22 Jun 2026 10:32:19 ET | 15 pages

Laopu Gold (6181.HK)

2Q26E operation trend and 1H26E earnings preview

CITI'S TAKE

We expect yoy weaker sales but stronger earnings in 2Q26E with GPM expansion more than offsetting the operating deleverage. We believe 2Q26E provides a bear case to gauge the business scale and profitability generated by loyal core customers, which have limited downside risks if gold price further declines. We do see mgmt is testing more measures to address the loss of price-sensitive customers, which is likely to drive sequential improvement starting from 3Q26E. Our 6-7% lowered 26E-28E forecasts are based on the run-rate of 2Q26E, leaving more upside than downside potential. We think the stock is oversold amid recent gold price retreat and valuation is compelling at 10x P/E and 7.4% dividend yield in 27E (normalized earnings). Buy on attractive risk reward with new TP HK$659.

Weak 2Q26E sales — We expect yoy sales pressure in 2Q26E mainly dragged by SKP (weak April promotion) and Tmall (weak 618), given these two channels have more price-sensitive customers who have left as Laopu's product price premium has significantly surged (~60% over traditional gold jewelers currently) after product price hike and gold price retreat (see our notes Industry Check Post Apr SKP Promotion and Lowering Estimates on Soft 618 Performance to Date). We estimate the two major channels accounted for ~30% of previous sales (down to ~20% now) hence the declines couldn't be fully offset by the sales of the big new stores opened in 2H25.

Strong 2Q26E margins and earnings — We expect GPM to be 52% in 2Q26E vs. our estimated 40-41% in 1Q26 assuming qoq 25% ASP increase and flat COGS. We expect SG&A/sales to be 19-20% in 2Q26E vs. est. 11-12% in 1Q26 given operating deleverage, where we assume 9% of sales are variable cost (mainly rentals and online fees) and remaining are fixed cost. Hence, we expect qoq better NPM of 23.9% in 2Q26E than 1Q26's 21.7-21.8%, and yoy NP growth.

1H26E preview — We expect revenue to grow 77% yoy to Rmb21.9bn (Rmb17.5bn in 1Q and Rmb4.4bn in 2Q), GPM to expand 4.8ppts to 42.9% (40.5% in 1Q and 52.4% in 2Q), SG&A/sales to decrease 0.6ppts to 13.2% (11.6% in 1Q and 19.7% in 2Q), OPM to expand 5.4ppts to 29.7% (28.9% in 1Q and 32.7% in 2Q, NPM to expand 3.8ppts to 22.2% (21.7% in 1Q and 23.9% in 2Q), and NP to surge 114% to Rmb4.85bn (Rmb3.8bn in 1Q and Rmb1.05bn in 2Q). We also expect inventory as of Jun'26 to be lower than that as of Dec' 25 hence FCF to turn positive in 1H26E (Figure 1 & 2).

Earnings Summary

Year to 31 Dec	Net Profit (RmbM)	Diluted EPS (Rmb)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2024A	1,502	9.655	253.4	38.9	16.1	55.3	1.7
2025A	5,029	29.285	203.3	12.8	6.0	67.0	5.7
2026E	7,784	44.127	50.7	8.5	4.4	59.5	8.7
2027E	6,653	37.720	-14.5	10.0	4.1	42.9	7.4
2028E	7,672	43.498	15.3	8.6	3.5	44.2	8.5

Source: Powered by dataCentral

Buy	
Price (22 Jun 26 16:10)	HK$434.80
Target price	HK$659.00↓
from HK$700.00	
Expected share price return	51.6%
Expected dividend yield	7.6%
Expected total return	59.2%
Market Cap	HK$76,849M
	US$9,806M

Price Performance (RIC: 6181.HK, BB: 6181 HK)

