Laopu Gold - H

Underappreciated efforts to navigate the gold volatility; sensitivity analysis; attractive valuation

Laopu's share price has fallen 45% since end-January (vs. HSI/MSCI China -9%/-13%) and now trades at 8x/7x 26E/27E P/E (per BBG consensus). We think this was due to investors' concerns on uncertainties on SSS trend amid gold price volatility (gold price -3% YTD and -23% since peak at end Jan; gold & jewelry retail sales -21% in Apr, vs. +13% in Jan-Mar per NBS; JPMe gold price to reach USD6,000/oz by year end, or up 42% from now). While gold price volatility would trigger wait-and-see attitude in 2Q, putting pressure on SSS trend, yet we think market underappreciate **Laopu's active efforts to navigate the turbulent cycle of gold**, including: 1) more flexible strategy in new product launches (i.e., the newly-launched Cross No.1 Pendant with Pink Sapphire in late May received positive feedback from consumers); 2) further enhancement of consumer experience; 3) upgrades in channel network (still witnessing lining up at the Shenzhen store opened on 13 Jun). Our **sensitivity analysis** for 2Q26 assumes SSSG from -60% to +10% and indicates 1H26 sales growth of +52-78% and earnings growth of +81-112%. In addition, Laopu's controlling shareholder increased his shareholding by HKD166mn on 20 May at ~HKD495 per share, which should provide a certain level of downside protection. We see sufficient upside to valuation from here. Our DCF-based PT of HK$1,296 implies 19x 2027E P/E. We see Laopu as the best positioned to benefit from experience-led growth with a systematic approach (disciplined store count, a direct to consumer model and differentiated service quality upheld by a highly selective/trained team). Laopu is our top pick in the China gold & jewel sector.

- **Initiatives to enhance sense of value to consumers.** 1) Acceleration in new product launches. Laopu announced 8 new collections in Jan-May, with integration of more gemstones into designs (such as sapphire) and introduction of new elements (such as prayer wheel and Greek cross). This compares to total 8 new collections announced in 2025 or 4 in 1H. Among the newly launched products, we also notice one SKU with more attractive pricing, indicating a flexible pricing strategy for new products. These new products should attract both existing customers and new customers, in our view. 2) Lower threshold for gifts with purchase since Apr: for example, the threshold for 5g gold coin gift down to ticket size >Rmb250k, vs. 500k prior. 3) Enhancement of experience, such as the optimization of after-sales service (separate queue for after-sales services currently, vs. one queue for both purchase and after-sales services prior), and the enhancement of VIC management.

- **Channel upgrades.** We think Laopu is on track to upgrade channels to enhance brand equity. 1) Upgrades of 8-12 domestic stores (better locations). We have seen 1 upgraded boutique opened in Zhengzhou (on 6 Jun), 1 opened in Shenzhen (on 13 Jun), 3 under-construction in Shanghai (Yu Garden, Xintiandi and IFC), and 1 under-construction in Hangzhou (Hangzhou Tower, taking over the former store space of LV

Overweight

6181.HK, 6181 HK

Price (12 Jun 26): HK$470.00

Price Target (Dec-26): HK$1,296.00

China

Consumer

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	9	53	74	86	
Growth	3	1	2	58	
Momentum	27	12	1		
Quality	7	1	19		
Low Vol	99	98	99		

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26 Feb 2026 China Jewelry & Beauty: Spring Festival Gala as a catalyst: how traditional heritage is reshaping Chinese brands

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 12 for analyst certification and important disclosures, including non-US analyst disclosures.

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and Valentino, and next to Loewe and Gucci; LV and Loewe belongs to LVMH, and Gucci belongs to Kering, both covered by Chiara Battistini). This demonstrated Laopu's competitive advantage over peers, in our view. 2) 4-6 new overseas stores (mainly in 2H26), with potential markets including Singapore, HK, Macau and Malaysia. The new Parisian Macau boutique opened on 30 May, marking one step further in the overseas market.

