Laopu Gold - H

NDR takeaways: a clearer playbook amid gold price volatility; maintain OW

Overweight

6181.HK, 6181 HK

Price (07 Sep 26): HK$389.80

Price Target (Dec-26): HK$891.00

China
Consumer

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Our key takeaways from Laopu's 1H26 NDR on 2-3 Sep in Hong Kong: 1) greater confidence that the 2Q slowdown was not necessarily structural; 2) better-than-expected gross margin resilience; 3) a clearer playbook for navigating gold-price volatility; 4) improved visibility in medium-term growth from boutique optimization, VIC, and overseas expansion; and 5) solid downside protection from liquidity, dividends, and limited cost pressure from social security policy impact. We continue to expect a gradual sequential recovery, forecasting cRmb0.8bn/1.2bn in earnings in 3Q/4Q. While near-term sales remain relevant to gold-price direction, with Mid-Autumn and National Day holidays representing the next key watch point, the NDR meetings strengthened our conviction that Laopu's brand competitiveness and medium-term earnings power remain intact. Maintain OW.

- **2Q weakness appears more cyclical than structural.** The 2Q slowdown was driven mainly by two rounds of gold price declines in Apr and Jun, compounded by a relatively rigid pricing response. Retail momentum improved more visibly from mid-August, with several peak Qixi days returning to last year's strong levels. Meanwhile, all boutiques remained profitable even during the weak 2Q, while gold wares were more resilient during the volatility. We therefore see the setback as more consistent with gold-price-driven demand deferral and execution.

- **Margin resilience better than expected.** Despite more flexible promotions, management indicated that overall GPM stayed above 40% from Jul to date, better than the market expected. Management views a c40% GPM as a comfortable level that can stimulate demand while preserving healthy profitability, vs the unusually high margin but weak sales seen in 2Q. We see a sufficient margin buffer for Laopu to trade some margin for volume without impairing its earnings model. Note that J.P. Morgan forecasts gold prices to be US$4,500/US$5,000 by the end of 2026/27.

- **A clearer framework to navigate gold-price volatility.** Laopu formalized a more systematic response for gold-price volatility given the reflection on the dynamics in 2Q, including: (1) when gold prices are falling, the priority will be to keep inventory lean so that legacy stock can be cleared faster via promotions and the transition to new collections can be accelerated; (2) when gold prices are rising, and Laopu's sales surge, Laopu will introduce a pre-sale to get an indication of demand, and use cash from pre-sales to buy raw materials, thus locking in raw-material costs and sharing a proportion of the commodity price risk with consumers. We believe Laopu will be able to respond faster during periods of gold price volatility in the future.

- **Improving visibility on medium-term growth drivers – boutique optimization, VIC, and overseas.** Boutique optimization is relatively capital efficient, as larger stores do not require a proportional increase in inventory, staffing, or rental costs, while providing more space for product display and premium customer experience. Laopu plans to open one new

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	2	50	59	87	
Growth	5	1	1	57	
Momentum	90	32	1		
Quality	7	2	9	42	
Low Vol	98	98	99		

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

27 Aug 2026 Laopu: Sequential improvement after a weak 2Q

26 Aug 2026 Laopu: 1H26 First Take

28 Jul 2026 Laopu: 2Q miss; underappreciated efforts to drive 2H rebound; maintain OW

15 Jun 2026 Laopu: Underappreciated efforts to navigate the gold volatility; sensitivity analysis; attractive valuation

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

25 Mar 2026 Laopu: Strategic resilience amid current gold market volatility

24 Mar 2026 Laopu: First Take

8 Mar 2026 China Jewelry & Sportswear: Takeaways from luxury expert call

26 Feb 2026 Laopu: Robust CNY

5 Feb 2026 Laopu: The pre-CNY consumption glint

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

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

boutique in 2026 and optimize 10-12 existing boutiques (with a better location and larger area; six have been optimized as of 1H). In parallel, Laopu is stepping up brand building through premium mall and outdoor advertising locations (such as Shenzhen Bay Stadium and Guangzhou Taikoo Hui) historically occupied by international luxury brands. Laopu is also building a more systematic VIC platform. The company plans to expand VIC acquisition through mall partnerships and exclusive events, while strengthening engagement through dedicated VIC managers and VIC-exclusive products. Overseas expansion is also becoming more proactive, with a measured rollout of around four stores per year over the medium term (2-3 new boutiques in 2026, mainly in Southeast Asia, including Singapore, Malaysia, and Thailand; and 5-6 in 2027, with expansion into the US and Europe).

