Insta360 (688775.SS): Memory as cost burden for near term; Continuous product migration the long-term gain; Buy

Insta360 delivered strong revenue growth at +93% / +83% YoY in 4Q25 / 1Q26, and management announced that their 360 / Action camera's global market share reached 66% / 37% in 2025 (link), reflecting that Insta360 sustained its market leading position. The company proved its strong commitment in product specification upgrades and innovation by delivering continuous R&D investments, with R&D expense up 49% / 101% YoY in 4Q25 / 1Q26 and R&D engineers increased 59% YoY to 2,180 engineers in 2025. Management highlighted their improving operational efficiency, with per-unit marketing expense decreasing 10% YoY in 1Q26 and Insta360 proactively deploying AI into daily operations. We remain positive on Insta360's growth in the long run, driven by its (1) premium brand image, (2) strong R&D capability empowering user experiences, (3) market leading position in Action and 360 cameras with new product lines in expansion, (4) rich accessory offerings expanding the application scenarios and attracting potential customers, (5) supply chain diversification to alleviate the impact of tight memory supply. Maintain Buy with 12M TP unchanged at Rmb311.

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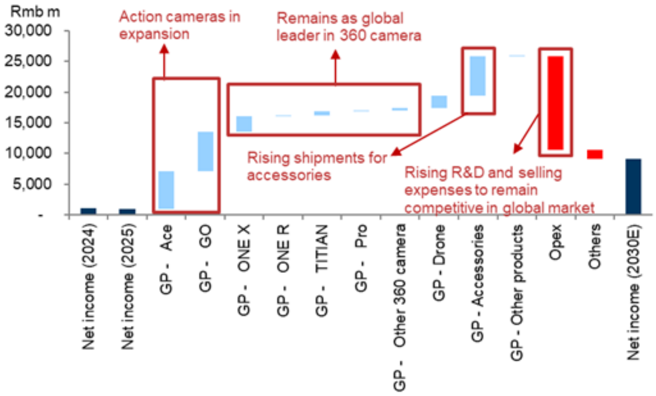
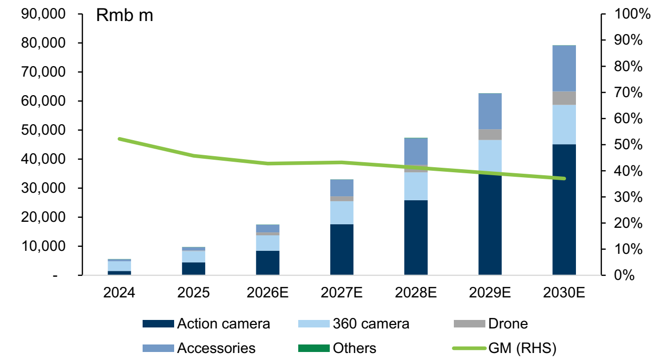
Exhibit 1: Waterfall chart 2025-30E: Action / 360 cameras and accessories as key drivers



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Insta360's Rev and GM trends



Source: Company data, Goldman Sachs Global Investment Research

Earnings revision: We factor in Insta360's 4Q25 and 1Q26 results and cut our 2026E net income by 21%, mainly on lower revenues and GM, reflecting the rising memory costs weighted on brand makers' GM and capped consumer electronics end demand. Nevertheless, the turning points could arrive soon considering already high memory costs, and the company's commitments in continuous investments in new products (e.g. gimbal camera), supporting growth in 2H26. Our 2027-30E estimates are largely unchanged.

Exhibit 3: Earnings revisions

	2026E			2027E			2028E			2029E			2030E		
Rmb mn	Old	New	Chg	Old	New	Chg	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	20,344	17,480	-14%	32,991	33,015	0%	47,494	47,300	0%	62,957	62,682	0%	79,297	79,236	0%
GP	9,215	7,470	-19%	14,208	14,263	0%	19,503	19,476	0%	24,510	24,505	0%	29,239	29,339	0%
OP	1,986	1,538	-23%	3,222	3,229	0%	5,373	5,395	0%	7,512	7,518	0%	10,469	10,505	0%
Net income	1,905	1,502	-21%	3,013	3,004	0%	4,904	4,906	0%	6,695	6,679	0%	9,122	9,129	0%
Margins															
GM	45.3%	42.7%		43.1%	43.2%		41.1%	41.2%		38.9%	39.1%		36.9%	37.0%	
OPM	9.8%	8.8%		9.8%	9.8%		11.3%	11.4%		11.9%	12.0%		13.2%	13.3%	
NM	9.4%	8.6%		9.1%	9.1%		10.3%	10.4%		10.6%	10.7%		11.5%	11.5%	