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

6181.HK: Fiscal year end 31-Dec

Price: HK$434.80; TP: HK$659.00; Market Cap: HK$76,849m; Recomm: Buy

Profit & Loss (Rmbm)	2024	2025	2026E	2027E	2028E
Sales revenue	8,506	27,303	33,633	28,346	32,416
Cost of sales	-5,004	-17,029	-18,351	-14,775	-16,782
Gross profit	3,501	10,274	15,282	13,572	15,634
Gross Margin (%)	41.2	37.6	45.4	47.9	48.2
EBITDA (Adj)	**2,158**	**6,862**	**10,733**	**9,205**	**10,585**
EBITDA Margin (Adj) (%)	25.4	25.1	31.9	32.5	32.7
Depreciation	-181	-339	-396	-388	-449
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,977**	**6,523**	**10,337**	**8,817**	**10,137**
EBIT Margin (Adj) (%)	23.2	23.9	30.7	31.1	31.3
Net interest	-30	-139	-223	-224	-225
Associates	0	0	0	0	0
Non-Op/Except/Other Adj	0	0	0	0	0
Pre-tax profit	**1,947**	**6,384**	**10,114**	**8,593**	**9,911**
Tax	-473	-1,516	-2,427	-2,062	-2,379
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**1,473**	**4,868**	**7,687**	**6,531**	**7,532**
Net Margin (%)	17.3	17.8	22.9	23.0	23.2
Core NPAT	1,502	5,029	7,784	6,653	7,672
Per share data	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Reported EPS (Rmb)	9.471	28.346	43.578	37.025	42.704
Core EPS (Rmb)	9.655	29.285	44.127	37.720	43.498
DPS (Rmb)	6.355	21.546	32.684	27.769	32.028
CFPS (Rmb)	-7.898	-39.877	41.241	56.431	39.495
FCFPS (Rmb)	-9.417	-42.280	38.655	54.339	37.118
BVPS (Rmb)	23.284	62.902	85.483	90.519	106.248
Wtd avg ord shares (m)	156	172	176	176	176
Wtd avg diluted shares (m)	156	172	176	176	176
Growth rates	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Sales revenue (%)	167.5	221.0	23.2	-15.7	14.4
EBIT (Adj) (%)	245.8	229.9	58.5	-14.7	15.0
Core NPAT (%)	253.4	234.9	54.8	-14.5	15.3
Core EPS (%)	253.4	203.3	50.7	-14.5	15.3
Balance Sheet (Rmbm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
Cash & cash equiv.	733	2,068	4,713	8,309	9,732
Accounts receivables	801	1,280	1,577	1,329	1,520
Inventory	4,088	16,044	17,413	14,523	16,058
Net fixed & other tangibles	198	304	371	351	326
Goodwill & intangibles	305	399	549	575	604
Financial & other assets	212	1,157	1,425	1,201	1,373
Total assets	**6,337**	**21,253**	**26,048**	**26,287**	**29,613**
Accounts payable	228	636	783	660	755
Short-term debt	1,373	6,164	6,164	6,164	6,164
Long-term debt	0	0	0	0	0
Provisions & other liab	815	3,257	4,072	3,546	4,003
Total liabilities	**2,416**	**10,057**	**11,020**	**10,371**	**10,922**
Shareholders' equity	3,920	11,095	15,078	15,967	18,741
Minority interests	0	0	0	0	0
Total equity	**3,920**	**11,095**	**15,078**	**15,967**	**18,741**
Net debt (Adj)	**641**	**4,096**	**1,451**	**-2,144**	**-3,568**
Net debt to equity (Adj) (%)	16.3	36.9	9.6	-13.4	-19.0

Valuation ratios	2024	2025	2026E	2027E	2028E
PE (x)	38.9	12.8	8.5	10.0	8.6
PB (x)	16.1	6.0	4.4	4.1	3.5
EV/EBITDA (x)	30.9	10.0	6.4	7.2	6.0
FCF yield (%)	-2.5	-11.3	10.3	14.5	9.9
Dividend yield (%)	1.7	5.7	8.7	7.4	8.5
Payout ratio (%)	66	74	74	74	74
ROE (%)	54.2	64.8	58.7	42.1	43.4
Cashflow (Rmbm)	**2024**	**2025**	**2026E**	**2027E**	**2028E**
EBITDA	2,158	6,862	10,733	9,205	10,585
Working capital	-3,038	-12,552	-1,202	2,750	-1,427
Other	-349	-1,158	-2,257	-2,001	-2,192
Operating cashflow	**-1,228**	**-6,848**	**7,274**	**9,954**	**6,966**
Capex	-71	-145	-151	-98	-107
Net acq/disposals	0	0	0	0	0
Other	0	0	0	0	0
Investing cashflow	**-71**	**-145**	**-151**	**-98**	**-107**
Dividends paid	0	-1,096	-3,800	-5,765	-4,898
Financing cashflow	**1,960**	**8,361**	**-4,329**	**-6,261**	**-5,435**
Net change in cash	**663**	**1,335**	**2,795**	**3,596**	**1,424**
Free cashflow to s/holders	**-1,465**	**-7,261**	**6,818**	**9,585**	**6,547**

For definitions of the items in this table, please click here.

