

Project Gravity

Discussion Material

November 2025

Presented By: Oriental Investment Banking Club

Presented to:

FINANCE BRO



O. Oriental Investment Banking Club is the Leading Investment Banking Society in APAC

OIC is Building a Thriving Primary-Market Ecosystem—First in Taiwan, Now Worldwide

Our Story

- ◆ Oriental Investment Banking Club (“OIC”) emerged as the first student-led investment banking society in Taiwan. Our society uniquely concentrates on the primary markets of the APAC regions, offering a distinct perspective compared to others focused on secondary market research. OIC is actively looking for opportunities to build strong overseas partnerships. With the expansion to Hong Kong, our society champions the core values of equity, diversity, collaboration, and excellence.
- ◆ Since Sept. 2024, OIC has grown stronger in Hong Kong with 216 members. Up to date, we have gained more than 500 members worldwide with the sole motto of nurturing future global finance leaders. OIC is steadfast in its mission to bridge the gap between students and corporations. We envision to nurture the next generation of ethical, innovative finance leaders who are prepared to navigate and shape the global primary market landscape.

Our Mission



Investment in Our People



*Bridge Gap Between
Students and Corporations*



Collaboration and Excellence

Selected Alumni Destinations

J.P.Morgan



Goldman Sachs

Morgan Stanley



NOMURA



UOB KayHian



Schroders



#1
First Investment Banking society in Taiwan

#1
First Inter-university IB society in HK

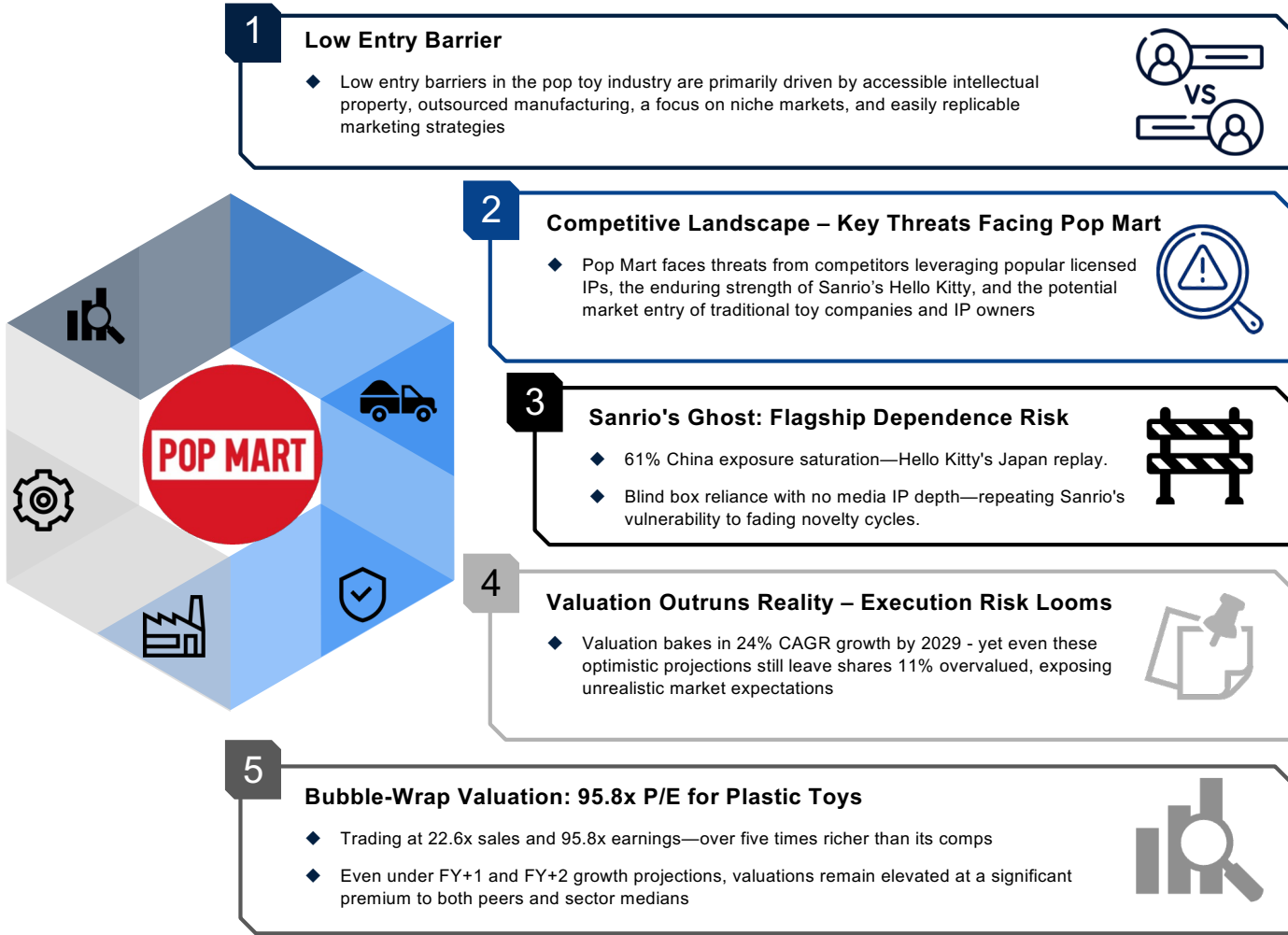
500+
Members & Alumni

15+
Lectures & Workshops

Executive Summary – Short Thesis Highlight



Pop Mart is Poised to Capitalize on the Growing Global Pop-toy Market, But Despite Hitting New Stock Highs, its Stretched Valuation is Alarming Investors and Suggests an Urgent Call to Retreat



Target Price

HKD180.0

Short & Hold (1-year)

Investment Potential (Short)

+26.5%

Snapshot

Target Price	180.0
Current Price	244.8
Potential	-26.5%
Dividend Yield	0.88%
Market Cap. (HKDbn)	294.3
Shares Outs. (Ms)	1332
52 Week High	252.6
52 Week Low	31.2

Sources: Company news, company filings, FactSet.
Note: Market data as of 25 May 2025

Company Overview – Pop Mart



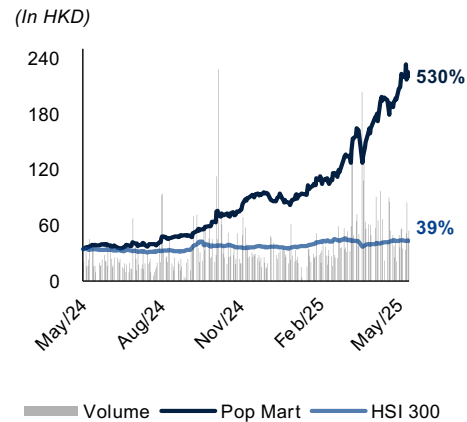
The World-Class Leading Pop Toys Retailer Listed in HKEX (9992.HK)

Company Overview

- Pop Mart International Group Limited is the largest and leading Pop Toys company in the world

Stock Performance

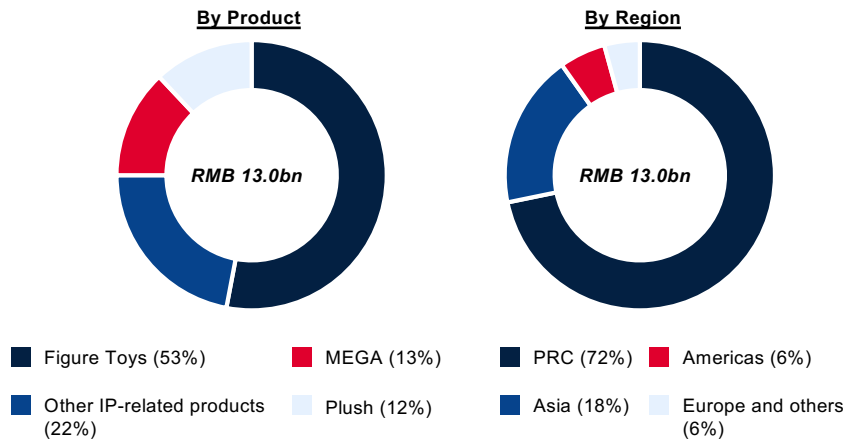
- Latest price: HKD244.8
- Market cap: HKD294.3bn (USD37.9bn)¹
- EV/EBITDA: 26.73x