- **Maintaining leading position in heritage gold sector.** We witnessed better traffic in Laopu vs. other emerging heritage gold brands in the same shopping mall per our recent on-the-ground channel checks in Shanghai. For example, we witnessed 5-10min line-up for Laopu in IFC, vs. no line-ups for Baowangfu (宝王府); and we saw more traffic for Laopu in Yu Garden, vs. Jemper (君佩) when the traffic normalized for Jemper post its debut-effect (though we did see stronger traffic for Jemper during its debut period, as this was the first Jemper store in Shanghai, in our view). We attributed this to: 1) Laopu's first mover advantage leading to best brand equity in heritage gold; 2) Laopu's continuous product innovation; and 3) Laopu's exceptional service supported by a systematic approach. We argue that Laopu could maintain its leading position in the heritage gold sector.

- **Sensitivity analysis for 2Q26.** We conducted a sensitivity analysis to understand the impact of 2Q26 SSSG on 1H26 results. We assume 2Q26 SSSG from -60% to +10% yoy, and we reach 1H26 sales growth of +52-78% and earnings growth of +81-112%.

- **JPMe gold price reaching USD6,000/oz by the year-end.** JPM commodity team thinks "gold price is a pause, not a U-turn" and remains confident in the "structurally bullish narrative for gold" and now forecasts gold price to rise towards USD6,000/oz by the year-end, see report.

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Price Performance

	YTD	1m	3m	12m
Abs	-24.0%	-20.4%	-30.4%	-48.6%
Rel	-20.4%	-14.2%	-26.5%	-51.4%

Company Data

Shares O/S (mn)	172
52-week range (HK$)	1,108.00-432.60
Market cap ($ mn)	10,300
Exchange rate	7.84
Free float (%)	34.6%
3M ADV (mn)	1.22
3M ADV ($ mn)	90.8
Volatility (90 Day)	59
Index	HSI
BBG ANR (Buy | Hold | Sell)	32|1|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	27,303	43,128	54,666	68,981
Adj. EBITDA	6,889	11,516	14,893	19,007
Adj. EBIT	6,549	11,079	14,171	17,985
Adj. net income	4,868	8,320	10,679	13,585
Adj. EPS	28.25	48.28	61.97	78.84
BBG EPS	27.70	47.02	56.21	65.41
Cashflow from operations	(6,848)	6,306	8,539	7,015
FCFF	(6,887)	5,336	7,284	5,406
Margins and Growth				
Revenue Growth Y/Y (%)	221.0%	58.0%	26.8%	26.2%
Gross margin	37.6%	39.1%	39.2%	39.2%
EBITDA margin	25.2%	26.7%	27.2%	27.6%
EBIT margin	24.0%	25.7%	25.9%	26.1%
Adj. EPS growth	198.3%	70.9%	28.4%	27.2%
Ratios				
Adj. tax rate	23.7%	23.7%	23.7%	23.7%
Interest cover	49.5	78.1	96.3	117.3
Net debt/Equity	0.4	0.1	NM	NM
Net debt/EBITDA	0.7	0.2	NM	NM
ROCE	42.7%	40.7%	39.1%	37.8%
ROE	64.8%	59.4%	51.7%	46.6%
Valuation				
FCFF yield	(9.8%)	7.6%	10.4%	7.7%
Dividend yield	5.3%	3.6%	4.6%	5.8%
EV/Revenue	3.5	2.2	1.7	1.3
EV/EBITDA	14.1	8.2	6.1	4.7
Adj. P/E	14.4	8.4	6.6	5.2

Summary Investment Thesis and Valuation

Investment Thesis

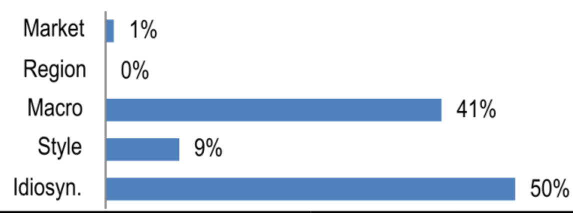
Founded in 2009, Laopu Gold is a niche China heritage gold brand and one of the few Chinese jewelry brands positioned in the luxury segment. While Laopu has only 45 boutiques (as of 2025), it has 85%+ sales exposure to tier 1/new tier 1 cities, the highest single-store sales and a pricing premium vs other Chinese local brands.

We expect Laopu to deliver a sales/NP CAGR of 36%/41% over 2025-28E, given: 1) a fast-growing China heritage gold segment; 2) store network expansion opportunities in both China and overseas; and 3) SSSG supported by enhanced brand equity, penetration based on innovation and a strong value proposition vs international brands, and an outstanding retail experience.

