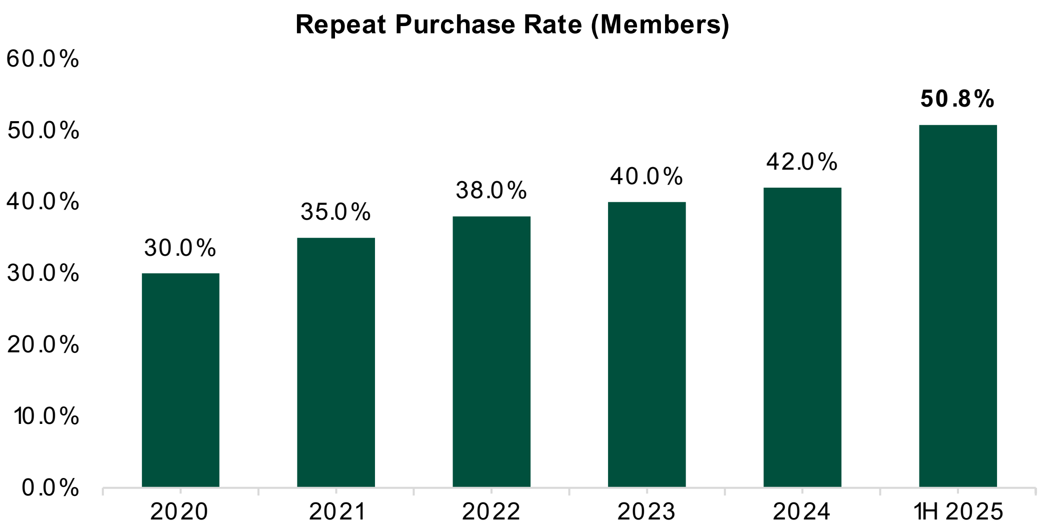
Popularised Blind Box purchases, evolving beyond to expand into plush toys

Pop Mart began as a third-party distributor of novelty toys in China before pivoting into blind box toy collectibles – a move that reshaped its trajectory. This shift proved highly successful, first capturing the Chinese market and later expanding globally.

A blind box purchase involves buying a sealed box without knowing which figurine is inside, creating emotions of excitement and surprise, along with a mild element of chance. This dynamic has encouraged higher repeat purchases, as consumers seek to complete their collections and secure elusive figurines.

Pop Mart’s strong customer loyalty is reflected in its membership data. In China, repeat purchase rates among members stand at 50.8%, underscoring the company’s ability to build and sustain a dedicated fan base.

Figure 1: Pop Mart repeat purchase rate is 50.8% in China for 1H 2025



Source: Company data

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Although Pop Mart is still widely regarded as a blind box collectibles retailer, the company's growth trajectory since 2024 has been fuelled by its expansion into plush toys. This segment has been propelled by the tremendous success of its intellectual property (IP), Labubu, which has become a cultural phenomenon among consumers.