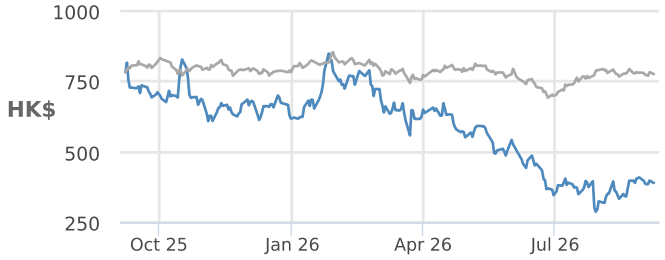
- **Downside protection remains supportive.** Management sees no current financing needs despite the relatively modest headline cash balance, supported by expected cash conversion from inventory and the high liquidity of its gold holdings. Laopu also reiterated a sustained dividend payout (73%-76% in 2024-1H26). The company's full compliance with China's social security payment requirements from the start should limit incremental cost pressure from tightening requirements on this front. These factors should support downside protection.

- **Gradual recovery into 3Q/4Q.** We continue to expect a gradual recovery, with earnings improving from cRmb0.6bn in 2Q to cRmb0.8bn/Rmb1.2bn in 3Q/4QE. We estimate offline SSSG troughed at a 45%-50% yoy decline in 2Q and expect the decline to narrow to 15%-20% in 2H26 before returning to flat in 2027, despite 2H26E revenue/earnings declining by c24%/21% yoy off a demanding base. We forecast 2027 revenue/earnings growth of 9%/12%. Our 2H26/27/28 earnings estimates are 23%/7%/4% below consensus. Our Dec-26 PT of HK$891 is based on 18x 2027E P/E, vs the sector average of c15x. We believe the premium is warranted as Laopu increasingly sits between traditional gold jewelry and global luxury, with stronger brand equity, pricing power, and profitability than conventional jewelry peers. We see Laopu as the best positioned to benefit from experience-led growth with a systematic approach (disciplined store count, a DTC model, and differentiated service quality, supported by a highly selective/trained team). With the stock trading at 8x 2027E P/E, we stay OW.

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Price Performance



	YTD	1m	3m	12m
Abs	-36.9%	10.7%	-22.0%	-49.2%
Rel	-36.1%	11.7%	-23.8%	-48.4%

Company Data

Shares O/S (mn)	172
52-week range (HK$)	898.00-282.20
Market cap ($ mn)	8,538
Exchange rate	7.84
Free float (%)	34.6%
3M ADV (mn)	1.53
3M ADV ($ mn)	73.2
Volatility (90 Day)	80
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	31,154	34,026	38,586
Adj. EBITDA	6,889	8,844	10,027	11,682
Adj. EBIT	6,549	8,464	9,494	11,017
Adj. net income	4,868	6,311	7,089	8,262
Adj. EPS	28.25	36.62	41.14	47.95
BBG EPS	27.70	39.00	42.01	47.59
Cashflow from operations	(6,848)	13,754	(1,194)	14,349
FCFF	(6,887)	13,106	(1,913)	13,517
Margins and Growth				
Revenue Growth Y/Y (%)	221.0%	14.1%	9.2%	13.4%
Gross margin	37.6%	40.9%	40.9%	41.2%
EBITDA margin	25.2%	28.4%	29.5%	30.3%
EBIT margin	24.0%	27.2%	27.9%	28.6%
Adj. EPS growth	198.3%	29.6%	12.3%	16.5%
Ratios				
Adj. tax rate	23.7%	23.7%	23.7%	23.7%
Interest cover	49.5	50.2	56.2	64.8
Net debt/Equity	0.4	NM	NM	NM
Net debt/EBITDA	0.7	NM	NM	NM
ROCE	42.7%	32.2%	29.2%	27.8%
ROE	64.8%	47.4%	39.4%	35.4%
Valuation				
FCFF yield	(12.0%)	22.8%	(3.3%)	23.5%
Dividend yield	6.5%	3.3%	3.7%	4.3%
EV/Revenue	2.6	1.9	1.9	1.4
EV/EBITDA	10.2	6.7	6.4	4.5
Adj. P/E	11.8	9.1	8.1	7.0

