CHINA CONSUMER DURABLES

RVC 3Q26 Preview: Core profits growth to remain resilient despite trade policy/PD timing concerns; Buy Roborock

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Our coverage robotic vacuum cleaner (RVC) companies' (Roborock/Ecovacs) share prices corrected by 6%/24% (vs. CSI300 index -9%) after releasing 2Q26 results. While Ecovacs's weak performance could be attributable to its under-expectation results, Roborock's performance showed a surprising divergence with its strong 2Q26 results. Fundamentally, we think investors are overly concerned with: 1) the China/EU trade tensions and potential restrictive trade tools proposed by France and Germany, and 2) the possible quarterly financial results fluctuations caused by cyclical factors such as the timing difference of Amazon Prime Day and rising electronic components costs. However, we believe subtle yet critical ongoing changes have been overlooked, including Roborock's operating efficiency enhancement (which should help mitigate cost pressure), structural growth in US market (helping offset market growth deceleration), and the challenges facing a major competitor (facilitating share gain and revenue growth). Specifically for the above two investor concerns, we note: 1) China and EU reached a trade agreement to deescalate the situation on Oct 9. Per media reports, the focus of China/EU trade talks is on EV export. Considering EU does not have an established supply chain for cleaning appliances such as RVC, we wouldn't expect RVC to be significantly impacted by China/EU trade tensions. 2) Despite the front-loading impact from the earlier Prime Day on the industry, we expect Roborock to continue delivering a robust 20% yoy revenue growth while extending the margin recovery trend seen since 1Q26.

For industry trends in 3Q26, we expect:

- **Domestic demand** to be under pressure, similar to other consumer appliances. Per AVC data, RVC online retail sales declined by 19% in 3Q26 (vs 3% decline in 2Q26). That said, we note that Roborock has gained shares meaningfully in both RVC and wet-dry vacuum cleaners while Ecovacs' shares remained relatively stable in both categories. Per Moojing, Roborock's shares for RVC/wet-dry vacuum cleaners in Tmall and JD reached 33%/31% in 3Q26, up by 7ppt/10ppt, while Ecovacs' share in respective categories changed by +2ppt/flattish, both less those of Roborock. Combining the industry demand decline and share gain, we forecast Roborock to continue delivering positive revenue growth in the domestic cleaning appliances market despite industry headwinds.

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- Conversely, **overseas demand** remains resilient, per app download data tracked by SensorTower. As mentioned earlier in the note, investors were concerned with a potential slowdown in 3Q26 impacted by earlier Amazon Prime Day (in June 2026 vs July 2025). While SensorTower data shows a more meaningful slowdown in US app downloads in July, Europe and APAC seem to be less impacted and US downloads have recovered subsequently in Aug and Sep. Roborock continued to gain shares globally led by US where the company's ongoing penetration into leading offline retailers including COSTCO and Walmart contributed significantly to above-industry volume growth. Specifically for Europe, we highlight that Roborock's app download growth in the region has exceeded that of Dreame in Sep for the 1st time in history, echoing our thesis on possible impacts from Dreame's reported issues;
- On **pricing and competition**, while overseas pricing trend for comparable products is largely stable, we noticed an increasing pricing discount in Aug in China per AVC data, likely induced by companies trying to clear old SKUs following new SKU launch in mid-Aug. We expect industry margin to be impacted in Aug by such promotion but to recover in Sep as new SKUs started to contribute more sales. We also highlight initial strong sales from Roborock's new roller-mopping RVCs launched on Aug 14, P30 Pro and G30S Ultra, which will likely help the company's domestic margin going forward.

On a company level, we expect:

Roborock to continue outperforming the industry driven by share gains in both domestic and overseas market and margin recovery via operating efficiency improvement, channel mix improvement in US, and economies of scale of new product categories. We forecast the company to deliver +20%/+44%/+26% yoy revenue/operating profits/net profits growth in 3Q26. Versus our previous forecast, we have revised up revenue/operating profits growth forecast to account for the robust core business while revised down net profits to incorporate the expected foreign exchanges losses due to RMB appreciation against both USD and EUR. Specifically, our operating profits forecast translate into 8.6% OPM in 3Q26 (vs. 7.1% in 3Q25), extending the ongoing margin improving trend starting 1Q26.

