Morgan Stanley | RESEARCH

UPDATE

November 1, 2026 04:16 PM GMT

Ecovacs Robotics Co Ltd | Asia Pacific

3Q26: GPM pressure gets more visible

AlphaSignals Earnings Reaction

Unchanged
Impact to our thesis

Meaningful shortfall
Financial results versus consensus

Modest revision lower
Direction of next 12-month consensus EPS

Key Takeaways

- 3Q revenue +11% YoY to Rmb4.6bn; NP -72% to Rmb121mn on raw material costs and investment fair-value losses.
- GPM fell 10.2ppt YoY to 39.6% on memory costs; FX, other inputs and pricing/ channel mix added pressure.
- OPM fell 4.6ppt YoY to 5.7%; SG&A ratio fell 5.7ppt, helping offset GPM pressure.
- Memory price hikes will pressure GPM through 2Q27, but QoQ pressure should moderate; channel optimization should cut opex.
- Smart cleaning has long-term potential; Ecovacs benefits. Stay OW; prefer Roborock (603486.SS) for its moat and geographic diversity.

Margin outlook:

- Memory (accounts for ~DD of COGS vs. LSD previously) impacted >5ppt and Fx impacted 2ppt yoy of GPM in 3Q. Memory prices are on a rising trend and will continue to weigh on GPM in 4Q26-1H27. But inflation magnitude has moderated so sequential GPM pressure could be less than in 3Q
- Company expects further optimization on opex, on domestic market consolidation and offline channel expansion (Offline accounted for 30% of domestic sales and >50% of overseas in 3Q, growing faster than online in both markets)

Overseas:

- Overseas accounted for 55% of 3Q revenue (51% in 2Q). Ecovacs grew by close to 20% and Tineco grew >20%. Momentum is expected to continue
- Competition remains in EU while Ecovacs notes marginal improvement with mid-range products (400-600 EUR) expanding their share and low-end demand decreasing
- Lawnmower market remained in rapid expansion stage. Market price range is expected to move lower as competition broadens

Domestic: Ecovacs revenue +>20% yoy, while Tineco -DD on ASP pressure. Market share still concentrated on the top two, while price competition remained.

Hildy Ling
Equity Analyst
Hildy.Ling@morganstanley.com +852 2239-7834

Lillian Lou
Equity Analyst
Lillian.Lou@morganstanley.com +852 2848-6502

Carlos Liu, CFA
Research Associate
Carlos.Liu@morganstanley.com +852 2848-5206



the 2027 Extel Asia Research Survey. Voting opens 10 November 2026.

Ecovacs Robotics Co Ltd (603486.SS, 603486 CH)

China/Hong Kong Consumer | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	Rmb66.00
Up/downside to price target (%)	47
Shr price, close (Oct 30, 2026)	Rmb45.00
52-Week Range	Rmb94.66-44.21
Sh out, dil, curr (mn)	576
Mkt cap, curr (mn)	Rmb25,941
EV, curr (mn)	Rmb18,700
Avg daily trading value (mn)	Rmb380

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	3.06	3.47	4.30	5.05
EPS (Rmb)§	3.17	3.59	3.95	4.42
Revenue, net (Rmb mn)	19,040	22,378	26,337	30,119
EBITDA (Rmb mn)	2,120	2,438	3,385	3,939
ModelWare net inc (Rmb mn)	1,758	1,983	2,459	2,888
P/E	26.2	13.0	10.5	8.9
P/BV	5.1	2.5	2.1	1.8
RNOA (%)	48.6	76.6	55.7	61.1
ROE (%)	24.4	21.9	23.4	23.4
EV/EBITDA	18.5	7.8	5.1	3.9
Div yld (%)	1.2	2.4	3.0	3.6
FCF yld ratio (%)**	5.9	5.9	9.6	11.8
Leverage (EOP) (%)	(61.4)	(60.1)	(64.5)	(69.1)

framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+= Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Exhibit 1: Ecovacs: Results