Summary Investment Thesis and Valuation

Investment Thesis

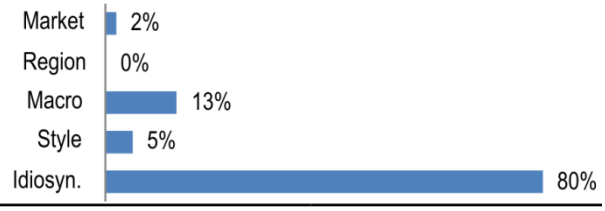
Founded in 2009, Laopu Gold is a niche China heritage gold brand and one of the few Chinese jewelry brands positioned in the luxury segment. While Laopu has only 45 boutiques (as of 2025), it has 85%+ sales exposure to tier 1/new tier 1 cities, the highest single-store sales and a pricing premium vs.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

We expect Laopu to deliver a sales/NP CAGR of 12%/19% over 2025-28, 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 Dec-26 PT of HK$891 is based on 18x 2027E P/E, vs the sector average of c15x. We believe the premium is warranted as Laopu increasingly sits between traditional gold jewelry and global luxury, with stronger brand equity, pricing power and profitability than conventional jewelry peers.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.44	0.24
Region: China	0.37	0.01
Macro:		
JP Morgan GBI-EM Global Div	-0.01	0.21
JP Morgan EMBI Global Spread	-0.33	-0.19
JPM EM Currency(EMCI) Fixing	0.07	0.18
Quant Styles:		
Value	0.17	0.21
Growth	-0.06	-0.19
DivYld	0.12	0.18

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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Investment Thesis, Valuation and Risks

Laopu Gold Co., Ltd. - H *(Overweight; Price Target: HK$891.00)*

Investment Thesis

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Risks to Rating and Price Target

Downside risks 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**	**31,154**	**34,026**	**38,586**
COGS	(5,004)	(17,029)	(18,397)	(20,095)	(22,672)
Gross profit	**3,501**	**10,274**	**12,757**	**13,931**	**15,914**
SG&A	(1,509)	(3,699)	(4,234)	(4,372)	(4,823)
Adj. EBITDA	**2,154**	**6,889**	**8,844**	**10,027**	**11,682**
D&A	(181)	(339)	(380)	(533)	(665)
Adj. EBIT	**1,973**	**6,549**	**8,464**	**9,494**	**11,017**
Net Interest	(30)	(139)	(176)	(178)	(180)
Adj. PBT	**1,947**	**6,384**	**8,276**	**9,297**	**10,835**
Tax	(473)	(1,516)	(1,965)	(2,208)	(2,573)
Minority Interest	0	0	0	0	0
Adj. Net Income	**1,473**	**4,868**	**6,311**	**7,089**	**8,262**
Reported EPS	9.47	28.25	36.62	41.14	47.95
Adj. EPS	**9.47**	**28.25**	**36.62**	**41.14**	**47.95**
DPS	**6.35**	**21.54**	**11.02**	**12.38**	**14.43**
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	13,068	8,772	19,543
Accounts receivable	801	1,280	2,953	1,670	3,573
Inventories	4,088	16,044	6,939	17,946	10,255
Other current assets	212	1,157	1,157	1,157	1,157
Current assets	**5,833**	**20,549**	**24,117**	**29,545**	**34,527**
PP&E	113	175	441	659	861
LT investments	-	-	-	-	-
Other non current assets	391	528	665	768	871
Total assets	**6,337**	**21,253**	**25,223**	**30,972**	**36,259**
Short term borrowings	1,373	6,164	6,164	6,164	6,164
Payables	228	636	91	820	272
Other short term liabilities	647	3,080	3,136	3,169	3,198
Current liabilities	**2,249**	**9,880**	**9,391**	**10,153**	**9,634**
Long-term debt	0	100	100	100	100
Other long term liabilities	168	177	219	244	266
Total liabilities	**2,416**	**10,157**	**9,710**	**10,497**	**10,000**
Shareholders' equity	3,920	11,095	15,513	20,475	26,259
Minority interests	0	0	0	0	0
Total liabilities & equity	**6,337**	**21,253**	**25,223**	**30,972**	**36,259**
BVPS	**25.20**	**64.61**	**90.33**	**119.23**	**152.90**
Net debt/(cash)	957	4,597	(6,306)	(1,952)	(12,672)