Ecovacs to deliver slower revenue growth (largely flattish shares in domestic market and slower growth in overseas market) and profits decline (impacted by both operating profits and fair value losses from its investment in listed companies). We forecast the company to deliver +10%/+1%/-29% yoy revenue/operating profits/net profits growth in 3Q26.

Into 4Q26, we expect revenue growth to re-accelerate as both China and US/Europe enter festival season. Meanwhile, we are also mindful of the potential promotion ramp-up by Dreame and its end market share loss during the peak season given the challenges it is reportedly facing. In this regard, we expect Roborock to be better positioned versus Ecovacs to gain share, via leveraging channel expansion thus mitigating against any negative impact from competition.

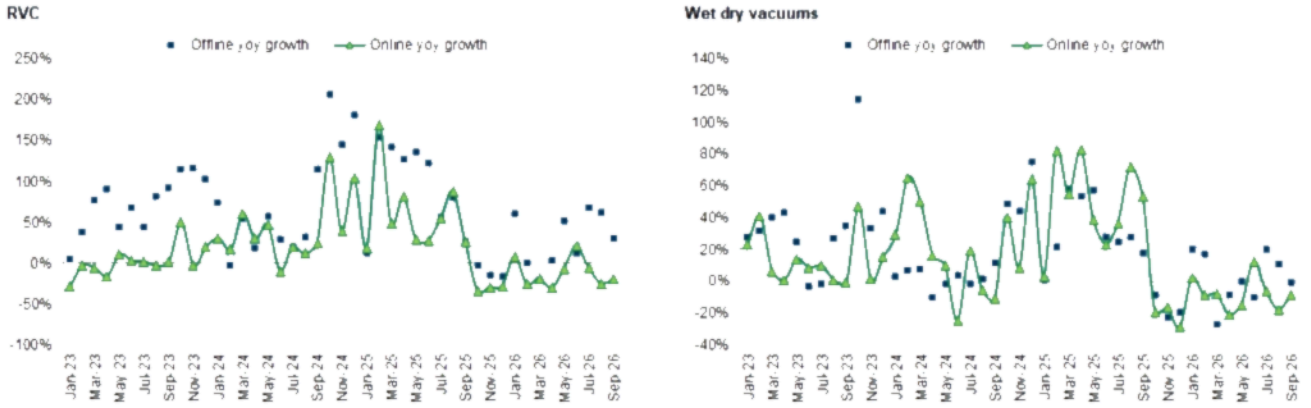
In all, we revise our 2026E-28E EPS for our covered RVC companies by -6% to -1% to reflect the above changes. We are Buy rated on Roborock as we expect faster growth driven by continuous global market share gains, new product expansion esp. in wet dry

vacuums, and margin recovery after business strategy adjustment, esp. in China. We see **increasingly favorable risk reward in Roborock as an ongoing earnings upward cycle is met with historical low valuation**. We are Sell rated on Ecovacs on a relative basis as we see rising domestic growth pressure for Ecovacs facing competition in both RVC and wet dry vacuums on a high base, coupled with slower overseas growth, which we expect to lead to slower growth compared to Roborock.

Industry data tracking

Exhibit 1: RVC/wet dry vacuum online sales growth in China sequentially moderated post 618, while offline sales stayed resilient

