

Pop Mart's Stock Price Deviation from Corporate Earnings: Performance and Causes

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Abstract. The designer toy industry has expanded rapidly in recent years. Pop Mart, a leading firm in China, has experienced explosive growth. In 2025, while the company's revenue and profits reached record highs, its stock price declined sharply, creating a significant divergence between earnings performance and its stock price. This paper takes Pop Mart as a case to study and draws on theories of the stock price–profit relationship, expectations theory, and the valuation logic of cultural and creative enterprises. By examining data from the company's 2025 annual financial report and its operating conditions, the paper analyzes the underlying causes of the divergence between its stock price and profits. The analysis shows that this divergence does not stem from deteriorating fundamentals but rather from a combination of factors, including a reconfiguration of the industry's valuation logic and the amplification of investor expectation gaps. The study enriches theories related to the valuation of cultural and creative firms and stock price fluctuations, and offers practical insights for rational investor assessment, improved operations at designer toy companies, and the high-quality development of the industry.

Keywords: Pop Mart, designer toy industry, valuation logic, IP operations, investor expectations

1. Introduction

Generation Z consumers are gradually emerging as the dominant force in today's consumer market, and their consumption concepts and behavioral patterns differ markedly from those of traditional consumers. Unlike the basic quality factors that traditional consumers prioritize—such as cost-effectiveness and product quality—Generation Z attaches higher importance to personalized features, emotional bonding, and immersive consumption experiences. Consequently, emotional value, an intangible value capable of evoking emotional resonance and satisfying psychological needs, has become a key element for brands seeking to attract Generation Z consumers.

Pop Mart and a host of other designer toy companies, leveraging their highly designed product aesthetics and novel, engaging blind box mechanics, have fully aligned with the consumption concepts of Generation Z. By satisfying consumers' desire for experiential pleasure and a sense of well-being, they have rapidly established a unique competitive advantage in the market.

Since entering its development phase in 2010, China's designer toy market has continued to expand, with the new generation of consumer groups driving scale growth. According to data from

Frost & Sullivan, the market size of China's designer toy industry grew between 2015 and 2022, climbing from RMB 6.3 billion in 2015 to RMB 47.8 billion in 2022 at a compound annual growth rate exceeding 30%. It is projected to further increase to RMB 76.3 billion by 2024 at a compound growth rate of 29.8%. During this period, the market grew by 47.9% in 2019 compared to 2018, showing rapid growth momentum [1].

Pop Mart International Group Limited is an investment holding firm primarily focused on the design, development and sales of designer toys. The company operates a comprehensive platform covering the entire intellectual property chain of the designer toy industry, with businesses including IP incubation and operation, designer toys and retail, theme parks and experiences, and digital entertainment. Its products hold a relatively large share in both domestic and international designer toy markets, making it a leading player in the industry.

Taking the divergence between Pop Mart's surging 2025 earnings and its sharp share price decline as its object of study, this paper examines the company's financial performance, business structure, and industry position to systematically explain the logic underlying the disconnect between profits and stock price. The findings identify a fundamental shift in the valuation of designer toy companies from a growth premium to a mature consumer valuation, and clarify that stock prices of cultural and creative enterprises are not simply driven by profit fluctuations but are jointly determined by IP sustainability, growth certainty, and long-term barriers to entry. For investors, correctly interpreting Pop Mart's stock price movements is essential to avoid excessive speculation based on short-term profits and sentiment. For enterprises, the analysis shows that reliance on a single IP, a lack of content ecosystems, and unsustainable growth are key reasons for valuation declines, offering guidance for Pop Mart and similar designer toy companies to strengthen IP operations and build lasting competitive barriers. For the industry, the case reflects the art toy sector's transition from rapid expansion to a phase of rational revaluation, promoting a shift from hit-driven development toward high-quality growth driven by content and ecosystems.

2. Theoretical basis

2.1. Theoretical relationship between stock price index and company profit

Net profit refers to the profit retained by a company after paying income tax on total profit in accordance with regulations, and it is generally also known as after-tax profit or net income. Net profit represents the ultimate result of a company's operations: higher net profit indicates better operational performance, while lower net profit points to weaker business results. It is the principal indicator for measuring a company's operational efficiency. The two formulas above describe the relationship between a company's stock price and its earnings per share and the price-to-earnings ratio, as well as the relationship between earnings per share and net profit and total shares outstanding [2].

$$\text{StockPrice} = \text{EPS} \times \frac{\text{P}}{\text{E}} \text{Ratio} \quad (1)$$

$$\text{EPS} = \frac{\text{NetProfit}}{\text{TotalShares}} \quad (2)$$

From the formulas above, it follows that if net profit increases, then as earnings per share increase, the stock price should rise accordingly by a multiple. In other words, net profit and stock price should exhibit a perfectly positive correlation. However, this is not the case in reality.