Valuation

Our DCF-based Dec-26 PT of HK$1,296 implies 19x 27E P/E. We derive our 9.4% WACC assuming a 4.3% risk-free rate, 7% risk premium, 11.7% cost of equity and terminal growth rate of 3.0%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.02	0.07
Region: China	-0.26	-0.03
Macro:		
JP Morgan GBI-EM Global Div	0.41	0.57
JPM EM Currency(EMCI) Fixing	0.17	0.36
Markit EM Composite PMI SA	0.20	0.18
Quant Styles:		
Value	0.19	0.31
DivYld	0.20	0.30
LowVol	0.24	0.30

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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- **Our recent reports on Laopu:**

28 Apr 2026 Laopu: Resilient demand; likely no financial needs in the near term; attractive valuation; top pick

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26 Feb 2026 Laopu: Robust CNY

5 Feb 2026 Laopu: The pre-CNY consumption glint; positive in 2026; top pick

18 Jan 2026 China Sports, Beauty & Jewelry: 2026: Seeking Alpha Led by Experience

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Table 1: Sensitivity Analysis (assuming 2Q26 same store sales growth from -60% to +10%)

Rmb mn	1Q26	2Q26	1H26	1Q25	2Q25	1H25
Revenue	**17,000**	**3,663**	**20,663**	**8,401**	**3,953**	**12,354**
1Q/2Q as of 1H	*82%*	*18%*	*100%*	*68%*	*32%*	*100%*
yoy growth	*102%*	*-7%*	*67%*			
By channel						
Boutiques	**14,790**	**3,249**	**18,039**	**7,301**	**3,436**	**10,736**
New store	**3,344**	**784**	**4,127**	**2,618**	**914**	**3,532**
No. of new stores	15	15	15	14	14	14
Average sales per store	223	52	275	187	65	252
Average sales per store growth	*19%*	***-20%***	*9%*			
Same store	**11,446**	**2,465**	**13,912**	**4,683**	**2,521**	**7,204**
No. of same stores	33	33	33	27	27	27
Same store sales	347	75	422	173	93	267
Same store sales growth	*100%*	***-20%***	*58%*			*201%*
Online	**2,210**	**414**	**2,624**	**1,100**	**518**	**1,618**
Online contribution	*13%*	*11%*	*13%*	*13%*	*13%*	*13%*
Online sales growth	*100.9%*	***-20%***	*62.2%*			*313%*
Profitability						
NPM	*21.8%*	*21.8%*	***21.8%***	*18.4%*	*18.4%*	*18.4%*
Net profits	*3,700*	*797*	*4,497*	*1,542*	*726*	*2,268*
Net profits yoy growth	*140%*	*10%*	*98%*			
JPMe Full year 26/25 net profits			8,320			4,868
1H net profit as of FY			*54%*			*47%*

2Q same store sales growth assumption -60% to +10%	***-60%***	***-50%***	***-40%***	***-30%***	***-20%***	***-15%***	***-10%***	***-5%***	***0%***	***5%***	***10%***
-> 1H26 revenue yoy growth	*52%*	*56%*	*60%*	*64%*	*67%*	*69%*	*71%*	*73%*	*75%*	*77%*	*78%*
-> 2Q26 net profit (Rmb mn)	399	498	598	698	797	847	897	947	997	1,046	1,096
-> 2Q26 net profit yoy growth	*-45%*	*-31%*	*-18%*	*-4%*	*10%*	*17%*	*24%*	*30%*	*37%*	*44%*	*51%*
-> 1H26 net profit (Rmb mn)	4,099	4,198	4,298	4,398	4,497	4,547	4,597	4,647	4,697	4,746	4,796
-> 1H26 net profit yoy growth	*81%*	*85%*	*90%*	*94%*	*98%*	*101%*	*103%*	*105%*	*107%*	*109%*	*112%*
-> 1H26 net profit as of FY26	*49%*	*50%*	*52%*	*53%*	*54%*	*55%*	*55%*	*56%*	*56%*	*57%*	*58%*

Source: J.P. Morgan estimates, as of 12 Jun 2026. Note: red = actual/reported; blue = historical assumptions; yellow highlighted = key swing factors.