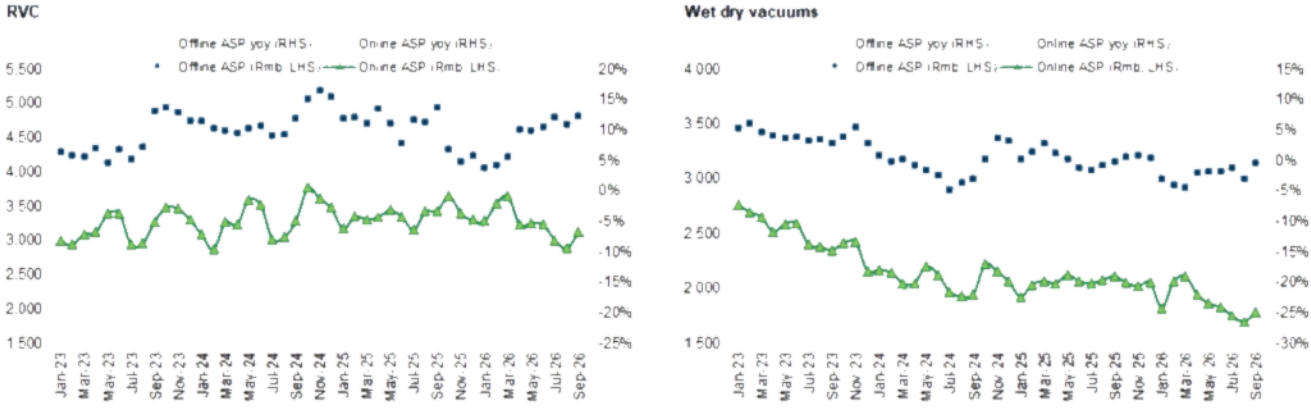
Retail sales growth by channel, yoy %



Source: AVC

Exhibit 2: On pricing in China, wet dry vacuums showed more ASP pressure especially online. RVC ASP decreased online, but stayed resilient offline.

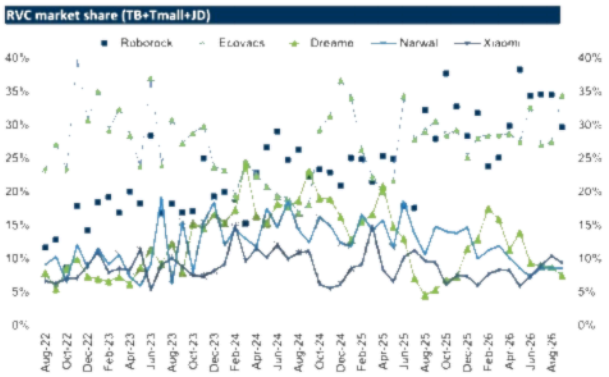
Retail ASP (Rmb, LHS) and yoy growth by channel (%, RHS)

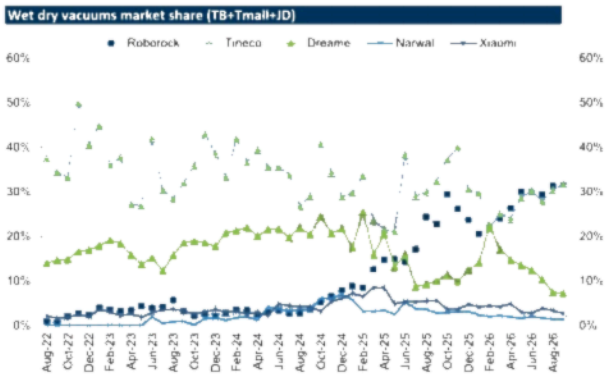


Source: AVC, Data compiled by Goldman Sachs Global Investment Research

Exhibit 3: Per Moojing data, Ecovacs (Tineco)/Roborock remain market leaders in China cleaning appliances market. On a YoY basis, Roborock gained 7ppt/10ppt to 33%/31% market share in RVC/wet dry vacuums in 3Q26, while Ecovacs/Tineco gained 2ppt/flattish to 30%/30%.

Online market share for RVC and wet dry vacuums on Taobao, Tmall and JD (%)

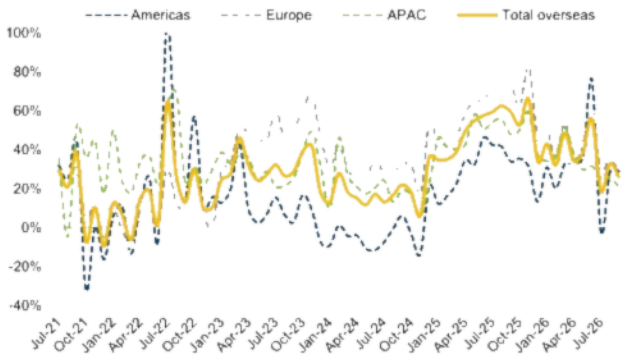




Source: Moojing, Data compiled by Goldman Sachs Global Investment Research

Exhibit 4: RVC industry download growth in overseas markets remained healthy at 20%+ yoy growth in 3Q26, though moderated from 40%+ yoy in 2Q26 impacted by earlier Amazon Prime Day