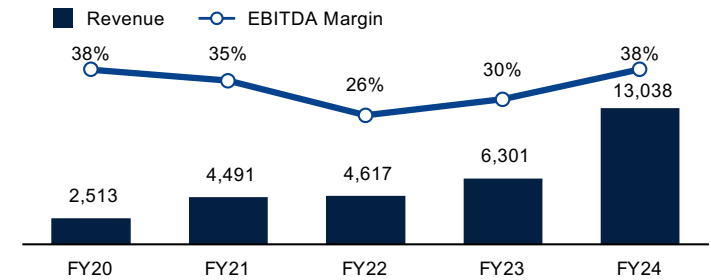
Business Overview

- Pop Mart International Group Limited (“**Pop Mart**”, or the “**Company**”) headquartered in China, is the largest and leading Pop Toys company in Mainland China and globally. Founded in 2010 and listed on the Hong Kong Stock Exchange in June 2020
- The Company operates in the blind-box sub-sector of pop toys, offering both proprietary IP characters (e.g. Molly, Monster) and licensed global IPs (e.g. Disney, Marvel). 93% of Pop Mart’s revenue is coming from its licensed IP
- The Company’s flagship products encompass a range of formats, with figure toys, plush toys like Labubu and MEGA figures like Mega Space Molly being key categories.
- In 2024, Pop Mart generated RMB13.0bn in revenue (YoY +106.9%), delivered a 67% gross margin and a 25.4% net margin
- The blind-box model leverages scarcity and surprise mechanics to drive high repeat-purchase rates. A total of 46.1m registered members (11.7m net adds in 2024) whose purchases accounted for 92.7% of total sales and who recorded a 49.4% repeat-purchase rate
- Pop Mart’s omni-channel distribution comprises almost 500 brick-and-mortar stores across 300+ Chinese cities, c.90 overseas stores (Asia, Europe, North America) and e-commerce sales via TikTok, its own App, and webstores
- The Company is now aggressively mapping its business across Asia and overseas’ market, seeking to expand at a global level

Revenue Breakdown, FY24



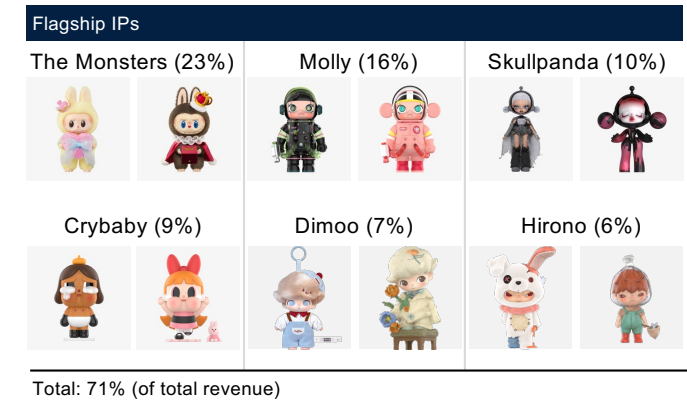
Historical Financials (CNYm)



Business Highlights



Flagship Artist IPs, FY24² (% of total revenue)

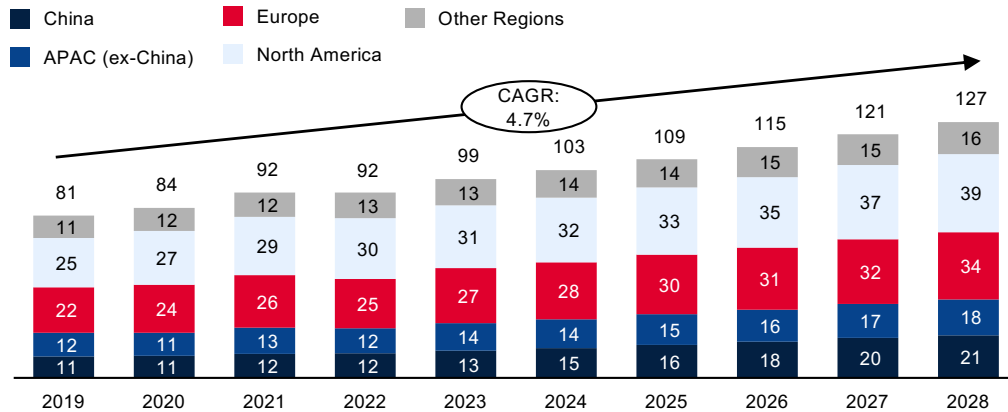


Sources: Company filings, company news, FactSet
 Note: Market data as of 25 May 2025
 1. USD:HKD = 1:7.8337
 2. All of the best-selling IPs are Artists IPs owned by Pop Mart

Industry Overview – Explosive POP Toy Industry

Global Toy Market is Driven Primarily due to Pop Toy, Breaks the Notion of Traditional

Global Toy Market
(USDbn)



Categories Comparison



Traditional Toys

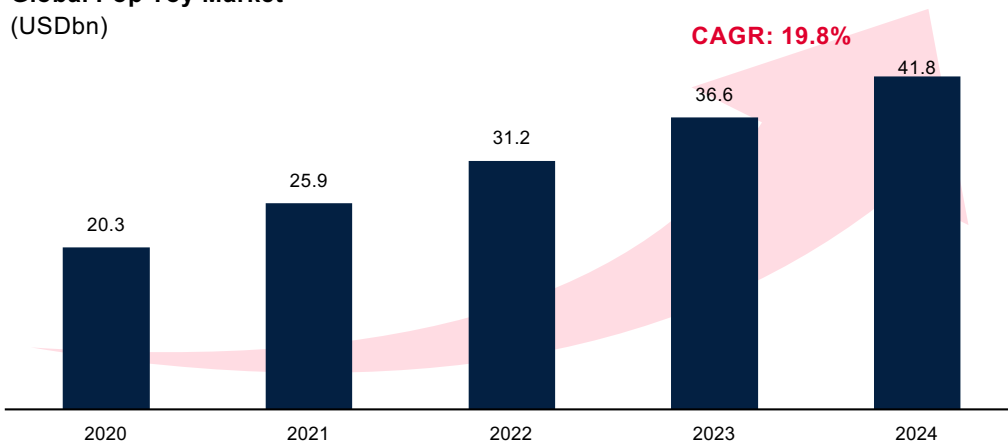
- ◆ Designed for kids, cheap and intended for playing



Pop Toys

- ◆ Designed for adults, premium priced with intended for collection
- ◆ Span categories like blind boxes, action figures, garage kits, and adult-oriented assembled toys

Global Pop Toy Market
(USDbn)



The Global Toy market is primarily driven by the increasing trend of Pop Toys

Sources: Company filings, company information, broker reports.

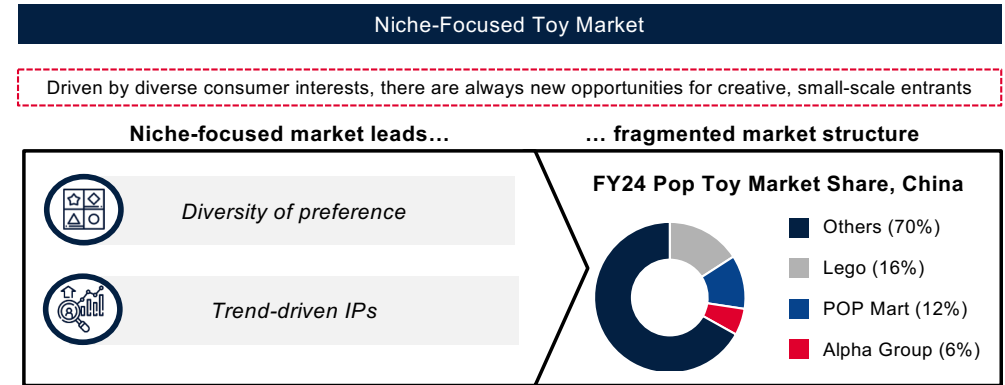
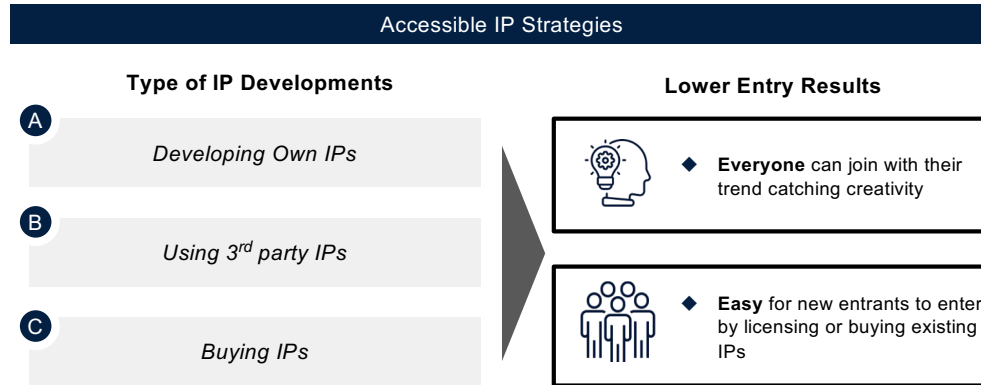
Pop Toy Industry Growth Driver