Rmb'mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	qoq	yoy
Revenue	**3,858**	**4,818**	**4,201**	**6,162**	**4,902**	**5,439**	**4,647**	**-15%**	**11%**
Cost of sales	(1,941)	(2,422)	(2,109)	(3,272)	(2,471)	(2,854)	(2,805)		
Gross profit	**1,917**	**2,396**	**2,092**	**2,891**	**2,431**	**2,585**	**1,842**	**-29%**	**-12%**
Business tax and surchages	(26)	(29)	(16)	(26)	(29)	(38)	(28)		
Selling expenses	(1,171)	(1,431)	(1,308)	(2,028)	(1,385)	(1,597)	(1,142)	-28%	-13%
General & admin expenses (incl. R&D)	(375)	(412)	(333)	(459)	(394)	(494)	(406)	-18%	22%
in which: R&D	(236)	(272)	(204)	(269)	(243)	(310)	(247)		
Operating profit	**345**	**523**	**435**	**379**	**623**	**456**	**266**	**-42%**	**-39%**
Other income	42	42	65	53	33	44	27		
Investment gain/(loss)	(5)	71	(6)	52	(1)	150	(8)		
Fair value movement gain/(loss)	141	(74)	7	(45)	(12)	422	(137)		
Impairment gain/(loss)	(21)	(116)	(39)	(51)	(79)	(88)	(43)		
Assets disposal gain/(loss)	1	(0)	0	1	0	(0)	0		
Non-operating income	2	2	2	3	2	2	2		
Non-operating expenses	(1)	(6)	(10)	(4)	(2)	(1)	(0)		
EBIT	**504**	**442**	**455**	**387**	**564**	**984**	**107**	**-89%**	**-76%**
Finance costs	26	138	(31)	(34)	(124)	11	(28)		
Profit before tax	**530**	**580**	**423**	**352**	**440**	**995**	**79**	**-92%**	**-81%**
Tax	(55)	(75)	15	(12)	(35)	(152)	42		
Profit after tax	**475**	**505**	**438**	**340**	**405**	**843**	**121**	**-86%**	**-72%**
Minority interests	0	0	0	(0)	(0)	0	0		
Net profit to shareholders	**475**	**505**	**438**	**340**	**405**	**843**	**121**	**-86%**	**-72%**
Core net profit to shareholders	**356**	**504**	**424**	**335**	**396**	**410**	**226**	**-45%**	**-47%**

Margin	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	qoq	yoy
GPM	49.7%	49.7%	49.8%	46.9%	49.6%	47.5%	39.6%	-7.9ppts	-10.2ppts
OPM	8.9%	10.9%	10.4%	6.1%	12.7%	8.4%	5.7%	-2.7ppts	-4.6ppts
EBIT margin	13.1%	9.2%	10.8%	6.3%	11.5%	18.1%	2.3%	-15.8ppts	-8.5ppts
Net margin	12.3%	10.5%	10.4%	5.5%	8.3%	15.5%	2.6%	-12.9ppts	-7.8ppts
Core net margin	9.2%	10.5%	10.1%	5.4%	8.1%	7.5%	4.9%	-2.7ppts	-5.2ppts

As % of revenue	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	qoq	yoy
Business tax and surchages	0.7%	0.6%	0.4%	0.4%	0.6%	0.7%	0.6%	-0.1ppts	0.2ppts
Selling expenses	30.4%	29.7%	31.1%	32.9%	28.2%	29.4%	24.6%	-4.8ppts	-6.6ppts
General & admin expenses	9.7%	8.6%	7.9%	7.4%	8.0%	9.1%	8.7%	-0.3ppts	0.8ppts
in which: R&D	6.1%	5.6%	4.9%	4.4%	5.0%	5.7%	5.3%	-0.4ppts	0.5ppts
SG&A	40.1%	38.3%	39.1%	40.3%	36.3%	38.4%	33.3%	-5.1ppts	-5.7ppts
Impairment (gain)/loss	0.5%	2.4%	0.9%	0.8%	1.6%	1.6%	0.9%	-0.7ppts	0.0ppts
Other income & non-operating	4.1%	-1.7%	0.5%	0.1%	-1.2%	9.7%	-3.4%	-13.1ppts	-3.9ppts

Other ratio	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	qoq	yoy
Effective tax rate	10.4%	13.0%	-3.5%	3.4%	8.0%	15.3%	-53.2%	na	na

人在草木间

Valuation Methodology and Risks

Ecovacs Robotics Co Ltd (603486.SS)

Base case, derived from P/E valuation, consistent with the methodology we use to value stocks in our consumer discretionary coverage. We use a target multiple of 19x our 2026 EPS estimate, similar to the average multiple during since 2022, a down-cycle after the Covid-led bull cycle in 2020-21.

Risks to Upside

- Higher-than-expected consumer acceptance of robotic cleaners.
- Technological innovations enhance user experience.
- Improving macro conditions globally.

Risks to Downside

- Intensifying price competition.
- Further slowdown in economic conditions globally.
- Market share loss to new entrants.
- Inability to innovate as quickly as competitors.

Beijing Roborock Technology Co Ltd (688169.SS)

Base case, derived from P/E valuation, consistent with the methodology we use to value stocks in our consumer discretionary coverage. We use a target multiple of 20x our 2026e EPS, similar to average since 2022, which is a down-cycle after the Covid-led bull market in 2020-21. While weak China macro drags valuation, overseas expansion and category expansion to drive growth. Our price target implies 0.46x PEG over 2025-27e.

Risks to Upside

- Higher-than-expected consumer acceptance of robotic cleaners
- Technological innovations, enhancing user experience
- Launch of new products to improve product mix
- Improving macro conditions globally

Risks to Downside

- Intensifying price competition
- Further slowdown in economic conditions domestically and globally
- Market share loss to new entrants
- Stagnant penetration of robot vacuums