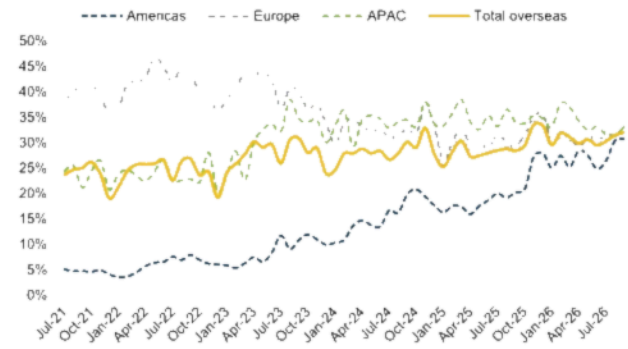
Download growth of leading RVC apps (yoy %)



Source: SensorTower, Data compiled by Goldman Sachs Global Investment Research

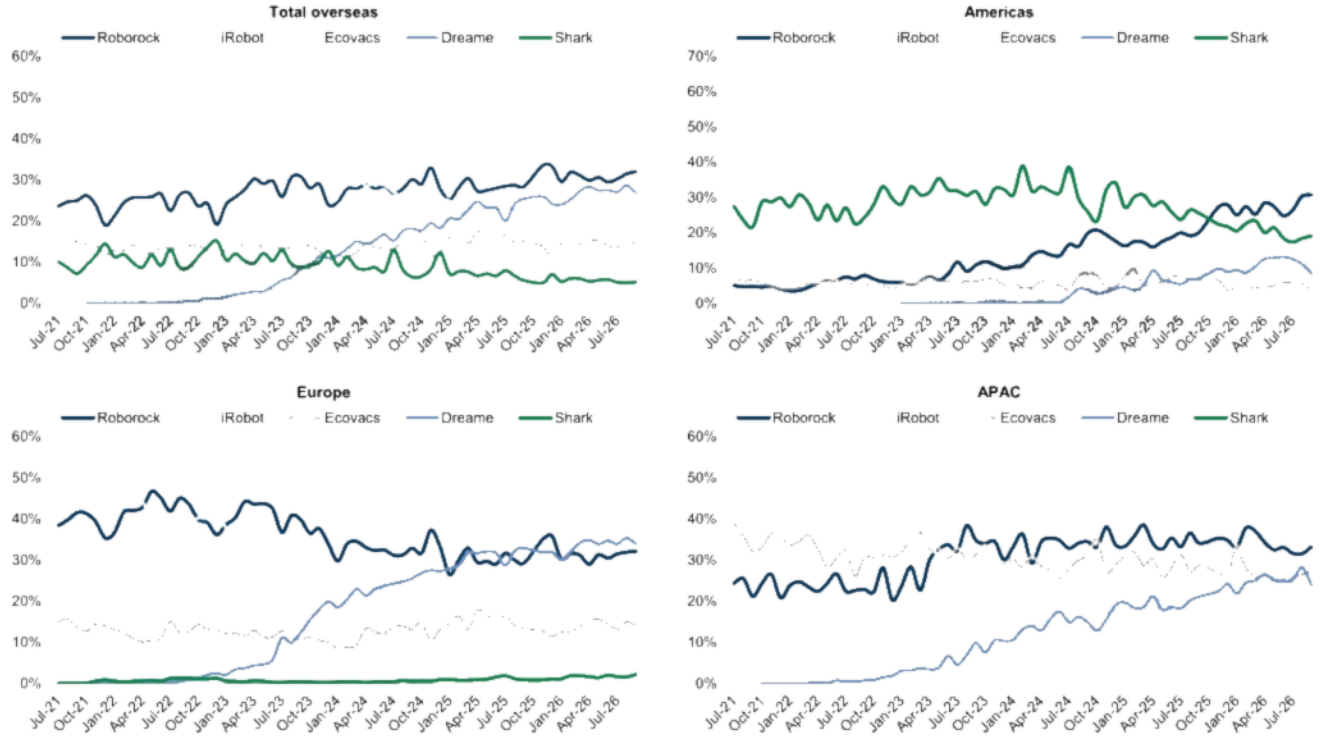
Exhibit 5: Roborock futher gained share with 37% yoy overseas downloads growth in 3Q26, led by US

Roborock's RVC market share based on app downloads



Source: SensorTower, Data compiled by Goldman Sachs Global Investment Research

Exhibit 6: Ecovacs' market share was down slightly in 3Q26 with 16% yoy overseas downloads growth
RVC market share based on app downloads