A		◆ Tapped into nostalgia and creativity , allowing adults to connect emotionally through their collections
B		◆ By leveraging surprise and scarcity , it leads repeating purchasing patterns
C		◆ Accelerates trends , connects fanbase, and builds excitement around new products
D		◆ One uprising trend becomes everyone's must-have , leading to mass buying behavior

O. Short Thesis 1 – Low Industry Entry Barriers

Low Entry Barriers Arise from Easy IP, Niche Market, Outsourcing, and Copyable Marketing

Low Entry Barrier Factors



Outsourced Manufacturing

Chinese POP Toy Player Manufacturing Model⁽¹⁾
(RMBbn, %)

Company	GMV (Market Share)	Model Type
1 POP Mart	8.7 (11.5%)	OEM ⁽²⁾
2 52 Toy	0.9 (1.2%)	OEM
3 Top Toy	0.9 (1.2%)	OEM

Copyable Marketing Strategies

Two Major Marketing Strategies in Pop Toy Industry

Blind Box

- 70% of pop toy consumers would purchase blind box toys three times or more for a specific toy design they want

Influencer Marketing

- Lisa's casual social media with Labubu ignited a \$1.6 billion market boom within a day

The top three Chinese pop toy players all outsource their manufacturing, demonstrating owning production facilities is unnecessary—this capital light model significantly lowers entry barriers for new entrants

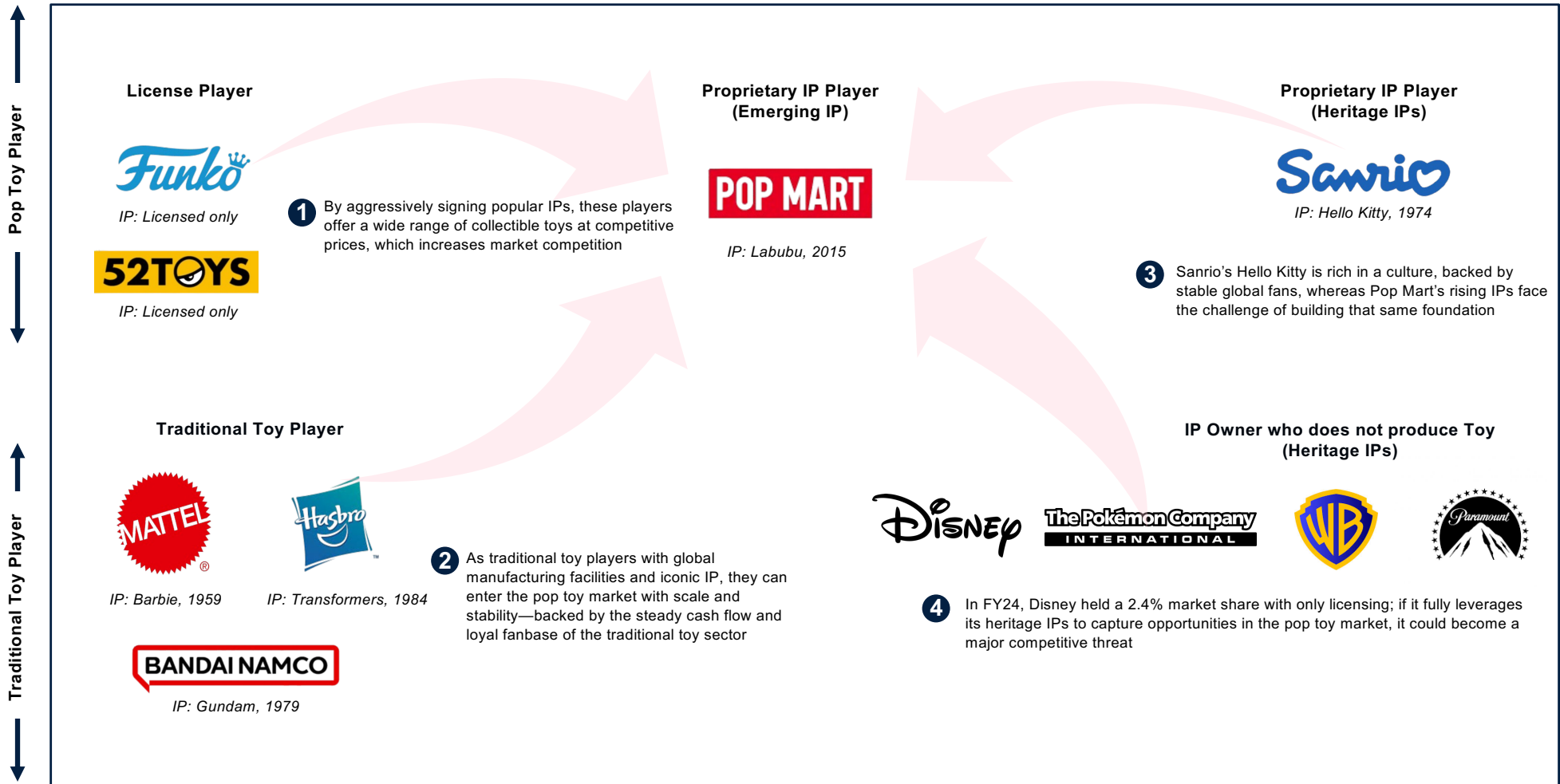
Major marketing strategies are easily replicable among competitors

Sources: Company filings, press releases.
 Notes:
 1. Excluding assembled toys manufacturers
 2. OEM: Original Equipment Manufacturing

O. Short Thesis ① – Low Industry Entry Barriers (Cont'd)

Threats from IP Licensing, Major Toy Brands, Iconic Rivals, and Direct Market Entry

Competitive Landscape, Pop Toys



Sources: Company filings, company information, broker reports.

O. Short Thesis ② – Concentration Risk Rising



Sanrio Case Study Signals IP Fatigue Mirrored by Pop Mart's China-heavy Offline Model

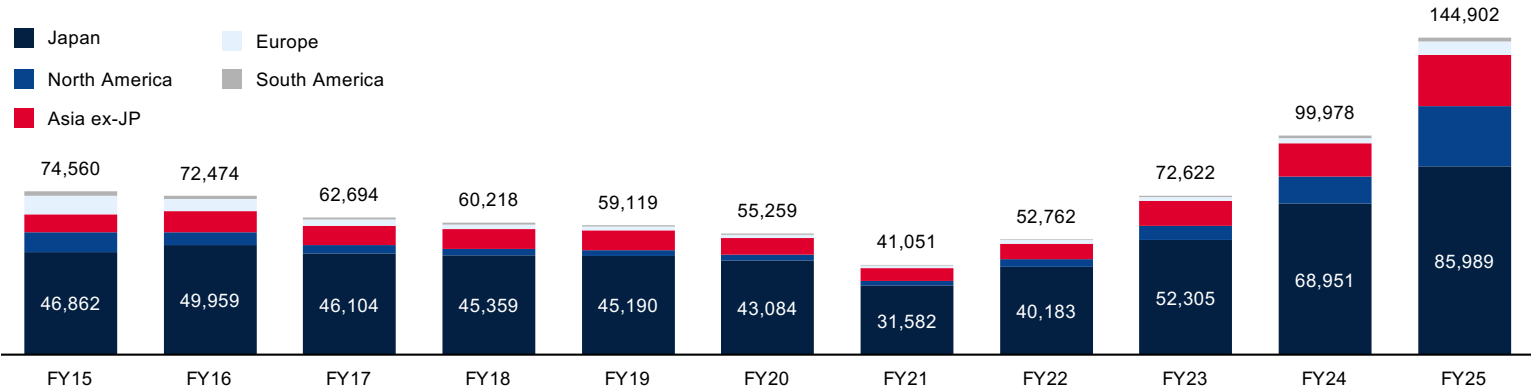
A Sanrio's revenue heavily depends on Japan, U.S., and China, causing stalled growth