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Insta360 P&L summary

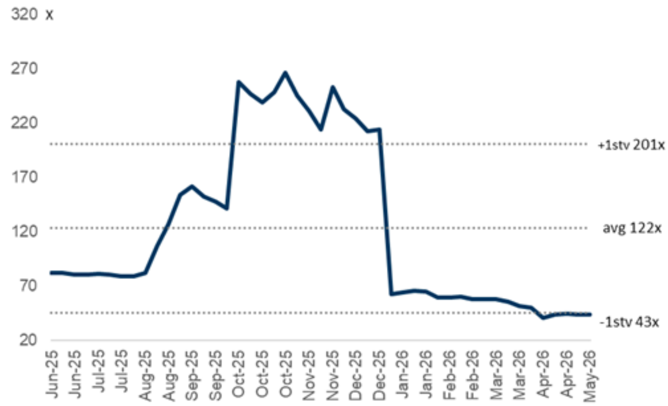
Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Income statement																	
Revenues	1,355	2,316	2,940	3,130	2,481	1,815	5,174	8,010	2,041	3,636	5,574	9,741	17,480	33,015	47,300	62,682	79,236
GP	717	1,163	1,401	1,175	1,122	369	1,966	4,013	1,051	2,035	2,910	4,456	7,470	14,263	19,476	24,505	29,339
OP	169	367	266	36	59	35	186	1,258	403	913	1,008	838	1,538	3,229	5,395	7,518	10,505
Net income	176	343	272	137	85	44	186	1,188	407	830	995	929	1,502	3,004	4,906	6,679	9,129
EPS (Rmb)	0.49	0.86	0.68	0.34	0.21	0.11	0.46	2.96	1.13	2.30	2.76	2.37	3.75	7.49	12.23	16.66	22.77
Margins																	
GM	52.9%	50.2%	47.6%	37.5%	45.2%	20.3%	38.0%	50.1%	51.5%	56.0%	52.2%	45.7%	42.7%	43.2%	41.2%	39.1%	37.0%
OPM	12.5%	15.8%	9.0%	1.2%	2.4%	1.9%	3.6%	15.7%	19.7%	25.1%	18.1%	8.6%	8.8%	9.8%	11.4%	12.0%	13.3%
NM	13.0%	14.8%	9.2%	4.4%	3.4%	2.4%	3.6%	14.8%	20.0%	22.8%	17.8%	9.5%	8.6%	9.1%	10.4%	10.7%	11.5%
Ratios																	
Opex ratio	40.4%	34.4%	38.6%	36.4%	42.8%	18.4%	34.4%	34.4%	31.8%	30.9%	34.1%	37.1%	33.9%	33.4%	29.8%	27.1%	23.8%
Tax rate	-1.2%	6.2%	-1.6%	-201.5%	9.4%	6.4%	6.4%	6.4%	5.9%	11.1%	6.0%	-5.6%	6.5%	7.0%	9.0%	11.0%	13.0%
YoY																	
Revenues	41%	58%	93%	93%	83%	-22%	76%	156%	54%	78%	53%	75%	79%	89%	43%	33%	26%
GP	37%	50%	69%	50%	56%	-68%	40%	242%	57%	94%	43%	53%	68%	91%	37%	26%	20%
OP	-15%	5%	-22%	-69%	-65%	-90%	-30%	3369%	31%	127%	10%	-17%	83%	110%	67%	39%	40%
Net income	-3%	2%	-16%	-10%	-52%	-87%	-32%	766%	53%	104%	20%	-7%	62%	100%	63%	36%	37%
QoQ																	
Revenues	-16%	71%	27%	6%	-21%	-27%	185%	55%									
GP	-8%	62%	20%	-16%	-5%	-67%	433%	104%									
OP	46%	117%	-27%	-86%	62%	-41%	433%	576%									
Net income	15%	95%	-21%	-50%	-38%	-48%	320%	539%									

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to derive our 12M TP based on a discounted P/E methodology to capture the company's long-term growth. Our 2030E target P/E of 20x (unchanged) is derived from the correlation between consumer electronic peers' PEG&M (2026E P/E to

2027E NI YoY and OPM). We apply the 20x target P/E to 2030E EPS and discount it back to 2027E with a COE of 13.5% (unchanged) to derive our 12M TP of Rmb311 (unchanged). **Maintain Buy.**