Source: SensorTower, Data compiled by Goldman Sachs Global Investment Research

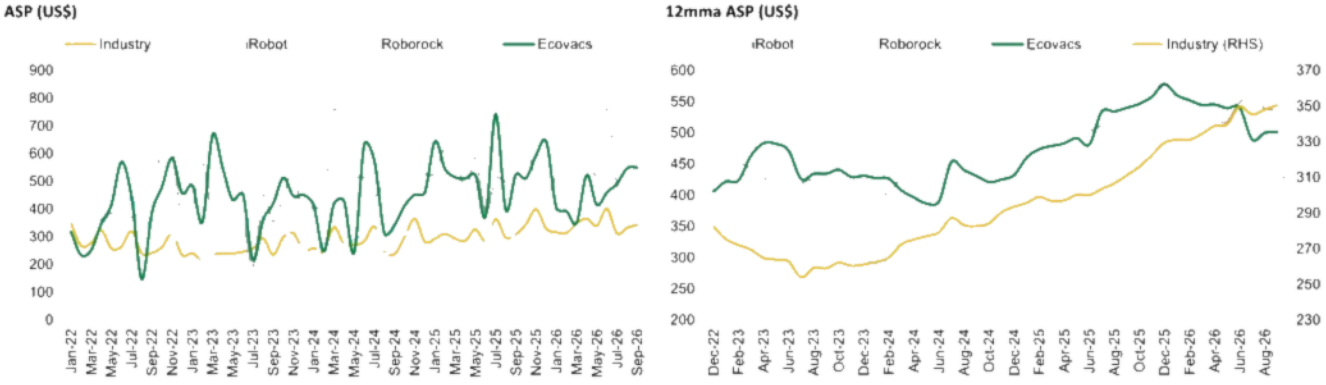
Exhibit 7: Amazon US sales data showed sequentially weaker sales in 3Q26 vs 2Q due to earlier Prime Day. Roborock gained shares in 3Q26, but Ecovacs lost shares.
Sales/Volume/ASP yoy growth by category & Market share/Sales/Volume/ASP yoy growth by company on EC channel (Amazon US)

	Sales (% yoy)						Volume (% yoy)						ASP (% yoy)					
	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	MoM Trend	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	MoM Trend	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	MoM Trend
Amazon US																		
RVC	32%	-56%	25%	-2%	-23%	▼	1%	-48%	11%	-12%	-22%	▼	30%	-14%	12%	11%	-1%	▼

	Market share						Market share chg (% yoy)						Sales (% yoy)					
	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	YoY Trend	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	MoM Trend	Sep-25	Jul-26	Aug-26	Sep-26	3Q26	MoM Trend
RVC																		
iRobot	11%	12%	8%	11%	10%	▲	-6%	-10%	-2%	0%	-7%	▲	-16%	-76%	-3%	0%	-53%	▲
Roborock	22%	25%	23%	22%	23%	▲	2%	6%	1%	0%	3%	▼	45%	-42%	31%	-1%	-12%	▼
Ecovacs	8%	9%	5%	7%	7%	▼	5%	-4%	1%	-2%	-3%	▼	251%	-70%	44%	-24%	-48%	▼
Dreame	5%	10%	6%	10%	8%	▲	1%	6%	-1%	4%	3%	▲	52%	16%	12%	80%	31%	▲
Shark	14%	11%	7%	9%	9%	▼	1%	-2%	-12%	-5%	-6%	▲	39%	-62%	-55%	-36%	-54%	▲
Eufy	11%	6%	11%	22%	13%	▲	1%	-2%	-4%	11%	2%	▲	47%	-67%	-10%	98%	-5%	▲

Source: Moojing, Data compiled by Goldman Sachs Global Investment Research

Exhibit 8: RVC industry ASP on Amazon US was largely stable in 3Q26
ASP and 12-m moving average ASP of RVC on Amazon US (USD)



Source: Moojing, Data compiled by Goldman Sachs Global Investment Research

Summary of key changes

Exhibit 9: We revise 12m TPs for Ecovcs and Roborock by 5-9% to reflect 1-6% EPS downward revisions and lower target multiples on slower growth