- ◆ **Japan (Home Market)** — Domestic demand in structural decline driven by 1) market saturation as Hello Kitty's ubiquity across stationery, consumables, and apparel erodes scarcity value and excitement, and 2) demographic headwinds as younger audience shift spend to culturally resonant IPs (e.g., Demon Slayer, Genshin Impact), undermining relevance and pricing power
- ◆ **U.S.** — Growth over-indexed to nostalgia, driven by 1) heavy reliance on millennial affinity built in the 2000s–2010s, and 2) limited traction with Gen Z, constraining new-customer acquisition and long-term relevance
- ◆ **China** — Headwinds from 1) licensing saturation and counterfeit proliferation that dilute brand equity and weaken premium pricing, and 2) rising preference for domestic IPs (e.g., Ultraman, Chinese anime collaborations), compressing demand for Hello Kitty

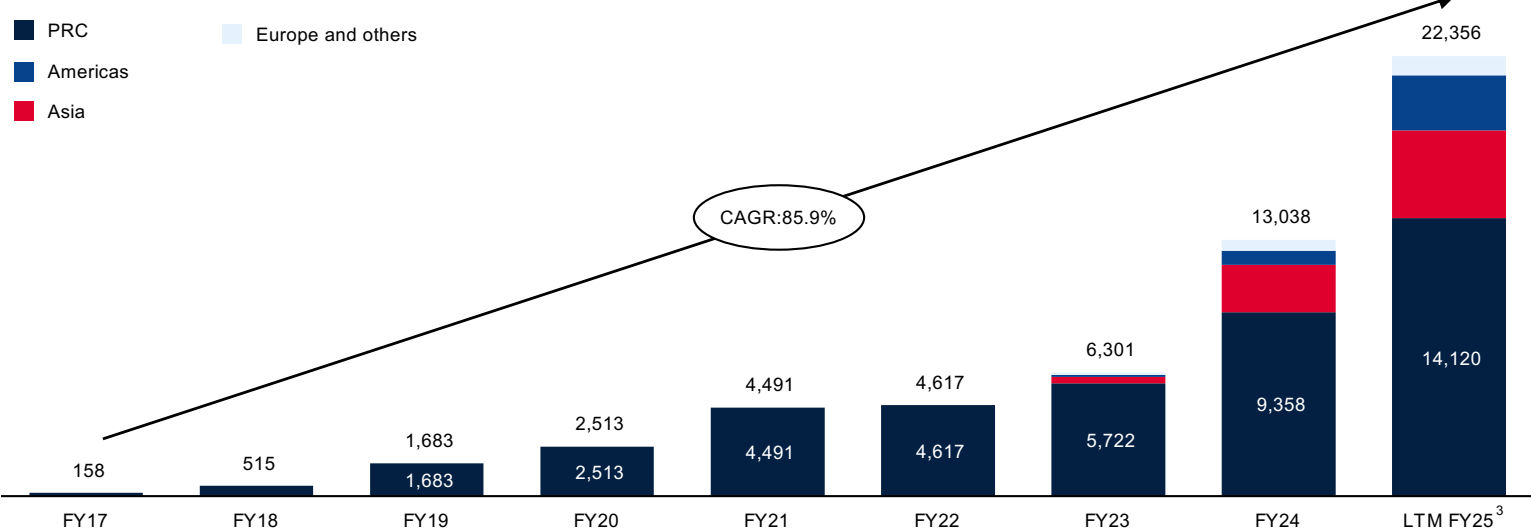
B Pop Mart faces similar challenges

- ◆ 61.1% of revenue from Mainland China, which is now oversaturated with blind box competitors
 - ◆ Aggressive store expansion in China has led to same-store sales declines (similar to Sanrio's 2019–2022 slump)
- ◆ 58.3% of revenue from offline channels -- 84.6% from retail stores & 15.4% from Roboshops

Sanrio Revenue by Geographic¹ (JPYm)



Pop Mart Revenue by Geographic² (CNYm)



Sources: Company filings, company information.

Notes:

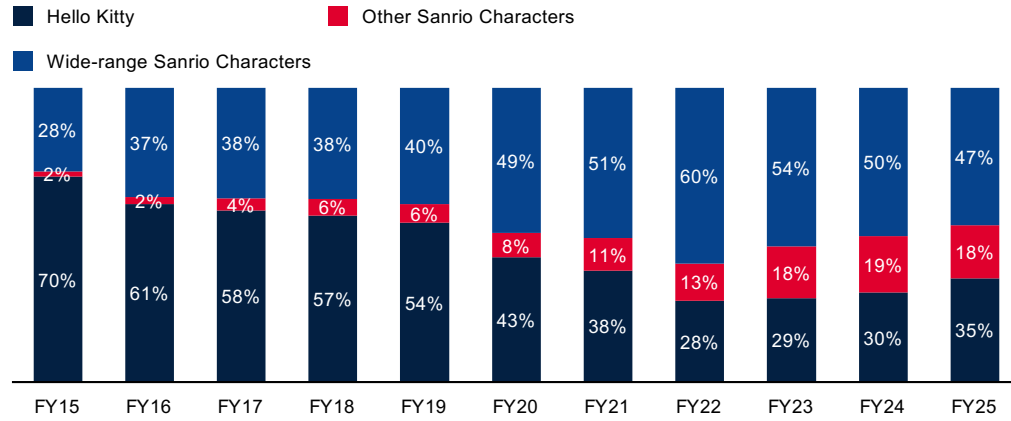
- Sanrio's fiscal year ends March 31
- As of 1H FY25, Pop Mart revised its segment reporting to: PRC (Mainland China, Hong Kong, Macau), Asia (ex-PRC), Americas, and Europe & Other Regions

3. As of 1H FY25

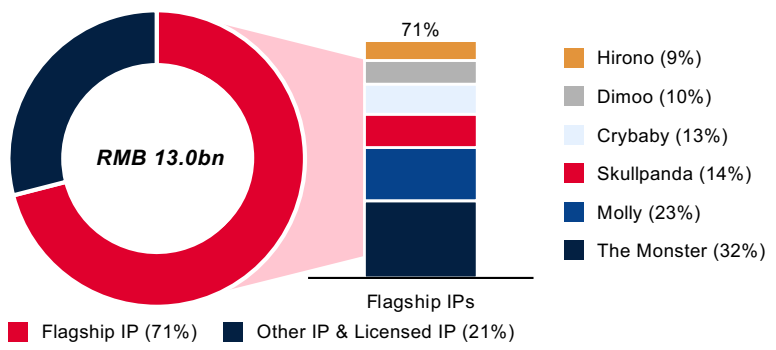
O. Short Thesis ② – Concentration Risk Rising (Cont'd)

Concentrated Flagship IP Drives Rapid Spikes that Fade quickly, Making Sustained Growth Difficult

Sanrio IP Portfolio Trend¹
(% of total IP related revenue)



Pop Mart Revenue Breakdown, FY24
(% of total revenue, % of flagship IP revenue)



- ◆ Pop Mart's revenue is highly concentrated in Flagship IPs, in which the Top 6 IPs contributed for c.71%, the Top 3 IPs contributed for c.49%, of the total revenue as of FY24
- ◆ The recent global revenue boom was largely driven by these top IPs, creating a high possibility of negative revenue growth as markets saturate and consumer enthusiasm fades

Sources: Company filings, company information.
Note:
1. Sanrio's fiscal year ends March 31