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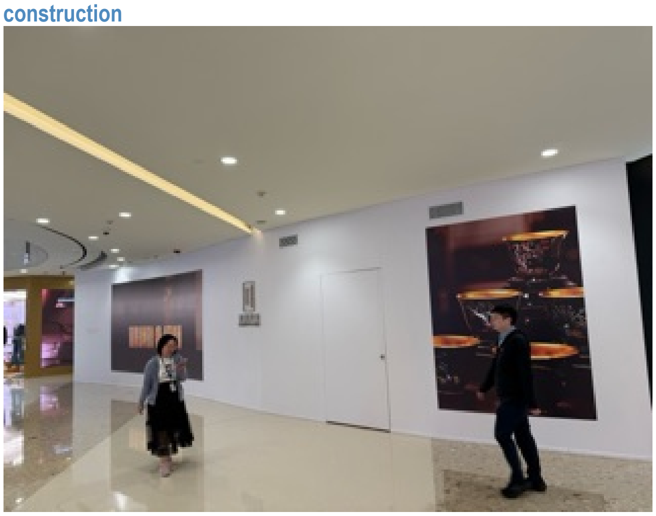
Figure 1: Laopu's upgraded boutique in David Plaza, Zhengzhou

Source: Laopu official WeCom, as of 6 Jun 2026.

Figure 2: Laopu's upgraded boutique in MixC World, Shenzhen

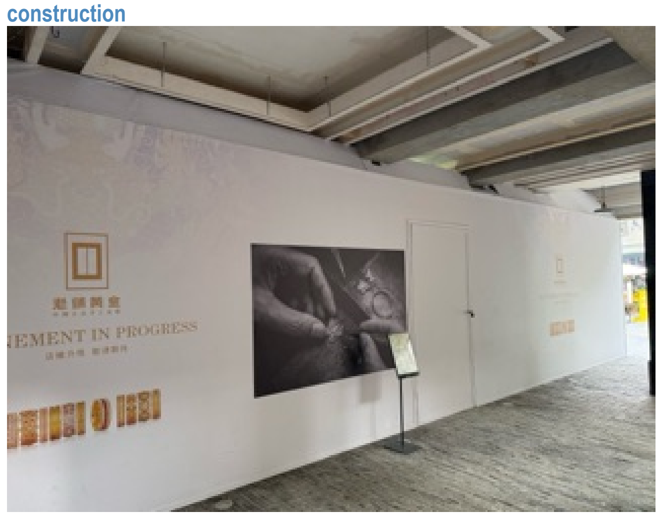
Source: Laopu official WeCom, as of 13 Jun 2026.

Figure 3: Laopu's new boutique in IFC, Shanghai - under construction



Source: J.P. Morgan, as of 11 Jun 2026.

Figure 4: Laopu's new boutique in Xintiandi, Shanghai - under construction

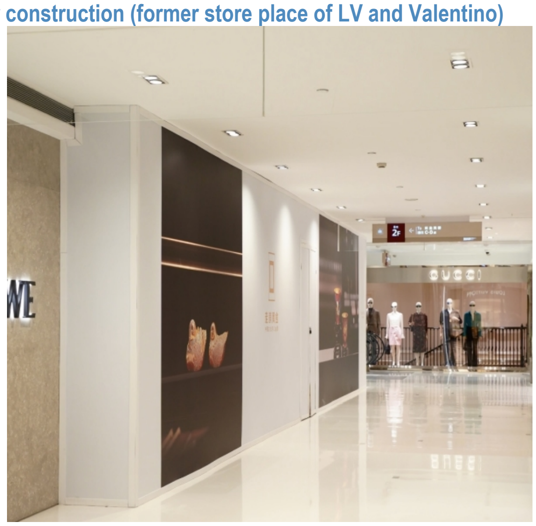


Source: J.P. Morgan, as of 4 Jun 2026.

Figure 5: Laopu's new boutique in Yu Garden, Shanghai - under construction

Source: J.P. Morgan, as of 4 Jun 2026.

Figure 6: Laopu's new boutique in Hangzhou Tower, Hangzhou - under construction (former store place of LV and Valentino)



Source: J.P. Morgan, as of 30 May 2026.