Exhibit 5: Insta360 12M forward P/E



Source: Company data, Goldman Sachs Global Investment Research, Refinitiv Eikon

Exhibit 6: Insta360 discounted P/E

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E
Action camera revenue			1,478	4,464	8,443	17,604	25,850	34,885	45,091	
360 camera revenues			3,333	3,836	5,358	7,881	9,608	11,677	13,587	
Accessories revenues			718	1,131	2,652	5,739	9,140	12,300	15,858	
Revenue	**2,041**	**3,636**	**5,574**	**9,741**	**17,480**	**33,015**	**47,300**	**62,682**	**79,236**	**95,083**
YoY		*78%*	*53%*	*75%*	*79%*	*89%*	*43%*	*33%*	*26%*	*20%*
Gross profit	**1,051**	**2,035**	**2,910**	**4,456**	**7,470**	**14,263**	**19,476**	**24,505**	**29,339**	**34,230**
Gross margin	51.5%	56.0%	52.2%	45.7%	42.7%	43.2%	41.2%	39.1%	37.0%	36.0%
OPEX	648	1,122	1,902	3,618	5,932	11,034	14,081	16,987	18,834	21,822
YoY		73%	70%	90%	64%	86%	28%	21%	11%	16%
Opex ratio	31.8%	30.9%	34.1%	37.1%	33.9%	33.4%	29.8%	27.1%	23.8%	23.0%
Operating profit	**403**	**913**	**1,008**	**838**	**1,538**	**3,229**	**5,395**	**7,518**	**10,505**	**12,408**
YoY		127%	10%	-17%	83%	110%	67%	39%	40%	18%
Operating margin	*20%*	*25%*	*18%*	*9%*	*9%*	*10%*	*11%*	*12%*	*13%*	*13%*
Non-op	30	20	51	1	13	2	-4	-14	-12	-12
Pre-tax profit	**433**	**933**	**1,059**	**840**	**1,550**	**3,231**	**5,391**	**7,504**	**10,493**	**12,396**
Tax	25	103	64	-47	100	226	485	825	1,364	1,888
Tax rate	6%	11%	6%	-6%	6%	7%	9%	11%	13%	*15%*
Minority	-	-	-	-	-	-	-	-	-	-
Net profit	**407**	**830**	**995**	**929**	**1,502**	**3,004**	**4,906**	**6,679**	**9,129**	**10,508**
EPS (Rmb, diluted)	**1.13**	**2.30**	**2.76**	**2.37**	**3.75**	**7.49**	**12.23**	**16.66**	**22.77**	**26.21**
YoY		*104%*	*20%*	*-7%*	*62%*	*100%*	*63%*	*36%*	*37%*	*15%*
TP implied P/E	275	135	113	131	83	42	25	19	14	12

2030E target P/E	20.0
Target multiple x EPS	455
Discounted back to 2027; TP (Rmb)	**311.0**
Implied 2027 P/E	42

COE assumption	
Beta	1.8
Risk free	1.8%
Market risk premium	6.5%
COE	**13.5%**

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology

Valuation: Our 12-month target price of Rmb311 is based on 20x 2030E P/E, discounted back to 2027E at COE of 13.5%. Our target multiple is derived from the correlation between consumer electronic peers' PEG&M (2026E P/E to 2027E NI YoY and OPM).

Key downside risks: Fiercer-than-expected market competition; Slower-than-expected Action and 360 camera shipments growth; Lower-than-expected accessory attach rate.

688775.SS	12m Price Target: **Rmb311.00**	Price: **Rmb196.40**	Upside: **58.4%**

Buy

Market cap: Rmb78.8bn / $11.5bn
Enterprise value: Rmb77.7bn / $11.4bn
3m ADTV: Rmb225.9mn / $32.9mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn) New	**9,741.4**	**17,480.2**	**33,015.4**	**47,299.9**
Revenue (Rmb mn) Old	9,857.9	20,343.9	32,990.9	47,493.8
EBITDA (Rmb mn)	898.3	1,643.9	3,388.6	5,553.5
EPS (Rmb) New	**2.37**	**3.75**	**7.49**	**12.23**
EPS (Rmb) Old	2.45	4.75	7.51	12.23
P/E (X)	103.3	52.4	26.2	16.1
P/B (X)	16.4	11.0	8.0	5.5
Dividend yield (%)	0.1	0.2	0.4	0.6
CROCI (%)	39.7	27.6	52.2	76.4

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.21	0.11	0.46	2.96

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 6 May 2026 close.