Mutual Risks of Sanrio & Pop Mart



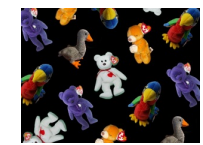
- Hello Kitty Paradox**
- ◆ **Hello Kitty Gained**
 - ◆ Popularity through Anime The character is a content IP with strong back story for audience to develop emotional connection with
 - ◆ **Vulnerability to Market Shifts**
 - ◆ When Hello Kitty's popularity waned in Western markets (2017-2022), Sanrio had no equally strong backup IP to compensate
 - ◆ **Creative Stagnation**
 - ◆ The over-reliance on Hello Kitty led to repetitive designs and lack of innovation in other IPs

- Pop Mart Character Portfolio**
- ◆ **Character Popularity Relies Solely on Blind Box Appeal**
 - ◆ Blind box models exhaust IP appeal faster than traditional merchandise
 - ◆ **Lack of Emotional and Cultural Depth**
 - ◆ No backstory or character development Minimal media presence (no shows, movies)
 - ◆ **Limited Expansion Pathways**
 - ◆ Weak practical usage beyond collection Limited gaming/show potential

Case Study Summary



- ◆ Case studies of prior flagship IPs show demand fades quickly after brief peak periods
 - ◆ Beanie Babies – The Original Collectible Craze (Peak: 1995-1999)
 - ✗ Relied on scarcity hype
 - ✗ No utility: Beanies had no function beyond collecting
 - ✗ Speculative bubble burst: when resale values crashed, demand vanished
 - ◆ Funko Pop (Peak: 2015-2020)
 - ✗ Expanded too fast and exhausted IP – consumer fatigue at the new Pops released yearly
 - ✗ Failed diversification at NFTs and digital collectibles
 - ◆ Furby (Peak: 1998-2000)
 - ✗ Gimmick fatigue
 - ✗ No ecosystem: there are no games/apps to sustain interest and engagement
- ◆ Pop Mart faces significant challenges in managing this concentration-driven volatility risk

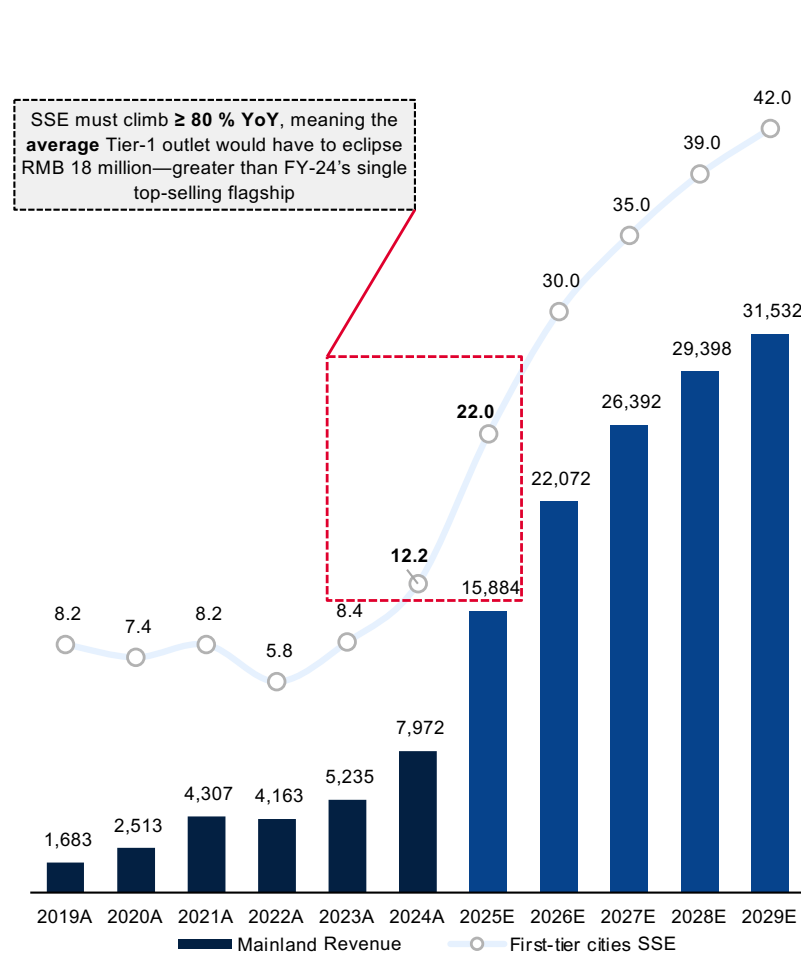


O. Short Thesis ③ – Valuation Outruns Reality

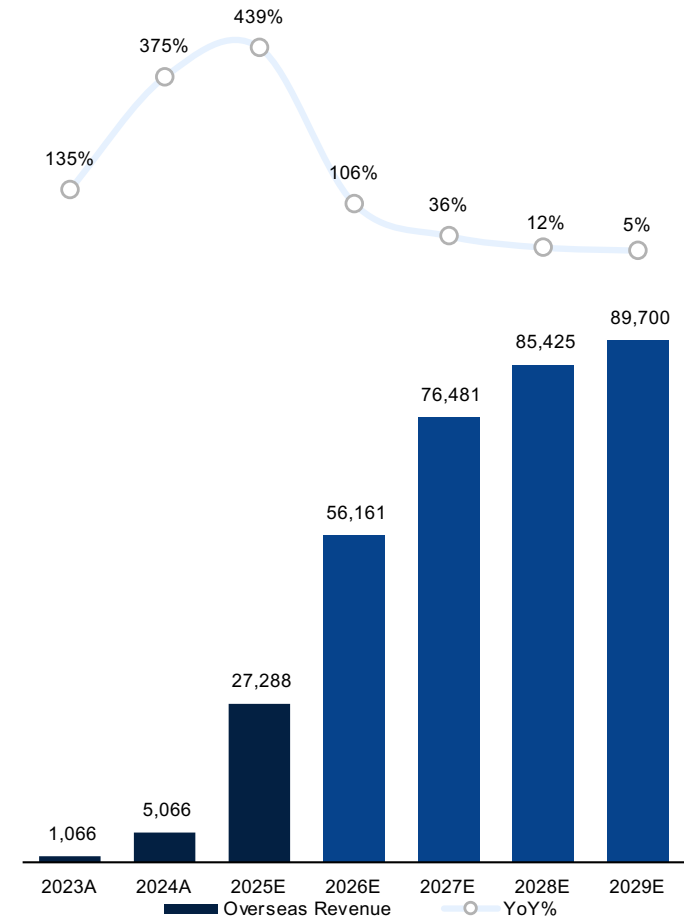
Hypergrowth Expectations and Overseas Surge Priced In...

- ◆ Assumed targets demand flawless execution—minimal net store additions, a fivefold lift in same-store throughput at top-tier outlets, and a 400%+ spike in overseas sales—while glossing over hefty valuation and operational pitfalls
- ◆ Market expectations rest on Pop Mart delivering exceptional results to counter intensifying competitive pressures. Investors have largely overlooked the valuation risks implicit in these ambitious targets
- ◆ In Mainland, management guides to low-single-digit net store growth (with the remainder as upgrades) while forecasting nearly a 5x jump in SSE in top-tier cities. This gap forces per-store consumption to rise dramatically to justify current projections
- ◆ Abroad, the Company projects at least 400% revenue growth this year—driven by c.600% in retail and c.280% online—building on last year's 400% retail surge. Such explosive assumptions heighten the risk of operational bottlenecks and execution shortfall

Mainland Revenue and SSE⁽¹⁾
(CNYm)



Overseas Revenue and Growth Rate
(CNYm)



Sources: Market news, company filings, FactSet.