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Table 2: Laopu's new products announced on its official social media

Launch date	Collection	Products	Features
2025/1/17	Filigree Diamond Inlaid Golden Dragon & Golden Phoenix Sachet	Gold Chain Style; Cord Chain Style;	NA
2025/2/26	Mandala Pendant	Gold & White Diamond Two-tone Mandala Pendant; Gold, White Diamond & Ruby Three-tone Mandala Pendant;	Mandala Element; Diamond & Ruby Inlay;
2025/5/30	Gourd Baby Pendant	Gourd Baby Pendant	NA
2025/5/30	Seven Sons Gourd Pendant	Seven Sons Gourd Pendant	Enamel Craftsmanship; Seven-color Gourd;
2025/6/20	Cross No.1 Pendant	Diamond Style; Sapphire Style;	Cross Element
2025/9/5	Rose Window No.3 Pendant	Rose Window No.3 Pendant	NA
2025/11/1	Goddess of Light Pendant	Pendant; Brooch;	Goddess of Light Morpho Butterfly Element; More Elaborate Diamond Inlay;
2025/12/5	Nine-strand Mystic Black Vajra Pendant	Nine-strand Mystic Black Vajra Pendant	Nine-strand Vajra Element; Mystic Black Enamel Texture;
2026/1/1	Year of the Horse Series	Year of the Horse Deity Statue; Year of the Horse Diamond Inlaid Pendant; Year of the Horse New Year Gold Bar;	Year of the Horse Chinese Zodiac Element
2026/3/5	Rose Window No.1 Gemstone Pendant	Pear-shaped Pink Sapphire Style; Pear-shaped Yellow Sapphire Style;	Pink/Yellow Sapphire Introduced; Larger Main Diamond;
2026/4/23	Hehe No.1 Gemstone Diamond Ring	Ruby Style; Sapphire Style;	Ruby/Sapphire Introduced;
2026/4/23	Fangyuan No.4 Gemstone Diamond Ring	Diamond Ring; Yellow Sapphire Diamond Ring;	Yellow Sapphire Introduced
2026/4/27	Gold Body Enamel - Dragon Pattern Gold Cup & Dragon Phoenix Pair Cups	Dragon Pattern Gold Cup; Dragon Phoenix Pair Cups;	Gold Body Enamel Craftsmanship;
2026/5/13	Mantra Prayer Wheel No.2 Pendant	Gold Chain Style; Cord Chain Style;	Prayer Wheel Element;
2025/5/25	Cross No.1 Pendant	Pink Sapphire Style;	Pink Sapphire;
2026/5/30	Cross No.3 Pendant	Diamond Inlaid Pendant; Sapphire & Diamond Inlaid Pendant; Diamond Inlaid Collarbone Chain; Sapphire & Diamond Inlaid Collarbone Chain;	Greek Cross Element; Diamond/Sapphire;

Source: Laopu official WeCom, as of 10 Jun 2026.

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Table 3: Laopu's promotional activities since May 2026

Boutiques	Promotion	Discounts	Period
Hong Kong Canton Road Boutique	Rmb100 discount for every Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Beijing Oriental Plaza Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Beijing Department Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Chengdu IFS Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Nanjing IFC Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Guangzhou TaiKoo Hui Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/6/5-2026/6/28;
Zhengzhou David Plaza Boutique	Rmb100 discount for every Rmb1,000 order; Extra Rmb3k discount for every Rmb100k order; Gifts for ticket size over Rmb30k/50k/80k;	c10% off	2026/6/13-2026/6/14; 2026/6/27
Parisian Macau Boutique	Rmb100 discount for every Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb200k;	c10% off	2026/5/30-2026/6/21
Beijing WF Central Boutique	Rmb100 discount for every Rmb1,000 order; 10x shopping membership points;	c10% off	2026/5/9-2026/5/24
Hangzhou MixC Boutique	Rmb50 discount for every Rmb1,000 order; 15x shopping membership points; Gifts (5g gold coin) for ticket size over Rmb250k;	c5% off	2026/5/20; 2026/5/23-2026/5/24
Shenzhen MixC Boutique	Rmb100 discount for every Rmb1,000 order; Rmb500 coupon for ticket size over Rmb50k; Gifts (5g gold coin) for ticket size over Rmb250k;	c10% off	2026/5/15-2026/5/17; 2026/5/20
Shanghai Plaza 66 Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/5/1-2026/5/17
Shanghai Xintiandi Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/5/1-2026/5/17
Shanghai IFC Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/5/1-2026/5/17
Shanghai Grand Gateway 66 Boutique	Rmb100 discount for every Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/5/1-2026/5/17
Shanghai Yu Garden Boutique	Rmb100 discount for ever Rmb1,000 order; Gifts for ticket size over Rmb30k/50k/80k; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/4/25-2026/5/15
Nanjing IFC Boutique	Rmb100 discount for ever Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/4/24-2026/5/15
Venetian Macao Boutique	Rmb100 discount for ever Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/4/18-2026/5/5
Hong Kong Canton Road Boutique	Rmb100 discount for ever Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/4/18-2026/5/5
Beijing Department Boutique	Rmb100 discount for ever Rmb1,000 order; Gifts (5g gold coin) for ticket size over Rmb250k	c10% off	2026/4/17-2026/5/5