Company	Ticker	Rating	Latest close	Valuation method	COE		Multiple		Target Price				NI change			Trading P/E		TP implied P/E		Growth, yoy %			Dividend yield	
							new	old	new	old	change	Ud/D %	26E	27E	28E	26E	27E	26E	27E	25A	26E	27E	26E	27E
Ecovacs	603486.SS	Sell	Rmb	45.3	Discounted P/E	9.5%	9.5%	15	16	51.0	56.4	-9%	10.2%	-2%	-2%	-3%	13.5x	13.2x	12.2x	14.5x	118%	10%	3%	2%	2%
Roborock	688169.SS	Buy	Rmb	105.9	Discounted P/E	9.5%	9.5%	15	17	180.0	190.0	-5%	69.9%	-6%	-3%	-1%	12.4x	10.3x	22.6x	17.5x	-31%	30%	30%	1%	1%

Pricing as of Oct 19, 2026.

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: We revise down Roborock's 2026E-28E EPS by 1-6%

Roborock 688169.SS	2021	2022	2023	2024	2025	New 2026E	New 2027E	New 2028E	Old 2026E	Old 2027E	Old 2028E	Change 2026E	Change 2027E	Change 2028E
Revenue	5,837	6,629	8,654	11,945	18,695	22,965	26,343	29,985	22,748	26,103	29,719	1.0%	0.9%	0.9%
Growth, yoy %	*28.8%*	*13.6%*	*30.5%*	*38.0%*	*56.5%*	*22.8%*	*14.7%*	*13.8%*	*21.7%*	*14.7%*	*13.9%*	*1.2%*	*0.0%*	*0.0%*
GPM	48.1%	49.3%	55.1%	50.1%	42.3%	42.2%	41.6%	42.4%	42.3%	42.3%	42.8%	*-0.2%*	*-0.6%*	*-0.5%*
GPM chg (bps)		116	587	(500)	(779)	(18)	(55)	77	(1)	(8)	58			
EBIT	1,316	1,154	2,016	1,574	1,002	2,229	2,403	3,010	2,177	2,488	3,048	2.4%	-3.4%	-1.3%
Growth, yoy %	*-6.6%*	*-12.3%*	*74.7%*	*-21.9%*	*-36.4%*	*122.5%*	*7.8%*	*25.3%*	*117.3%*	*14.3%*	*22.5%*	*5.2%*	*-6.5%*	*2.8%*
OPM	22.5%	17.4%	23.3%	13.2%	5.4%	9.7%	9.1%	10.0%	9.6%	9.5%	10.3%	*0.1%*	*-0.4%*	*-0.2%*
OPM chg (bps)		(514)	588	(1,011)	(782)	435	(59)	92	421	(4)	73			
Net income	1,402	1,183	2,051	1,977	1,363	2,048	2,663	3,272	2,187	2,746	3,312	-6.4%	-3.0%	-1.2%
Growth, yoy %	*2.4%*	*-15.6%*	*73.3%*	*-3.6%*	*-31.0%*	*50.2%*	*30.0%*	*22.9%*	*60.4%*	*25.5%*	*20.6%*	*-10.2%*	*4.5%*	*2.3%*
NPM	24.0%	17.9%	23.7%	16.5%	7.3%	8.9%	10.1%	10.9%	9.6%	10.5%	11.1%	*-0.7%*	*-0.4%*	*-0.2%*
EPS	15.00	9.02	11.14	7.64	5.26	7.90	10.28	12.63	8.44	10.60	12.78	-6.4%	-3.0%	-1.2%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: We revise down Ecovacs' 2026E-28E EPS by 2-3%