Note:

1. SSE: Single-store Economics

O. Short Thesis ③ – Valuation Outruns Reality (Cont'd)



...Yet Bull Case DCF-Implied Value Still Unmatched the Rally

- ◆ Even our full-throttle upside scenario—100 new overseas stores, c.33% FCF CAGR and tariff relief baked in—only gets us to near present share price; whether Pop Mart can actually deliver that momentum of growth, quarter after quarter, remains highly doubtful
- ◆ The Company's share price showcase the most optimistic case, 231% revenue and 99% FCF raise in FY25E, but still down by the current market price by 10.9%
- ◆ Revenue projected to compound at a 23.9% CAGR from FY 25E-FY29E, reaching RMB 126 bn by FY29E—c.10x the RMB 13 bn recorded in FY24
- ◆ Gross margin projected to expand from c.67% in FY24 to 71% in FY29E, underpinned by a higher mix of the overseas revenues
- ◆ Massive increase in Capex alongside the expanding revenue base. With required funding for supply-chain management to handle significantly larger order volumes

Share Price Calculation Table

Enterprise value	Cal.
Terminal Growth Rate	3.00%
EV (CNY Ms)	273,197
Equity Value	
(-) Net Debt	(1,020)
Implied Equity Value (CNY Ms)	274,217
Fully Diluted Shares Outstanding (Ms)	1,332
Implied Fully Diluted Share Price (CNY)	205.9
FX: CNY/HKD	1.06
Implied Fully Diluted Share Price (HKD)	218.2
Share Price (As of May 25)	244.8
Implied (Downside)/Upside Potential	-10.9%

Sources: Market news, company filings, FactSet.
Note: Market data as of 25 May 2025.

Free Cash Flow Schedule

Free Cash Flow Schedule	Historical						Projection						Terminal	CAGR
	2024A	2025E	2026E	2027E	2028E	2029E	Year			25E-29E				
<i>In CNY m, unless specified otherwise</i>														
Revenue	13,038	43,172	79,435	106,182	119,166	126,196	126,196			23.9%				
Revenue Growth Rate		231.13%	83.99%	33.67%	12.23%	5.90%	5.90%							
(-) COGS	(4,330)	(13,906)	(23,998)	(31,548)	(34,810)	(36,232)	(36,232)							
Gross Profit	8,708	29,266	55,437	74,634	84,356	89,964	89,964							
(-) Operating Expenses (excl. D&A)	(4,553)	(15,440)	(30,468)	(38,892)	(43,991)	(47,071)	(47,071)							
EBITDA	4,154	13,826	24,969	35,742	40,365	42,893	42,893			25.4%				
EBITDA Growth Rate	–	232.8%	80.6%	43.1%	12.9%	6.3%	6.3%							
EBITDA Margin	31.9%	32.0%	31.4%	33.7%	33.9%	34.0%	34.0%							
(-) D&A	(863)	(2,295)	(5,209)	(8,819)	(12,060)	(14,474)	(14,474)							
EBIT	3,291	11,532	19,760	26,924	28,305	28,419	28,419							
(-) Taxes on EBIT	(797)	(2,803)	(4,803)	(6,544)	(6,880)	(6,908)	(6,908)							
Net Operating Profit After Tax (NOPAT)	2,494	8,729	14,957	20,380	21,425	21,511	21,511			19.8%				
(+) Depreciation	863	2,295	5,209	8,819	12,060	14,474	14,474							
(-) Capital Expenditures (CAPEX)	(373)	(4,061)	(7,368)	(9,808)	(10,992)	(11,633)	(11,633)							
(+/-) Change in Operating NWC	(28)	(1,076)	(1,237)	(913)	(430)	(234)	(234)							
Free Cash Flow to the Firm (Unlevered FCF)	2,957	5,886	11,560	18,477	22,063	24,118	345,047			32.6%				

Forecast Assumption

Valuation Assumption	<ul style="list-style-type: none"> ◆ Relies in a rigorous DCF framework meticulously calibrated to the market rally ◆ Cross-checked through comparable-company analysis to ensure alignment with consensus valuation benchmarks
Capex	<ul style="list-style-type: none"> ◆ Driven predominantly by supply-chain investments in local production facilities, while the retail network remains largely lease-based ◆ Assume nil strategic shift from its asset-light model, CAPEX is expected to remain stable as a percentage of turnover across all scenarios
SG&A	<ul style="list-style-type: none"> ◆ Assumes continued aggressive domestic and international expansion, leveraging scale economies to absorb elevated marketing and promotional spend ◆ Expects long-term EBITDA margin expansion underpinned by operational leverage and disciplined cost management
Working Capital Cycle	<ul style="list-style-type: none"> ◆ A notably aggressive assumption that current working-capital cycle efficiency will be maintained across all scenarios, despite rapid domestic and international scaling
Dividend policy	<ul style="list-style-type: none"> ◆ Dividend policy maintained at historical average payout ratios, underpinned by robust cash-generation capacity
Long term D/E ratio	<ul style="list-style-type: none"> ◆ Projections assume a zero net-debt position—supported by ample cash reserves—reflecting no planned factory expansions and an asset-light, lease-based store network

WACC Calculation Table

Cost of Equity	Base	Source
Risk Free rate	3.5%	◆ Hong Kong 10-year Treasury Yield
Beta	1.26	◆ Beta is derived from 5-year monthly covariance of the equity performance relative to Hang Seng Index
Mature Market Equity Risk Premium	4.3%	◆ From Aswath Damodaran - Country Default Spreads and Risk Premiums ¹
Country Risk Premium	0.8%	◆ Aswath Damodaran, updated January 9, 2025 ²
Equity Risk Premium	5.13%	
Cost of Equity	10.0%	
Cost of Debt		
Pre-tax Cost of Debt	5.3%	◆ As the company did not have any loan facility or debt, the cost of debt is derived from SOFR + 100bps as of April 19, 2025
Marginal Tax rate	24.3%	◆ 8-year average effective tax rate
Cost of Debt After Tax	4.0%	
Net Debt / Net Capital	-	◆ Assume no debt issuing
WACC	10.0%	

Sources: Company filings, FactSet.

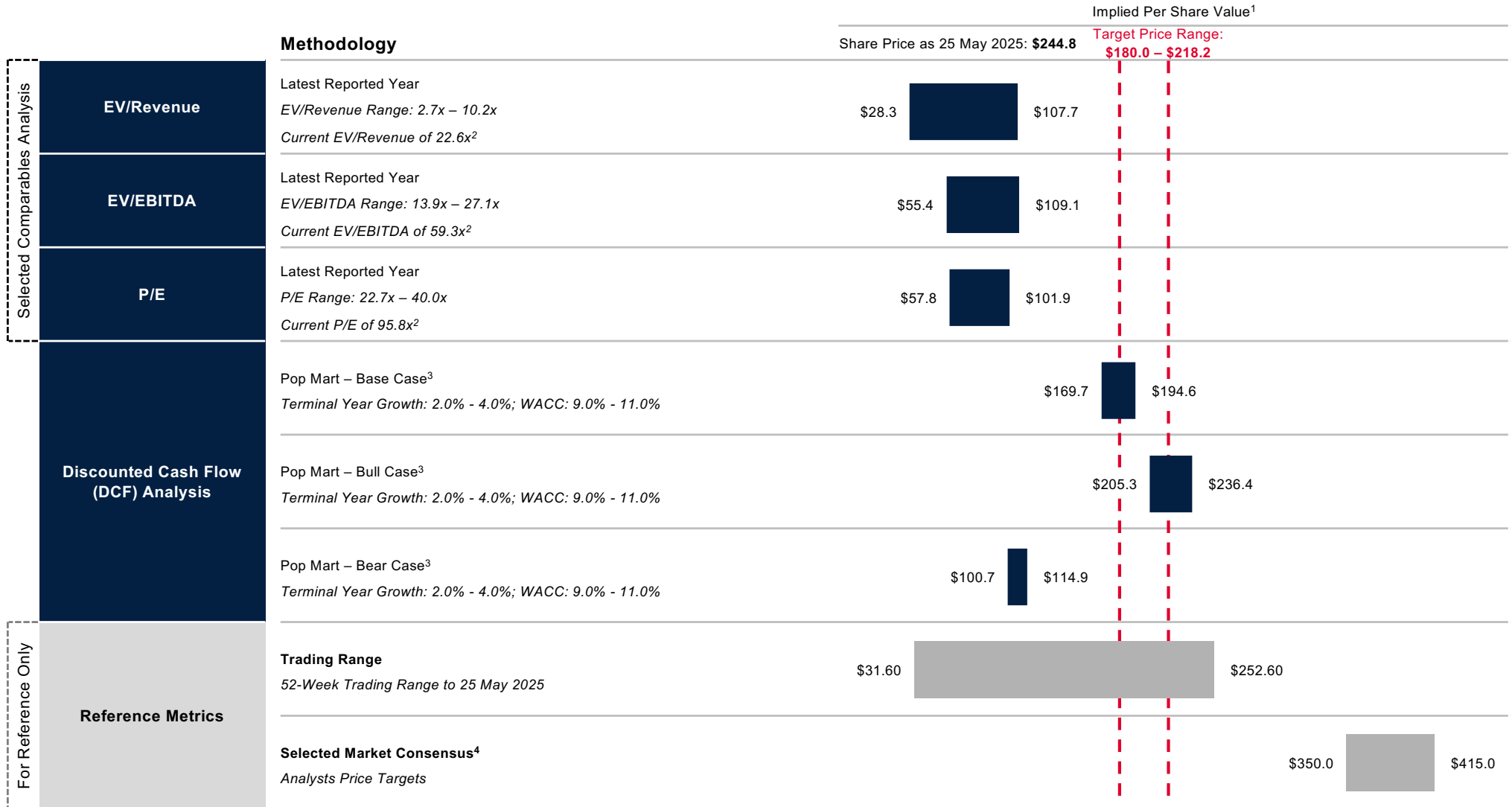
Notes:

1. Mature Market Premium of 4.33% is derived from the United States market
2. Country Risk Premium of 0.8% is derived from the Hong Kong market

Summary Preliminary Valuation Analysis



Valuation Analysis of Pop Mart at Target Price of \$180.0 (c.26.5.% of downside potential)



Sources: Company filings, FactSet, broker reports.
 Notes: Market data as of 25 May 2025.
 1. Rounded to the nearest HK\$0.10, except for Trading Range
 2. Multiples based on EV as of 25 May 2025, financials as of FY24
 3. Target price based on terminal growth rate of 3.0% and WACC of 10.0%

4. Includes Brokers of DBS, Jefferies, CICC, Morningstar Equity Research, Morgan Stanley, Citi, Goldman Sachs, and JP Morgan

Preliminary Valuation Analysis



Company Revenue Breakdown – Base Case

- ◆ Despite robust catalysts—SSE/store upgrades, surging online penetration and a 53% overseas revenue CAGR—and forecasts outpace street consensus, yet the stock's bubble-level valuations pose significant downside risk if Pop Mart fails to further outperforming
- ◆ Mainland Tier 1/2 cities are nearing saturation—C-level targets only ~10 net new stores by FY25E. Consequently, growth will be driven primarily by SSE and store upgrades, at c.2x last FY's rate
- ◆ Online Channel growth outpaces offline due to: a) consumers increasingly prefer the convenience of 24/7 one-click purchasing with home delivery over in-store visits, and 2) digital channels enable targeted promotions and online-exclusive blind-box releases that boost purchase frequency
- ◆ Overseas revenues are projected to grow at a 53% CAGR from FY24–29E, driven by strategic retail roll-outs across SEA, U.S. and U.K. While growth moderates against a high FY24 base and a smaller online mix, brick-and-mortar stores will still contribute c.60% of revenues in FY25E, rising to .73% by FY29E

Revenue Projection

In CNY m, unless specified otherwise	Historical		Projection				
	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Total turnover (Sales)	6,301	13,038	37,838	64,090	81,743	87,864	91,428
<i>Growth Rate</i>	<i>36.5%</i>	<i>106.9%</i>	<i>190.2%</i>	<i>69.4%</i>	<i>27.5%</i>	<i>7.5%</i>	<i>4.1%</i>
Mainland	5,235	7,972	15,099	20,227	23,767	26,122	27,636
<i>Growth Rate</i>	<i>25.7%</i>	<i>52.3%</i>	<i>89.4%</i>	<i>34.0%</i>	<i>17.5%</i>	<i>9.9%</i>	<i>5.8%</i>
Retail Stores	2,479	3,828	7,407	9,601	11,076	12,181	13,001
<i>Growth Rate</i>	<i>46.6%</i>	<i>54.4%</i>	<i>93.5%</i>	<i>29.6%</i>	<i>15.4%</i>	<i>10.0%</i>	<i>6.7%</i>
RoboShop	549	698	878	1,021	1,120	1,185	1,226
<i>Growth Rate</i>	<i>44.8%</i>	<i>27.3%</i>	<i>25.7%</i>	<i>16.3%</i>	<i>9.7%</i>	<i>5.8%</i>	<i>3.5%</i>
Online Channels	1,710	2,698	5,422	7,613	9,150	10,074	10,583
<i>Growth Rate</i>	<i>-6.5%</i>	<i>57.7%</i>	<i>101.0%</i>	<i>40.4%</i>	<i>20.2%</i>	<i>10.1%</i>	<i>5.0%</i>
Wholesales and Others	497	748	1,392	1,992	2,421	2,681	2,826
<i>Growth Rate</i>	<i>88.4%</i>	<i>50.7%</i>	<i>86.1%</i>	<i>43.1%</i>	<i>21.5%</i>	<i>10.8%</i>	<i>5.4%</i>
Overseas	1,066	5,066	22,739	43,863	57,975	61,742	63,792
<i>Growth Rate</i>	<i>134.9%</i>	<i>375.2%</i>	<i>348.9%</i>	<i>92.9%</i>	<i>32.2%</i>	<i>6.5%</i>	<i>3.3%</i>
Retail Stores	583	2,938	17,031	34,488	46,485	49,338	51,034
<i>Growth Rate</i>	<i>330.0%</i>	<i>404.0%</i>	<i>479.7%</i>	<i>102.5%</i>	<i>34.8%</i>	<i>6.1%</i>	<i>3.4%</i>
RoboShop	57	133	252	363	420	456	477
<i>Growth Rate</i>	<i>277.3%</i>	<i>131.9%</i>	<i>89.6%</i>	<i>43.8%</i>	<i>15.7%</i>	<i>8.6%</i>	<i>4.5%</i>
Online Channels	156	1,455	4,589	7,884	9,771	10,551	10,831
<i>Growth Rate</i>	<i>72.7%</i>	<i>834.0%</i>	<i>215.4%</i>	<i>71.8%</i>	<i>23.9%</i>	<i>8.0%</i>	<i>2.7%</i>
Wholesales and Others	270	540	866	1,128	1,299	1,398	1,450
<i>Growth Rate</i>	<i>26.8%</i>	<i>99.8%</i>	<i>60.5%</i>	<i>30.3%</i>	<i>15.1%</i>	<i>7.6%</i>	<i>3.8%</i>

Projection Highlight¹

In CNY Ms	Diff.	Revenue	FCF
	Projection	37,838	6,063
2025E	Consensus	26,406	5,867
	% Diff.	43.3%	3.3%
	Projection	64,090	11,697
2026E	Consensus	36,101	8,851
	% Diff.	77.5%	32.2%
	Projection	81,743	16,794
2027E	Consensus	44,829	11,068
	% Diff.	82.3%	51.7%

- ◆ Our 3-year Revenue and FCF forecasts materially exceed street consensus¹ by **3% to 52%**
- ◆ Reflecting Pop Mart's exceptional growth momentum—and underscore that the current share price is trading at **bubble-level valuations**

Sources: Company filings, FactSet, broker reports.

Note:

1. Market consensus based on median broker estimates on the Company's financials

Preliminary Valuation Analysis (Cont'd)



Company DCF Valuation – Base Case

- ◆ Even within a crowded market, revenues should surge ~190% in FY25E and ~70% in FY26E, margins briefly soften then rebound with EBITDA at ~32–34%, yet our fundamental valuation still points to over 25% downside.
- ◆ Revenue match our investment thesis, where the overheating market + easy entry barrier leading to a long-term soft demand, but still a massive expansion within FY25E-26E of 190% and c.70%
- ◆ Gross margin expects to be squeezed by single digit in the short term, driven by the demand rally in both overseas and mainland market, but improved in the long-term with efficiency improvement
- ◆ EBITDA margin is projected within the range of 32% - 34%, an operational improvement compare the FY24E where the SG&A expenses is the main driven catalyst
- ◆ Implied share price gives a realistic price target relies on the fundamental analysis, in which showcase an over 25% downside potential

Share Price Calculation Table

Enterprise value	Cal.
Terminal Growth Rate	3.00%
EV (CNY Ms)	225,132
Equity Value	
(-) Net Debt	(1,020)
Implied Equity Value (CNY Ms)	226,152
Fully Diluted Shares Outstanding (Ms)	1,332
Implied Fully Diluted Share Price (CNY)	169.8
FX: CNY/HKD	1.06
Implied Fully Diluted Share Price (HKD)	180.0
Share Price (As of May 25)	244.8
Implied (Downside)/Upside Potential	-26.5%

Sources: Company filings, FactSet.
Note: Market data as of 25 May 2025.