Figure 1. P&L - 1H26E preview and quarterly breakdown

Rmb m	2024	2025	2026E	2027E	2028E	1H25A	1H26E	2H25A	2H26E	1Q26E	2Q26E
Revenue	8,506	27,303	33,633	28,346	32,416	12,354	21,900	14,949	11,733	17,500	4,400
YoY %	*168%*	*221%*	*23%*	*-16%*	*14%*	*251%*	*77%*	*200%*	*-22%*		
Gross Profit	3,501	10,274	15,282	13,572	15,634	4,705	9,393	5,569	5,889	7,088	2,306
YoY %	*163%*	*193%*	*49%*	*-11%*	*15%*	*223%*	*100%*	*172%*	*6%*		
GPM %	*41.2%*	*37.6%*	*45.4%*	*47.9%*	*48.2%*	*38.1%*	*42.9%*	*37.3%*	*50.2%*	*40.5%*	*52.4%*
SG&A and other income	(1,524)	(3,751)	(4,945)	(4,754)	(5,497)	(1,699)	(2,897)	(2,051)	(2,047)	(2,032)	(866)
YoY %	*100%*	*146%*	*32%*	*-4%*	*16%*	*156%*	*70%*	*138%*	*0%*		
as % of revenue	-17.9%	-13.7%	-14.7%	-16.8%	-17.0%	-13.8%	-13.2%	-13.7%	-17.5%	-11.6%	-19.7%
Opearating Profit	1,977	6,523	10,337	8,817	10,137	3,006	6,496	3,517	3,841	5,056	1,440
YoY %	*246%*	*230%*	*58%*	*-15%*	*15%*	*280%*	*116%*	*197%*	*9%*		
OPM %	*23.2%*	*23.9%*	*30.7%*	*31.1%*	*31.3%*	*24.3%*	*29.7%*	*23.5%*	*32.7%*	*28.9%*	*32.7%*
Finance cost	(30)	(139)	(223)	(224)	(225)	(42)	(112)	(97)	(112)	(56)	(56)
Pre-tax Profit	1,947	6,384	10,114	8,593	9,911	2,964	6,384	3,420	3,730	5,000	1,384
Income Tax	(473)	(1,516)	(2,427)	(2,062)	(2,379)	(696)	(1,532)	(820)	(895)	(1,200)	(332)
Tax rate %	*-24.3%*	*-23.7%*	*-24.0%*	*-24.0%*	*-24.0%*	*-23.5%*	*-24.0%*	*-24.0%*	*-24.0%*	*-24.0%*	*-24.0%*
Profit after tax	1,473	4,868	7,687	6,531	7,532	2,268	4,852	2,600	2,835	3,800	1,052
post-tax profit margin	*17.3%*	*17.8%*	*22.9%*	*23.0%*	*23.2%*	*18.4%*	*22.2%*	*17.4%*	*24.2%*	*0.0%*	*0.0%*
Net Profit	1,473	4,868	7,687	6,531	7,532	2,268	4,852	2,600	2,835	3,800	1,052
YoY %	*254%*	*230%*	*58%*	*-15%*	*15%*	*286%*	*114%*	*194%*	*9%*		
NPM %	*17.3%*	*17.8%*	*22.9%*	*23.0%*	*23.2%*	*18.4%*	*22.2%*	*17.4%*	*24.2%*	*21.7%*	*23.9%*

Source: Company Reports and Citi Research Estimates

Figure 2. Key operation assumptions

Rmb m	2024	2025	2026E	2027E	2028E	1H25A	1H26E	2H25A	2H26E
Revenue	**8,506**	**27,303**	**33,633**	**28,346**	**32,416**	**12,354**	**21,900**	**14,949**	**11,733**
Boutiques	7,450	22,646	28,277	25,133	28,882	10,736	17,600	11,910	10,677
Mainland China	6,595	18,704	21,576	16,963	18,345	9,140	13,700	9,564	7,876
HK and Macau	855	3,942	6,701	8,170	10,536	1,597	3,900	2,345	2,801
Online platforms	1,055	4,657	5,356	3,213	3,535	1,618	4,300	3,039	1,056
Revenue yoy	**168%**	**221%**	**23%**	**-16%**	**14%**	**251%**	**77%**	**200%**	**-22%**
Boutiques	164%	204%	25%	-11%	15%	243%	64%	176%	-10%
Online platforms	192%	341%	15%	-40%	10%	313%	166%	358%	-65%
No. of boutiques	**36**	**45**	**50**	**55**	**60**	**41**	**46**	**45**	**50**
Mainland China	32	39	39	41	43	36	39	39	39
HK and Macau	4	6	11	14	17	5	7	6	11
Store count growth	**20%**	**25%**	**11%**	**10%**	**9%**	**24%**	**12%**		
Per store sales	**226**	**559**	**595**	**479**	**502**	**279**	**387**	**277**	**222**
Mainland China	220	527	553	424	437	269	351	255	202
HK and Macau	285	788	788	654	680	355	600	426	311
Per store sales yoy	**128%**	**148%**	**6%**	**-20%**	**5%**	**181%**	**39%**	**121%**	**-20%**
Mainland China	123%	140%	5%	-23%	3%	174%	31%	111%	-21%
HK and Macau	176%	177%	0%	-17%	4%	208%	69%	163%	-27%
SSSG	**121%**	**161%**	**-2%**	**-22%**	**2%**	**201%**	**29%**		
New store contribution	20%	17%	28%	14%	12%	14%	27%		
0-1 yr store	5%	6%	3%	3%	2%	6%	3%		
1-2 yr store	15%	10%	25%	11%	10%	8%	24%		
ASP, tax inclusive (Rmb per gram)	**1,053**	**1,328**	**1,966**	**2,064**	**2,085**	**1,231**	**1,828**	**1,406**	**2,285**
yoy	19.9%	26.2%	48.0%	5.0%	1.0%	25.8%	48.5%	27.7%	62.5%
Unit cost, tax inclusive (Rmb per gram)	**619**	**828**	**1,073**	**1,076**	**1,079**	**762**	**1,044**	**882**	**1,138**
yoy	21.4%	33.7%	29.5%	0.3%	0.3%	32.7%	36.9%	35.9%	29.0%
GPM	41.2%	37.6%	45.4%	47.9%	48.2%	38.1%	42.9%	37.3%	50.2%
OPM	23.2%	23.9%	30.7%	31.1%	31.3%	24.3%	29.7%	23.5%	32.7%
NPM	17.3%	17.8%	22.9%	23.0%	23.2%	18.4%	22.2%	17.4%	24.2%
Net profit	**1,473**	**4,868**	**7,687**	**6,531**	**7,532**	**2,268**	**4,852**	**2,600**	**2,835**
yoy	254%	230%	58%	-15%	15%	286%	114%	194%	9%

