Flash | Citi Research

04 Sep 2026 11:08:31 ET | 11 pages

Laopu Gold (6181.HK)

Key takeaways from Citi-hosted investor meeting post 1H26 results

CITI'S TAKE

Sentiment improved in July compared to June, though July remains seasonally the weakest month with low sales contribution. August sales rose relative to the 2Q26 monthly average, indicating a sequential recovery into 3Q26. Investors are focused on pricing, brand positioning, product launch cadence, inventory management, customer demographics, competition, and store expansion. In our view, Laopu defines the emerging high-end gold jewelry segment, and its future growth will be a story of continued market penetration driven by an expanded customer base and reinforced brand position.

Buy	
Price (04 Sep 26 16:10)	HK$398.40
Target price	HK$507.00
Expected share price return	27.3%
Expected dividend yield	7.9%
Expected total return	35.2%
Market Cap	HK$70,415M
	US$8,982M

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Inventory — The average cost of 1H26 inventory is US$4,200–4,300/oz, with 2Q26 purchase amount significantly higher than 1Q26 due to AR settlement timing. Given its high GPM and rolling procurement, the risk of inventory provisioning is low in our view unless gold prices halve suddenly. 1H26 inventory levels reflect management's optimism for a 2H26 sales recovery vs 2Q26, as it typically stocks 3–4 months of inventory beyond display needs. Inventory is projected to decline by end-2026.

Customer demographics — We estimate ~25% of Laopu's customer base are loyal and insensitive to gold prices, contributing most of 2Q26 sales. Existing customer traffic and sales saw smaller declines compared with new customers in 2Q26. Average ticket size increased to Rmb100k in 2Q26, with a goldware sales mix of 30–40% (<20% in 1H26). Gold Card members contributed c.80% of 2Q26 sales (c.50% of 1H26 sales). VIC customers contributed 10% of 1H26 sales.

Pricing strategy — High-end consumption behavior has become more rational in a world with transparent information. Discount offerings and new product pricing are dynamic, based on a 40% GPM target and gold price movements. Following stress-testing and strategy reviews in 2Q26, management is confident in responding quickly to future gold price swings. The main challenge is keeping a sufficiently agile supply chain and inventory to support price adjustments and new product rollouts with lower prices.

Brand positioning — Brand perception hinges heavily on store location, especially presence in high-end malls neighboring international luxury brands; mall operators admit tenants based on sales scale. Since VIC consumption is tied to mall membership reward systems, premier mall placement also drives greater VIC access.

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



New products strategy — Laopu's products are leading the heritage gold fashion trend and driving the craftsmanship revolution, in our view. That said, its growth is not based on a new-product-driven model given relatively low consumption frequency—its sales mix is 10% new products vs. 90% classics. New product development includes the introduction of fresh design elements and iterations of classic lines. Timing of new product launches is around festivals and new store openings and considers gold's price moves.

Store opening plan — In China, Laopu is consolidating scattered mall stores into single larger flagships, closing stores with efficiency below Rmb500m and pausing new mall entries until macro conditions recover. Overseas expansion has averaged four stores per year, with 2–3 planned in 2026 (one already open) and 5–6 in 2027, subject to location availability, across Hong Kong, Macau, Singapore, Malaysia, Thailand, and Korea. In the US and Europe, locations that match the company's brand positioning are prioritized over store productivity, but profitability remains a requirement.

Competitive landscape — In the heritage gold segment, although bigger players have operated for ~10 years and there have been new entrants over the past 3–4 years, Laopu still registered high growth, likely demonstrating its hard-to-replicate advantage. Its luxury brand status is also determined by VIC exposure, store locations in luxury zones, and a sophisticated operating system to support upscale customer service and shopping experiences, on top of product and craftsmanship.

Potential TAM of high-end gold jewelry — Of the Rmb600bn gold jewelry market, the high-end segment represents ~20%. However, Laopu's pricing strategy (targeting 40% GPM) allows it to address a broader Rmb200–300bn opportunity. Apart from gold jewelry, we estimate the luxury market at Rmb200–300bn with no established Chinese brand presence, offering an opportunity for Laopu to leverage Chinese culture and heritage gold aesthetics.

Laopu Gold

Valuation

Our target price of HK$507 is based on 15x 2027E P/E (normalized earnings) vs. global luxury peers' 22x 2026E P/E. We apply ~30% valuation discount for Laopu's to reflect its shorter brand history and track record period in the luxury industry. The implied 12x 2026E P/E is at the low end of global luxury peers.

Risks

Key downside risks that could impede the shares from reaching our target price include: 1) gold price volatility; 2) intense competition; 3) evolving consumer tastes and preferences; 4) consumption trade-down amid China's soft economy; and 5) negative free cash flow amid expansion.