2.2. Valuation theory of companies

Stock prices are influenced not only by market supply and demand but also, more importantly over the long term, by the value performance of listed companies. Traditional corporate valuation focuses on the present value of all future cash flows a company is expected to generate. According to the widely applied relative valuation method, it is generally understood that a lower P/E (price-to-earnings ratio, i.e., stock price divided by earnings per share, used to assess whether a stock is expensive and to estimate the payback period in years) indicates greater investment value. All else being equal, the higher the projected EPS (earnings per share, i.e., net profit after tax divided by total shares outstanding, representing the profit earned per share) growth rate, the higher the justifiable P/E ratio, which in turn drives up the absolute fair stock price. High-EPS-growth stocks can support high justifiable P/E ratios, while low-growth stocks justify low P/E ratios [3]. When a company with a low projected growth rate carries a high P/E ratio, it needs to sustain a certain level of high growth. If management's guidance signals a slowdown in growth, the market will naturally become concerned about the sustainability of that high growth trajectory. In addition, industry characteristics and financial data, among other factors, must be considered when assessing a company's valuation, as different industries warrant different valuation perspectives.

2.3. Expectancy theory

Financial scholars have observed that actual investors do not make decisions as rational agents would. Behavioral finance theory posits that investor sentiment influences stock prices in securities markets. Prices driven by investor sentiment are simultaneously subject to anchoring effects, which further amplify the impact of sentiment on stock prices. This dynamic creates a feedback mechanism; if this mechanism is encouraged or reinforced by other market factors, it can evolve into a self-reinforcing cycle often described as a spontaneous Ponzi scheme [4].

2.4. Factors influencing the valuation of cultural and creative enterprises

Cultural and creative enterprises operate in a sector grounded in specific cultural elements and built on the development and commercialization of intellectual property. As knowledge-intensive emerging businesses, they generate profit primarily through intellectual property. Such enterprises boost market competitiveness by sustained proprietary resource accumulation and adopt diversified commercial operation strategies to unlock resource value and drive corporate value appreciation. Cultural and creative enterprises exhibit an asset structure that is asset-light and culture-heavy, which contributes to operational uncertainty and relatively high risk [5]. Given this uncertainty, multiple factors need to be considered when forecasting revenues and conducting firm valuation.

3. Business and financial status of Pop Mart

3.1. Company profile

Pop Mart's products fall into two categories: artist IPs and licensed IPs, and its market covers China (including Hong Kong, Macau, and Taiwan) as well as multiple countries and regions worldwide. The company delivered an explosive performance in 2025, with full-year revenue reaching RMB 37.12 billion, up 184.7% year-on-year, adjusted net profit of RMB 13.08 billion, up 284.5%, and gross margin climbing to 72.1%. A key operational highlight was its outstanding IP operation capability, which has built an IP matrix defined by "one super-IP plus multiple strong IPs."

Throughout 2025, 17 self-developed creator IPs individually grossed over RMB 100 million in sales, among which THE MONSTERS racked up RMB 14.16 billion in revenue and established itself as a globally renowned designer-toy IP. At the same time, the plush category brought in revenue of RMB 18.71 billion, surging 560.6% year-on-year to become the largest product category by revenue. The core growth drivers include a mature end-to-end IP incubation and operation system, continuous product innovation, and global channel expansion. In 2025, the company reached 630 stores worldwide, a net increase of 109 stores, with overseas revenue at RMB 16.27 billion, accounting for 43.8% of the total, while the Americas and Europe posted notably rapid growth. Pop Mart holds a dominant position in China's designer toy market with a market share of 21.7%, far ahead of the second-ranked player at 4.8%. Globally, it captures a 3.2% global market share and stands as the premier Chinese designer-toy enterprise, securing the third global spot after Bandai and LEGO. With strong IP barriers, diversified monetization models, and a global footprint, Pop Mart maintains an overwhelmingly dominant position in industry competition [6].