Free Cash Flow Schedule

In CNY m, unless specified otherwise	Historical		Projection				Terminal	CAGR
	2024A	2025E	2026E	2027E	2028E	2029E	Year	25E-29E
Revenue	13,038	37,838	64,090	81,743	87,864	91,428	91,428	19.3%
Revenue Growth Rate		190.22%	69.38%	27.54%	7.49%	4.06%	4.06%	
(-) COGS	(4,330)	(12,188)	(19,362)	(24,695)	(26,545)	(27,621)	(27,621)	
Gross Profit	8,708	25,650	44,727	57,047	61,319	63,806	63,806	
(-) Operating Expenses (excl. D&A)	(4,553)	(13,343)	(24,262)	(29,532)	(31,996)	(33,645)	(33,645)	
EBITDA	4,154	12,307	20,466	27,516	29,323	30,161	30,161	19.6%
EBITDA Growth Rate	–	196.2%	66.3%	34.4%	6.6%	2.9%	2.9%	
EBITDA Margin	31.9%	32.5%	31.9%	33.7%	33.4%	33.0%	33.0%	
(-) D&A	(863)	(1,966)	(3,747)	(5,681)	(7,303)	(8,411)	(8,411)	
EBIT	3,291	10,341	16,719	21,834	22,020	21,751	21,751	
(-) Taxes on EBIT	(797)	(2,514)	(4,064)	(5,307)	(5,352)	(5,287)	(5,287)	
Net Operating Profit After Tax (NOPAT)	2,494	7,828	12,655	16,527	16,668	16,464	16,464	16.0%
(+) Depreciation	863	1,966	3,747	5,681	7,303	8,411	8,411	
(-) Capital Expenditures (CAPEX)	(373)	(2,818)	(3,775)	(4,780)	(5,129)	(5,332)	(5,332)	
(+/-) Change in Operating NWC	(28)	(912)	(931)	(635)	(220)	(128)	(128)	
Free Cash Flow to the Firm (Unlevered FCF)	2,957	6,063	11,697	16,794	18,622	19,415	277,757	26.2%

Selected Comparables Analysis



Comps Analysis Suggests the Valuation is Heavily Overvalued

- ◆ Although lacking direct comparable due to its single-market focusing business model, Pop Mart still priced way above its peers
- ◆ Pop Mart trades at 22.6x EV/Revenue and 59.3x EV/EBITDA in FY24—surpassing the peer median of 7.6x and 23.6x, respectively. Its FY24 P/E of 95.8x also exceeds peers like Sanrio and Hasbro, indicating the market is embedding overly aggressive growth and margin assumptions
- ◆ Using peer median multiples, the implied share price is only c.HKD28-57, suggesting the current market price is **heavily overvalued**. This spread signals that the market is pricing in overly optimistic growth and international expansion assumptions not yet reflected in fundamentals

Comparable Table

<i>In HKD m, unless specified otherwise</i>															
Company	Stock Code	Stock Price (HKD) ¹	Mkt. EV	Rev. Cap.	Rev. FY24	EBITDA	EV/Revenue			EV/EBITDA			P/E		
Name	Code	(HKD) ¹	EV	Cap.	FY24	EBITDA	FY24	FY+1	FY+2	FY24	FY+1	FY+2	FY24	FY+1	FY+2
Pop Mart International	9992-HK	244.8	319,716	328,752	14,136	5,392	22.6x	12.8x	9.5x	59.3x	32.6x	23.9x	95.8x	49.7x	36.0x
Sanrio	8136-JP	350.1	86,515	89,430	6,816	2,770	12.7x	9.2x	8.1x	31.2x	23.3x	20.2x	45.6x	33.5x	29.0x
MINISO Group Holding	9896-HK	34.7	45,510	43,359	19,107	4,345	2.4x	1.6x	1.4x	10.5x	7.6x	6.2x	16.2x	14.3x	11.5x
Bandai Namco Holdings	7832-JP	250.9	144,828	163,085	63,551	11,403	2.3x	2.1x	2.0x	12.7x	12.4x	11.4x	18.8x	24.0x	21.9x
Walt Disney	DIS-US	893.8	1,929,380	1,606,778	729,446	129,483	2.6x	2.6x	2.5x	14.9x	12.7x	11.4x	23.4x	19.7x	18.0x
Hasbro	HAS-US	520.4	94,452	72,925	33,267	7,332	2.8x	2.9x	2.8x	12.9x	11.0x	9.9x	22.0x	15.8x	14.2x

25% Percentile	2.4x	2.2x	2.1x	12.7x	11.3x	10.3x	19.6x	16.8x	15.2x
Mean	7.6x	5.2x	4.4x	23.6x	16.6x	13.8x	37.0x	26.2x	21.8x
Median	2.7x	2.8x	2.6x	13.9x	12.5x	11.4x	22.7x	21.9x	20.0x
75th Percentile	10.2x	7.6x	6.8x	27.1x	20.6x	18.0x	40.0x	31.1x	27.2x

Target Price	EV/Revenue	EV/EBITDA	P/E
Median	2.7x	13.9x	22.7x
EV	38,762	74,902	N.A.
(-) Net Debt	(1,081)	(1,081)	N.A.
Equity Value	37,681	73,821	77,012
Implied Share Price (HKD)	28.3	55.4	57.8

Sources: Company filings, FactSet.
 Notes: Market data as of 25 May 2025.
 1. USD:HKD = 1:7.8337; USD:JPY = 1:147.7

0. Re-pricing Catalysts

Key Catalysts that Could Materially Weaken the Conviction, Driving Valuation Re-Rate

1

Breakout IP Commercialization

- ◆ Pop Mart successfully builds one of its flagship characters (e.g., SKULLPANDA or MOLLY) into a full-fledged entertainment franchise through global media adaptations or video games, extending its IP lifecycle beyond the typical 9–12 months currently seen in its blind box releases
- ◆ A franchise hit akin to Sanrio's Hello Kitty could create significant brand equity and recurring licensing revenue

2

International Expansion Outperformance

- ◆ The Federal Reserve has signaled potential rate cuts by late 2025. A 100–150bps cut in U.S. rates could stimulate demand and reduce Pop Mart's leasing and expansion costs abroad, boosting store ROI.
- ◆ Online and in-store sales see structural uplift from economic recovery.

3

Consumer Spending Rebound

- ◆ Despite current U.S. store-level economics under pressure from geopolitical events, Pop Mart achieves rapid brand penetration and same-store sales growth overseas
- ◆ Trade policy easing—such as potential reduction in U.S. Section 301 tariffs or new bilateral agreements—may significantly reduce landed costs, lifting profitability in international markets

4

Strategic Collaborations or M&A

- ◆ Pop Mart enters global IP licensing deals or celebrity collaborations (e.g., BLACKPINK Lisa collection in 2023). A partnership with a global brand could drive premium product pricing, limited-edition scarcity demand, and overseas brand recognition
- ◆ A strategic buyout or equity investment from a larger entertainment or toy company may assign a control premium or provide synergies in global distribution and IP development

5

Industry Tailwinds or Trend Revival

- ◆ If the global pop toy market (USD 41.8bn in 2024) re-accelerates beyond its projected 4.7% CAGR—driven by Gen Z nostalgia, AI-personalized toys, or influencer culture—Pop Mart could benefit from rising order volume, especially in online channels like TikTok Shop or Douyin
- ◆ Viral content or trend waves could rejuvenate blind box demand, extending average product lifecycle, thereby reducing marketing churn and increasing ROIC on IP development

Sources: Company filings, company information, broker reports, market news.

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