Source: Laopu official WeCom, RedNote, as of 10 Jun 2026.

Table 4: Gold price forecast by JPM global commodity team (USD/t oz)

Category	1Q25A	2Q25A	3Q25A	4Q25A	1Q26A	2Q26E	3Q26E	4Q26E	1Q27E	2Q27E	3Q27E	4Q27E	2025A	2026E	2027E
Gold	2,872	3,289	3,458	4,152	4,873	4,800	5,300	6,000	6,200	6,250	6,300	6,300	3,446	5,243	6,263
QoQ	*8.0%*	*14.5%*	*5.1%*	*20.1%*	17.4%	-1.5%	10.4%	13.2%	3.3%	0.8%	0.8%	0.0%	*NA*	*NA*	*NA*
YoY	*38.5%*	*40.6%*	*39.5%*	*56.1%*	69.7%	45.9%	53.3%	44.5%	27.2%	30.2%	18.9%	5.0%	*44.3%*	52.2%	19.5%

Source: J.P. Morgan estimates, as of 5 Jun 2026.

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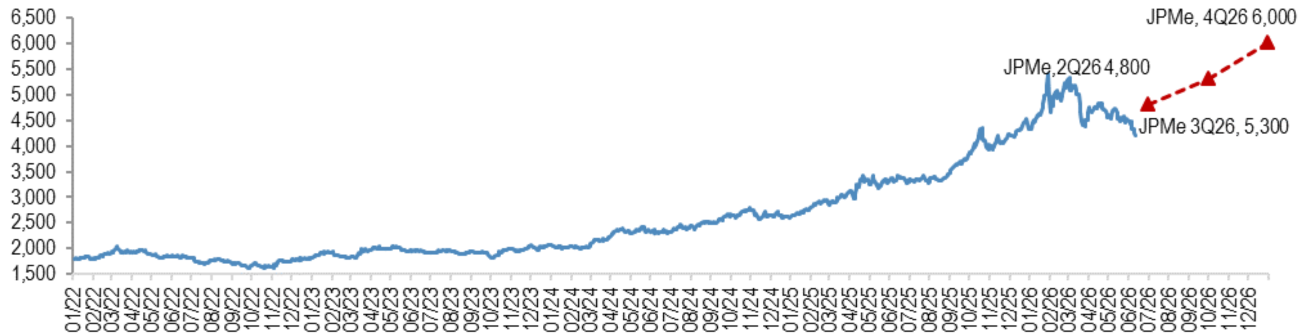
Figure 7: Gold spot price trend since 2022 (USD/t oz)



Source: Bloomberg Finance L.P., J.P. Morgan estimates, as of 10 Jun 2026. Note: Past performance is not an indicator of future results

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Investment Thesis, Valuation and Risks

Laopu Gold Co., Ltd. - H *(Overweight; Price Target: HK$1,296.00)*

Investment Thesis

Founded in 2009, Laopu Gold is a niche China heritage gold brand and one of the few Chinese jewelry brands positioned in the luxury segment. While Laopu has only 45 boutiques (as of 2025), it has 85%+ sales exposure to tier 1/new tier 1 cities, the highest single-store sales and a pricing premium vs other Chinese local brands.

We expect Laopu to deliver a sales/NP CAGR of 36%/41% over 2025-28E, given: 1) a fast-growing China heritage gold segment; 2) store network expansion opportunities in both China and overseas; and 3) SSSG supported by enhanced brand equity, penetration based on innovation and a strong value proposition vs international brands, and an outstanding retail experience.