3.2. Core financial data for 2025

Pop Mart delivered strong core financial performance in 2025, with total revenue reaching RMB 37.12 billion, representing a sharp year-over-year increase of 184.7%. Gross profit rose to RMB 26.77 billion, up 207.4% from the prior year, and the gross margin further improved to 72.1%, indicating continued strengthening of profitability. Its annual operating profit reached RMB 16.89 billion, surging 306.6% year on year. Statutory net profit came in at RMB 13.01 billion (a 293.3% annual rise), translating into a net profit margin of 35.1%. On a non-IFRS basis, adjusted net profit reached RMB 13.08 billion, up 284.5%, with an adjusted net profit margin of 35.2%, reflecting sustained high earnings quality. By geographic breakdown, domestic Chinese market revenue hit RMB 20.85 billion, making up 56.2% of overall turnover, while revenue from the Asia-Pacific, Americas and Europe plus other overseas markets stood at RMB 8.01 billion, RMB 6.81 billion and RMB 1.45 billion respectively. The Americas and European markets recorded growth rates as high as 748.4% and 506.3%, respectively, marking a significantly greater contribution from globalization. In terms of product mix, plush products became the largest category with revenue of RMB 18.708 billion, accounting for 50.4% of total revenue and posting year-on-year growth of 560.6%; figurines generated revenue of RMB 12.023 billion, representing a 32.4% share. IP operations delivered outstanding results: revenue from artist IPs reached RMB 33.406 billion, contributing 90.0% of total revenue. 17 artist IPs each surpassed RMB 100 million in annual revenue. The headline IPs THE MONSTERS, SKULLPANDA, CRYBABY, MOLLY, DIMOO, and HIRONO recorded revenue of RMB 14.161 billion, RMB 3.540 billion, RMB 2.929 billion, RMB 2.897 billion, RMB 2.777 billion, and RMB 1.735 billion, respectively. The company's financial position remained solid. As of year-end 2025, Pop Mart's total assets stood at RMB 32.101 billion, total liabilities at RMB 9.449 billion, and the asset-to-liability ratio at 29.4%; cash and cash equivalents reached RMB 13.775 billion, providing ample liquidity and a strong foundation for long-term growth [7].

4. Analysis of the reasons for the deviation of Pop Mart's stock price from profits

4.1. The performance of Pop Mart's stock price deviating from profits

As noted above, Pop Mart's 2025 financial report showed record highs across all performance metrics, yet the capital market reacted in the opposite direction. On the afternoon of the release, Pop

Mart's share price plunged, closing down 22.51%—the largest decline in the market since April 2025. The following day, the stock fell more than 10% further, bringing the two-day cumulative drop to over 30%. In response, Pop Mart conducted repurchase for two consecutive days, with a total outlay of nearly HK\$900 million [8].

4.2. Analysis of the reasons for the deviation of POP MART's stock price from profits

4.2.1. Historically exceptional performance with an unsustainable core growth driver

A review of Pop Mart's trajectory from a prolonged decline after its hundred-billion-yuan listing to the explosive rally that began in 2024 shows that it was essentially a joint pricing outcome of improved liquidity and the emergence of a phenomenon-level IP. During the steep decline, Hong Kong stock market liquidity continued to drain; on its worst days the Hang Seng Index recorded less than HKD 100 billion in daily turnover. At the same time, Pop Mart's earnings were also in a downcycle: revenue grew by only 2.8% in 2022, while net profit fell 44.32%. In 2024, revenue jumped from RMB 6.3 billion to RMB 13 billion, and then in 2025 it rose further to RMB 37.1 billion, a year-on-year increase of 185%. This happened because Pop Mart was still a China-centric designer-toy company before 2024, with overseas revenue accounting for only about 20% of the total. After 2024, as the phenomenon-level IP THE MONSTER went popular, total overseas revenue quadrupled, and by 2025 it grew further to RMB 16.2 billion, raising its share to 44% [9]. The growth of overseas revenue carries substantial significance for Pop Mart. Prices in overseas markets, when converted, are nearly double those in the domestic market, driving the gross margin up by 72.1% in 2025. At the core of this shift is THE MONSTER series, the single most important product line behind the change in overall valuation; in 2025, it accounted for 38.1% of total revenue. The fundamental reason this type of toy took off lies in massive exposure and market sentiment. On the product side, the series ignited overseas social media in 2024, with celebrities wearing the products and unboxing videos proliferating across Instagram and TikTok. The near-viral spread of content on the internet generated enormous exposure. Combined with improved liquidity in the Hong Kong stock market and a broader recovery, the market as a whole has been riding a global bull run. Against this backdrop, the sharp expansion in valuations was driven primarily by elevated market enthusiasm. For the very same reason, however, a contraction in valuations occurred in early 2026 [9].

4.2.2. Investor expectations diverge and widen with a single-IP breakout introducing structural downside risks

Capital markets price the future, not the past. Current high profits are already fully priced in, while slowing growth and risk concerns dominate market sentiment. The revenue growth rate in 2025 was 185%, and management's latest guidance set a floor of no less than 20% for 2026 — a figure the market reflexively dismisses as an indicator of high growth. The market previously assigned Pop Mart a PE ratio of around 40x, which surged to as high as 100x in 2025, essentially a premium characteristic of high-growth stocks. A PE ratio of 5x to 20x is considered normal; 20x to 50x is already on the high side. Looking at the PEG ratio, a 40x PE corresponding to a 40% growth rate yields a PEG of 1, which falls within a reasonable range. However, if the growth rate is revised down to 20% while the PE remains elevated, the company is then overvalued [9]. From the perspective of capital markets, an abrupt deceleration in the rate of explosive growth signals that the company has entered a phase of steady expansion, prompting a rapid exit by short-term capital that

had been chasing high growth. From the perspective of capital markets, an abrupt deceleration in the rate of explosive growth signals that the company has entered a phase of steady expansion, prompting a rapid exit by short-term capital that had been chasing high growth.