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)**	**13,754**	**(1,194)**	**14,349**
o/w Depreciation & amortization	181	339	380	533	665
o/w Changes in working capital	(3,038)	(12,552)	6,888	(8,995)	5,241
Cash flow from investing activities	**(71)**	**(145)**	**(783)**	**(855)**	**(969)**
o/w Capital expenditure	(71)	(145)	(783)	(855)	(969)
as % of sales	*0.8%*	*0.5%*	*2.5%*	*2.5%*	*2.5%*
Cash flow from financing activities	**1,960**	**8,211**	**(1,972)**	**(2,247)**	**(2,609)**
o/w Dividends paid	0	(1,096)	(1,893)	(2,127)	(2,479)
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**	**11,000**	**(4,296)**	**10,771**
Adj. Free cash flow to firm	**(1,276)**	**(6,887)**	**13,106**	**(1,913)**	**13,517**
y/y Growth	*1607.8%*	*439.6%*	*(290.3%)*	*(114.6%)*	*(806.7%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	41.2%	37.6%	40.9%	40.9%	41.2%
EBITDA margin	25.3%	25.2%	28.4%	29.5%	30.3%
EBIT margin	23.2%	24.0%	27.2%	27.9%	28.6%
Net profit margin	17.3%	17.8%	20.3%	20.8%	21.4%
ROE	54.2%	64.8%	47.4%	39.4%	35.4%
ROA	34.7%	35.3%	27.2%	25.2%	24.6%
ROCE	39.7%	42.7%	32.2%	29.2%	27.8%
SG&A/Sales	17.7%	13.5%	13.6%	12.8%	12.5%
Net debt/Equity	0.2	0.4	NM	NM	NM
Net debt/EBITDA	0.4	0.7	NM	NM	NM
Sales/Assets (x)	2.0	2.0	1.3	1.2	1.1
Assets/Equity	156.3%	183.7%	174.7%	156.2%	143.9%
Interest cover (x)	70.8	49.5	50.2	56.2	64.8
Operating leverage	145.4%	104.9%	207.3%	132.0%	119.7%
Tax rate	24.3%	23.7%	23.7%	23.7%	23.7%
Revenue y/y Growth	167.5%	221.0%	14.1%	9.2%	13.4%
EBITDA y/y Growth	210.4%	219.7%	28.4%	13.4%	16.5%
EPS y/y Growth	212.6%	198.3%	29.6%	12.3%	16.5%
BVPS y/y Growth	128.6%	156.3%	39.8%	32.0%	28.2%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	35.2	11.8	9.1	8.1	7.0
P/BV (x)	13.2	5.2	3.7	2.8	2.2
P/Sales (x)	6.1	2.1	1.8	1.7	1.5
EV/EBITDA (x)	30.9	10.2	6.7	6.4	4.5
Dividend Yield	1.9%	6.5%	3.3%	3.7%	4.3%

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