Valuation

Our DCF-based Dec-26 PT of HK$1,296 implies 19x 27E P/E. We derive our 9.4% WACC assuming a 4.3% risk-free rate, 7% risk premium, 11.7% cost of equity and terminal growth rate of 3.0%.

DCF valuation

Rmb in millions	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Sales	54,666	68,981	86,717	103,923	118,988	133,020	144,907	154,127	163,906
EBIT	14,171	17,985	22,740	27,407	31,559	35,480	38,868	41,572	44,456
Tax rate %	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*	*24%*
NOPAT	10,806	13,714	17,340	20,899	24,065	27,055	29,638	31,700	33,899
D&A	722	1,022	1,359	1,734	2,119	2,495	2,851	3,173	3,464
W.C. change	-3,017	-7,754	-7,272	-7,830	-8,094	-10,162	-12,338	-14,496	-17,203
Capex	-1,373	-1,733	-2,178	-2,610	-2,989	-3,341	-3,640	-3,871	-4,117
as % of sales	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*	*-2.5%*
FCFF	7,138	5,249	9,249	12,193	15,100	16,046	16,511	16,505	16,042
NPV of FCFF	76,081								
PV of terminal value	126,554								
Net debt	-2,444								
Minority	-								
Equity value	205,079								
# of shares O/S (millions)	172								
Value per share (Rmb)	**1,190**								
Value per share (HK$)	**1,296**								

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our rating and price target include: weaker-than-expected consumer sentiment; slower-than-expected same-store sales growth and channel expansion; competition; and product quality.

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Laopu Gold - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**8,506**	**27,303**	**43,128**	**54,666**	**68,981**
COGS	(5,004)	(17,029)	(26,252)	(33,252)	(41,959)
Gross profit	**3,501**	**10,274**	**16,876**	**21,415**	**27,022**
SG&A	(1,509)	(3,699)	(5,714)	(7,139)	(8,905)
Adj. EBITDA	**2,154**	**6,889**	**11,516**	**14,893**	**19,007**
D&A	(181)	(339)	(437)	(722)	(1,022)
Adj. EBIT	**1,973**	**6,549**	**11,079**	**14,171**	**17,985**
Net Interest	(30)	(139)	(147)	(155)	(162)
Adj. PBT	**1,947**	**6,384**	**10,911**	**14,005**	**17,816**
Tax	(473)	(1,516)	(2,591)	(3,326)	(4,231)
Minority Interest	0	0	0	0	0
Adj. Net Income	**1,473**	**4,868**	**8,320**	**10,679**	**13,585**
Reported EPS	9.47	28.25	48.28	61.97	78.84
Adj. EPS	**9.47**	**28.25**	**48.28**	**61.97**	**78.84**
DPS	**6.35**	**21.54**	**14.53**	**18.66**	**23.73**
Payout ratio	67.0%	76.3%	30.1%	30.1%	30.1%
Shares outstanding	156	172	172	172	172

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	733	2,068	4,863	8,859	10,092
Accounts receivable	801	1,280	4,691	2,878	6,672
Inventories	4,088	16,044	14,997	20,532	24,301
Other current assets	212	1,157	1,157	1,157	1,157
Current assets	**5,833**	**20,549**	**25,707**	**33,425**	**42,221**
PP&E	113	175	562	955	1,380
LT investments	-	-	-	-	-
Other non current assets	391	528	788	1,046	1,332
Total assets	**6,337**	**21,253**	**27,057**	**35,426**	**44,933**
Short term borrowings	1,373	6,164	6,164	6,164	6,164
Payables	228	636	401	1,106	915
Other short term liabilities	647	3,080	3,202	3,310	3,417
Current liabilities	**2,249**	**9,880**	**9,768**	**10,580**	**10,497**
Long-term debt	0	100	100	100	100
Other long term liabilities	168	177	270	351	432
Total liabilities	**2,416**	**10,157**	**10,137**	**11,031**	**11,028**
Shareholders' equity	3,920	11,095	16,919	24,395	33,904
Minority interests	0	0	0	0	0
Total liabilities & equity	**6,337**	**21,253**	**27,057**	**35,426**	**44,933**
BVPS	**25.20**	**64.61**	**98.52**	**142.05**	**197.42**
Net debt/(cash)	957	4,597	2,017	(1,791)	(2,835)