User scale serves as both the foundation of a platform monetization business and the starting point for valuation. As noted above, over one third of Pop Mart's revenue comes from its LABUBU series, making it highly likely that the company faces a structural risk of "LABUBU dependency." Once LABUBU's growth slows, if Pop Mart's other second-tier IPs fail to fill the gap in a timely manner, the overall growth rate will be affected. Bernstein pointed out in its report that consumer loyalty is attached to LABUBU rather than to Pop Mart. Over time, people become unwilling to pay for LABUBU, so Pop Mart could well lose this one-third of its consumers [9].

4.2.3. POP MART's IP operations still need improvement

From the perspective of long-term IP operations, visual impact tends to be short-lived. Compared with other IP platforms such as Disney, Marvel, and Ultraman, their enduring popularity has never rested on mere visual spectacle or star power, but on the historical depth and storytelling behind them. Disney is the world's most successful IP platform. Mickey Mouse was born in 1928, and a century later, this mouse remains one of the most valuable IPs globally [9]. That longevity exists because Disney has built a closed-loop industry spanning content, streaming, derivatives, theme parks, and licensing, which maximizes IP value while continuously renewing classic IPs through animated sequels, spinoffs, new products, and new scenarios, allowing Mickey Mouse, the Princess franchise, and others to transcend eras and sustain long-term popularity. Brands that build a long-term emotional account with users and foster family-style, cross-generational consumption achieve extremely high repurchase rates, strong loyalty, and deep brand trust. This constitutes a lasting barrier that most cultural and creative enterprises struggle to overcome. Pop Mart's IP operations, however, remain far from mature. It is branching into home appliances, building its own parks, and planning to produce films, roughly following Disney's model, but all of this takes time.

Capital market participants predominantly prioritize near-term earnings fluctuations, making Pop Mart's equities less appealing to long-term value-focused investors. When the enthusiasm fades, short-term investors withdraw their capital, and a shrinking market cap and falling share price become unavoidable.

5. Conclusion

The significant divergence between Pop Mart's financial performance and its stock price does not reflect deteriorating fundamentals; rather, it signals a reconfiguration of valuation logic. During its high-growth phase, the market was willing to grant a growth premium, as investors paid for current share prices out of future growth expectations. As the growth rate moderates, however, the valuation anchor shifts toward a stability premium. Cash flow quality, profitability, and the breadth of the moat then become more important pricing factors. IP remains the most important moat in the designer toy industry. Pop Mart's past high growth relied heavily on a single blockbuster IP, creating a pronounced IP dependency. As popularity wanes and the 2026 growth guidance is revised down sharply, the growth narrative becomes difficult to sustain. At the same time, investor sentiment and expectation gaps are the direct catalysts of stock-price movements. When high-growth expectations are disappointed, capital shifts from growth allocations toward safe-haven positioning, and the interplay with Hong Kong-market liquidity and the broader macro environment amplifies the drawdown, producing the observed divergence.

When evaluating designer toy and cultural creative enterprises, investors should look beyond short-term profits and focus on key factors such as IP portfolio balance, asset lifecycle, and narrative depth. It is essential to guard against overreliance on a single IP and the risk of valuation retrenchment following sentiment-driven rallies, avoid herd behavior, and maintain a rational approach to valuation. Pop Mart's short-term, hit-driven model reveals a pronounced gap compared to global IP platforms like Disney: it lacks a story core, a content ecosystem, and deep emotional bonds with consumers, making it difficult to sustain a high valuation. Designer toy companies must transition from a hit-driven model to a content-driven one by strengthening IP narratives and emotional resonance, building a closed loop across the entire industry chain, and enhancing long-term certainty. A model that relies solely on blind boxes, traffic exposure, and channel expansion is unlikely to be sustainable.

This research is built around Pop Mart's 2025 annual financial data without long-run time-series regression or quantitative empirical testing, so its core findings are derived largely from qualitative logical reasoning. Furthermore, key variables such as investor sentiment and IP heat indices are not quantitatively modeled, which limits the explanatory power with respect to stock price deviations. Future research could adopt panel data and incorporate indicators such as IP revenue structure, user growth rates, gross margins, and institutional positioning sentiment into a quantitative model to more precisely explain share price fluctuations in cultural and creative firms.

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