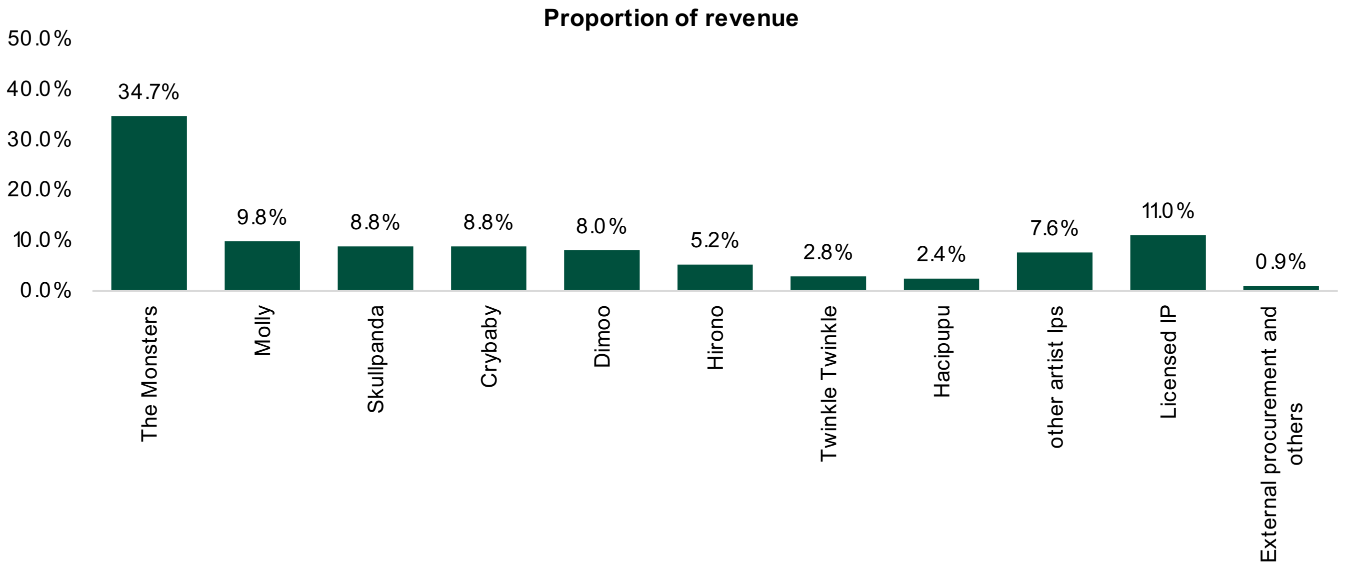
In 2024, plush toys generated 21.7% of Pop Mart's total revenue, supported by an exceptional 1,289% year-on-year increase. The momentum has continued into 2025, with plush toys accounting for 34.6% of total revenue in the first half of the year. This sharp rise underscores how Pop Mart's product diversification strategy has strengthened its growth profile beyond blind box collectibles.

Dependent on Key IPs - Twinkle Twinkle Latest IP to add to Portfolio

Pop Mart's revenue growth continues to be highly dependent on a small number of its intellectual properties (IPs). The top five IPs – Labubu, Molly, SkullPanda, and Crybaby – collectively contribute around 70% of total revenue in 2025, underscoring the importance of these franchises in sustaining performance. The Monsters series, which includes the Labubu IP, accounts for 23% of revenue, highlighting its outsized role in the company's portfolio.

In an effort to diversify, Pop Mart introduced a new IP, Twinkle Twinkle, in 2025. Despite its recent launch, it has already contributed 2.8% of total revenue in the first half of 2025, demonstrating the company's ability to quickly scale new IPs into meaningful revenue streams.

Figure 2: Pop Mart – Top 5 IPs represent close to 70% of revenue in 2025



Source: Pop Mart interim report

Monetizing IPs beyond collectibles

Pop Mart has been actively expanding its monetization channels by leveraging its intellectual property (IP) portfolio beyond blind box and plush toy sales. The company has established a film studio to produce animated series based on its flagship IP, **Labubu**, and is exploring the possibility of a full-length feature film in the future.

In addition, Pop Mart opened its first theme park, **Pop Land**, in Beijing in 2023. Spanning 40,000 square metres, the park features interactive exhibits, themed restaurants, and retail outlets centred around its popular IPs.

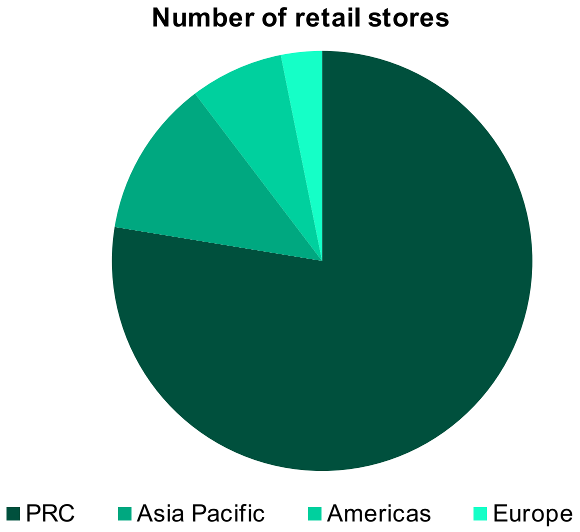
While it is unlikely that Pop Mart will scale to the level of global players such as Disney in the near term, these initiatives underscore the company's ambition to broaden its IP monetization opportunities and build a more diversified revenue base.