Sector Specific items	FY24A	FY25A	FY26E	FY27E	FY28E
Same Store Sales Growth	120.9%	160.6%	-	-	-
Store Count	36	45	49	54	57
Sales per Store	-	-	-	-	-
Total Square Footage	-	-	-	-	-
Sales per sq foot	-	-	-	-	-

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(1,228)**	**(6,848)**	**6,306**	**8,539**	**7,015**
o/w Depreciation & amortization	181	339	437	722	1,022
o/w Changes in working capital	(3,038)	(12,552)	(2,598)	(3,017)	(7,754)
Cash flow from investing activities	**(71)**	**(145)**	**(1,083)**	**(1,373)**	**(1,733)**
o/w Capital expenditure	(71)	(145)	(1,083)	(1,373)	(1,733)
as % of sales	*0.8%*	*0.5%*	*2.5%*	*2.5%*	*2.5%*
Cash flow from financing activities	**1,960**	**8,211**	**(2,429)**	**(3,170)**	**(4,049)**
o/w Dividends paid	0	(1,096)	(2,496)	(3,204)	(4,076)
o/w Shares issued/(repurchased)	951	4,978	0	0	0
o/w Net debt issued/(repaid)	1,256	4,893	0	0	0
Net change in cash	**663**	**1,185**	**2,794**	**3,996**	**1,233**
Adj. Free cash flow to firm	**(1,276)**	**(6,887)**	**5,336**	**7,284**	**5,406**
y/y Growth	*1607.8%*	*439.6%*	*(177.5%)*	*36.5%*	*(25.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	41.2%	37.6%	39.1%	39.2%	39.2%
EBITDA margin	25.3%	25.2%	26.7%	27.2%	27.6%
EBIT margin	23.2%	24.0%	25.7%	25.9%	26.1%
Net profit margin	17.3%	17.8%	19.3%	19.5%	19.7%
ROE	54.2%	64.8%	59.4%	51.7%	46.6%
ROA	34.7%	35.3%	34.4%	34.2%	33.8%
ROCE	39.7%	42.7%	40.7%	39.1%	37.8%
SG&A/Sales	17.7%	13.5%	13.2%	13.1%	12.9%
Net debt/Equity	0.2	0.4	0.1	NM	NM
Net debt/EBITDA	0.4	0.7	0.2	NM	NM
Sales/Assets (x)	2.0	2.0	1.8	1.7	1.7
Assets/Equity	156.3%	183.7%	172.4%	151.2%	137.8%
Interest cover (x)	70.8	49.5	78.1	96.3	117.3
Operating leverage	145.4%	104.9%	119.3%	104.3%	102.8%
Tax rate	24.3%	23.7%	23.7%	23.7%	23.7%
Revenue y/y Growth	167.5%	221.0%	58.0%	26.8%	26.2%
EBITDA y/y Growth	210.4%	219.7%	67.2%	29.3%	27.6%
EPS y/y Growth	212.6%	198.3%	70.9%	28.4%	27.2%
BVPS y/y Growth	128.6%	156.3%	52.5%	44.2%	39.0%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	42.9	14.4	8.4	6.6	5.2
P/BV (x)	16.1	6.3	4.1	2.9	2.1
P/Sales (x)	7.4	2.6	1.6	1.3	1.0
EV/EBITDA (x)	43.3	14.1	8.2	6.1	4.7
Dividend Yield	1.6%	5.3%	3.6%	4.6%	5.8%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Laopu Gold - H (6181.HK, 6181 HK) Price Chart

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Oct 28, 2024. All share prices are as of market close on the previous business day.

Date	Rating	Price (HK$)	Price Target (HK$)
28-Oct-24	OW	190.50	229.4
09-Jan-25	OW	269.20	338
06-Feb-25	OW	396.00	469
21-Feb-25	OW	468.40	541
18-Mar-25	OW	698.00	824
02-Apr-25	OW	868.00	981
17-Apr-25	OW	804.00	1,111
28-May-25	OW	820.50	1,149
26-Jun-25	OW	863.50	1,249
08-Aug-25	OW	794.50	1,294
14-Oct-25	OW	698.00	1,296

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