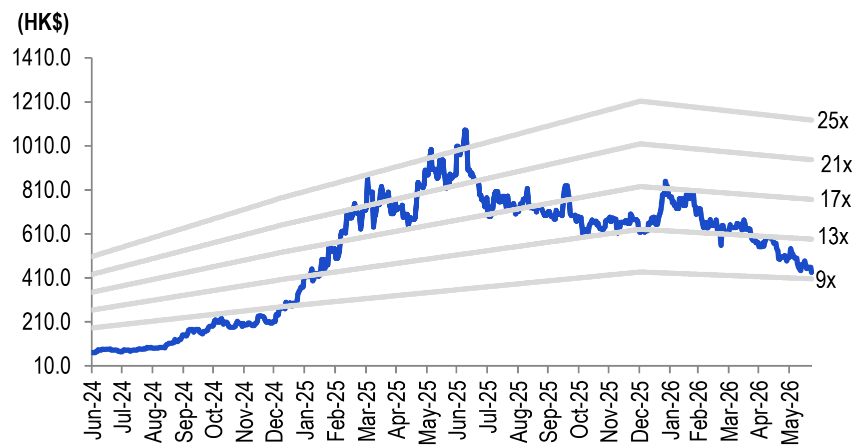
Source: Company Reports and Citi Research Estimates

Figure 3. Earnings Estimate Change

Rmb m	New			Old			Change		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Revenue	33,633	28,346	32,416	37,724	32,554	37,320	-10.8%	-12.9%	-13.1%
Gross profit	15,282	13,572	15,634	17,550	15,923	18,383	-12.9%	-14.8%	-15.0%
Operating profit	10,337	8,817	10,137	11,094	9,449	10,815	-6.8%	-6.7%	-6.3%
Net profit	7,687	6,531	7,532	8,261	7,009	8,047	-6.9%	-6.8%	-6.4%
							ppts.	ppts.	ppts.
Gross margin	45.4%	47.9%	48.2%	46.5%	48.9%	49.3%	(1.1)	(1.0)	(1.0)
Operating margin	30.7%	31.1%	31.3%	29.4%	28.8%	28.8%	1.3	2.3	2.5
Net margin	22.9%	23.0%	23.2%	21.9%	21.4%	21.4%	1.0	1.7	1.8

Source: Citi Research Estimates

Figure 4. 12m forward P/E band



Source: Citi Research Estimates, Company data, dataCentral, Citi Research

TP Change – We lower our TP to HK$659 from HK$700 due to our lowered earnings estimates (26E-28E forecasts down 6-7%). Our TP is based on 15x (unchanged) 2027E P/E (normalized earnings) vs. global luxury peers' 22x 2026E P/E.

Bull/Bear: Laopu Gold (6181.HK)

HK$ 720.00 ▲66% Upside	HK$ 659.00 ▲52% Upside	HK$ 400.00 ▼8.0% Downside

Spread 74pp
Current Price and expected returns (upside/downside) as of 22 Jun 2026

BULL Assumptions

- Revenue growth faster than expected
- EBIT margin higher than expected

BASE Assumptions

- Revenue to grow by 23% in 2026E
- EBIT margin to expand to 30.7% in 2026E

BEAR Assumptions

- Revenue growth slower than expected
- EBIT margin lower than expected