Potential for Global Expansion

Pop Mart continues to derive the majority of its revenue from China, which accounts for around 60% of the total, but overseas markets are becoming increasingly important. In 1H2025, Asia Pacific contributed 21% of revenue and America 16%. Growth in these regions has been rapid, with Asia Pacific revenue rising 258% year-on-year and America surging 1,142% year-on-year over the same period.

The company currently operates 69 stores across Asia Pacific and 41 stores in America, compared to 443 stores in China. This relatively limited overseas footprint suggests there is significant headroom for further expansion abroad. As Pop Mart strengthens its presence in key global markets, overseas growth could provide a long-term driver to sustain the company's overall growth trajectory.

Figure 3: China represents the bulk of retail stores currently



Source: Company data

Financials: Strong Revenue and Profit Growth

In 1H2025, Pop Mart delivered revenue of RMB 13,876 million, representing robust year-on-year growth of 204.4%. The standout performance was driven primarily by the continued success of its Labubu IP, classified under "The Monster" family series.

Gross margin expanded significantly to 70.3%, up from 64.0% in the prior year. This improvement was supported by several factors: a higher contribution from overseas sales, optimization in product design, greater bargaining power with suppliers, tighter cost controls, and a gradual reduction in externally sourced products.

Net profit surged 385.6% year-on-year to RMB 4,681 million, reflecting both top-line strength and margin expansion. At a gross margin of 70.3%, Pop Mart is already achieving the highest profitability levels among its IP-driven consumer peers.

Figure 4: Pop Mart has higher margin compared to peers

Company	Gross Margin	Notes
Pop Mart	70.3%	Highest among peers; driven by proprietary IPs and premium blind box/plush pricing
Sanrio	59.1%	Strong licensing income from Hello Kitty and related characters
Nintendo	51.8%	High-margin software and IP licensing offsetting hardware costs
Mattel	44.6%	Margin impacted by inflation and retail channel reliance
Hasbro	43.5%	Licensing-heavy mode limits margin upside

Source: Company data

Key Risks

Brand Fatigue

Pop Mart's rapid growth has been largely dependent on a handful of successful IP franchises such as Labubu, Dimoo, and Molly. While its retail outlets remain crowded and demand for its products is still strong, there is an inherent risk of consumer fatigue. As with many fast-growing consumer companies, it is difficult to predict when customers may lose interest or reduce spending, which could impact sales momentum.

High Expectations of Performance

Pop Mart's share price is highly sensitive to market sentiment and any signs of a slowdown. Given the strong revenue and profit growth achieved in recent years, expectations for sustained performance are elevated. Negative news flow can have an outsized impact, as seen when resale prices of the popular Mini Labubu collectibles fell sharply, triggering weakness in Pop Mart's share price despite otherwise solid demand.

Valuations Reflecting Global Appeal and Heightened Risks

As of 26 September 2025, Pop Mart's share price has surged 192% year-to-date, significantly outperforming the Hang Seng Index and underscoring investor enthusiasm for its strong growth and global popularity of its key IPs. However, recent weakness in the share price highlights rising concerns over the sustainability of its rapid growth and the inherent risks in its business model.

To address these concerns, Pop Mart has been diversifying beyond its core franchises by launching new IPs and exploring broader monetization avenues. The success of these initiatives will be closely monitored, as they are critical in sustaining momentum and paving the way for the company's next phase of growth.

You can now trade Pop Mart through Hong Kong Singapore Depository Receipts (SDRs). These HK SDRs offer investors a more accessible way to invest in Hong Kong-listed companies.

The introduction of Singapore Depository Receipts allows investors to purchase Pop Mart shares with a lower minimum investment outlay compared to buying Hong Kong-listed shares directly.

Additionally, SDR holdings will be custodised within investors' Central Depository (CDP) accounts, providing seamless integration with their existing Singapore-based portfolios.

Disclosure Appendix

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