Ecovacs 603486.SS	2021	2022	2023	2024	2025	New 2026E	New 2027E	New 2028E	Old 2026E	Old 2027E	Old 2028E	Change 2026E	Change 2027E	Change 2028E
Revenue	13,086	15,325	15,502	16,542	19,040	21,884	23,896	26,320	21,884	23,896	26,320	0.0%	0.0%	0.0%
Growth, yoy %	*80.9%*	*17.1%*	*1.2%*	*6.7%*	*15.1%*	*14.9%*	*9.2%*	*10.1%*	*14.9%*	*9.2%*	*10.1%*	*0.0%*	*0.0%*	*0.0%*
GPM	51.4%	51.6%	47.5%	46.5%	48.8%	47.9%	47.8%	47.6%	48.0%	47.9%	47.8%	*-0.1%*	*-0.1%*	*-0.2%*
GPM chg (bps)		21	(411)	(98)	230	(92)	(15)	(14)	(83)	(9)	(13)			
EBIT	2,276	1,721	463	808	1,494	1,940	1,891	2,096	1,959	1,926	2,136	-1.0%	-1.8%	-1.9%
Growth, yoy %	*229.6%*	*-24.4%*	*-73.1%*	*74.6%*	*84.9%*	*29.8%*	*-2.5%*	*10.8%*	*31.1%*	*-1.7%*	*10.9%*	*-1.3%*	*-0.8%*	*0.0%*
OPM	17.4%	11.2%	3.0%	4.9%	7.8%	8.9%	7.9%	8.0%	9.0%	8.1%	8.1%	*-0.1%*	*-0.1%*	*-0.2%*
OPM chg (bps)		(616)	(825)	190	296	102	(95)	5	110	(89)	5			
Net income	2,010	1,698	612	806	1,758	1,938	1,997	2,197	1,972	2,047	2,254	-1.7%	-2.5%	-2.5%
Growth, yoy %	*213.5%*	*-15.5%*	*-64.0%*	*31.7%*	*118.1%*	*10.2%*	*3.0%*	*10.0%*	*12.2%*	*3.8%*	*10.1%*	*-2.0%*	*-0.8%*	*-0.1%*
NPM	15.4%	11.1%	3.9%	4.9%	9.2%	8.9%	8.4%	8.3%	9.0%	8.6%	8.6%	*-0.2%*	*-0.2%*	*-0.2%*
EPS	3.51	2.96	1.06	1.40	3.04	3.35	3.45	3.80	3.41	3.54	3.89	-1.7%	-2.5%	-2.5%

Source: Company data, Goldman Sachs Global Investment Research

Investment Thesis, Valuation and Risks

Beijing Roborock Technology (688169.SS)

Investment Thesis: Roborock is the global leader in robotic vacuum cleaners (RVCs) with an expanding product range and channel expansion growth runway. We believe the company is well-placed for continued global market share gains, driven by: 1) further progress in channel expansion especially in overseas markets; 2) enhanced marketing and branding investment; 3) SKU expansion outside of its core RVC products, such as wet dry vacuums and robotic lawn mowers. Since the company adopted a more proactive branding/marketing strategy in 2H24, the company has been gaining share at a faster pace in both overseas and domestic markets. With most of the previous margin drags (i.e., over-investment in new product, US tariff, Europe business model transition, and self-borne subsidies in China) generally lifted, we see favorable risk-reward for the stock and expect it to resume fast profit growth driven by resilient revenue growth and strong margin recovery.

Valuation: Our 12-m TP of Rmb180 is based on a 16x exit P/E multiple applied to our 2028E EPS and discounted back to 2027E using a 9.5% cost of equity.

Downside risks: 1) intensifying competition in domestic/overseas markets; 2) slower-than-expected product launches or new category expansion; 3) aggressive branding/marketing investment in new products to impact profitability; 4) a decline in disposable income and consumer confidence from weaker macro conditions; 5) potential increase in US tariffs may reduce US business profitability.

Ecovacs Robotics Co. (603486.SS)

Investment Thesis: Ecovacs, the leading cleaning appliances company by market share in China, has strengths in a comprehensive product portfolio and distribution network (both offline and online) leveraging a dual-brand strategy (Ecovacs for RVC and Tineco for wet-dry vacuums and other small appliances). While we remain positive on 1) the long-term potential of cleaning appliances especially RVC in both the domestic and overseas markets and 2) Ecovacs' market share gain potential overseas, we are cautious about competition for cleaning appliances in the domestic market, especially for wet-dry vacuums, as well as the challenges in defending its market share without hurting margins. We see less favorable risk-reward for Ecovacs vs. its peers and are Sell rated.

Valuation: Our 12-m target price of Rmb51 is based on an exit multiple of 15x applied to our 2028E EPS and discounted back to 2027E using a 9.5% cost of equity.

Upside risks: 1) faster demand recovery supported by better-than-expected macro conditions; 2) better-than-expected product development/expansion; 3) easing competition

