

Smarter technology for all

Q2FY25 Earnings Announcement

Nov 15, 2024

Lenovo

Forward-Looking Statement

This presentation contains “forward-looking statements”, which are statements that refer to the expectations and plans for the future and include, without limitation, statements regarding Lenovo’s future results of operations, financial condition or business prospects as well as other statements based on projections, estimates and assumptions. In some cases, these statements can be identified by terms such as “expect,” “intend,” “plan,” “believe,” “estimate,” “may,” “will,” “should” and comparable words (including negative variants of such words). These forward-looking statements, reflect the current expectations and plans of the directors and management of Lenovo, which may not materialize or may change. Many risks, uncertainties and other factors, some of which are unpredictable and beyond Lenovo’s control, could affect the matters discussed in these forward-looking statements. These factors include, without limitation, economic and business conditions globally and in the countries where we operate, Lenovo’s ability to predict and respond quickly to market developments, consumer demand, pricing trends and competition; changes in applicable laws and regulations (including applicable tax and tariff rates). Any variance from the expectations or plans on which these forward-looking statements are based could cause Lenovo’s actual results or actions to differ materially from those expressed or implied in these statements. These forward-looking statements are not guarantees of future performance and you are cautioned not to place undue reliance on these statements. Lenovo undertakes no obligation to update any forward-looking statements in this presentation, whether as a result of new information or any subsequent change, development or event. All forward-looking statements in this presentation are qualified by reference to this paragraph.

Smarter technology for all

Yuanqing Yang

Chairman & CEO

Nov 15, 2024

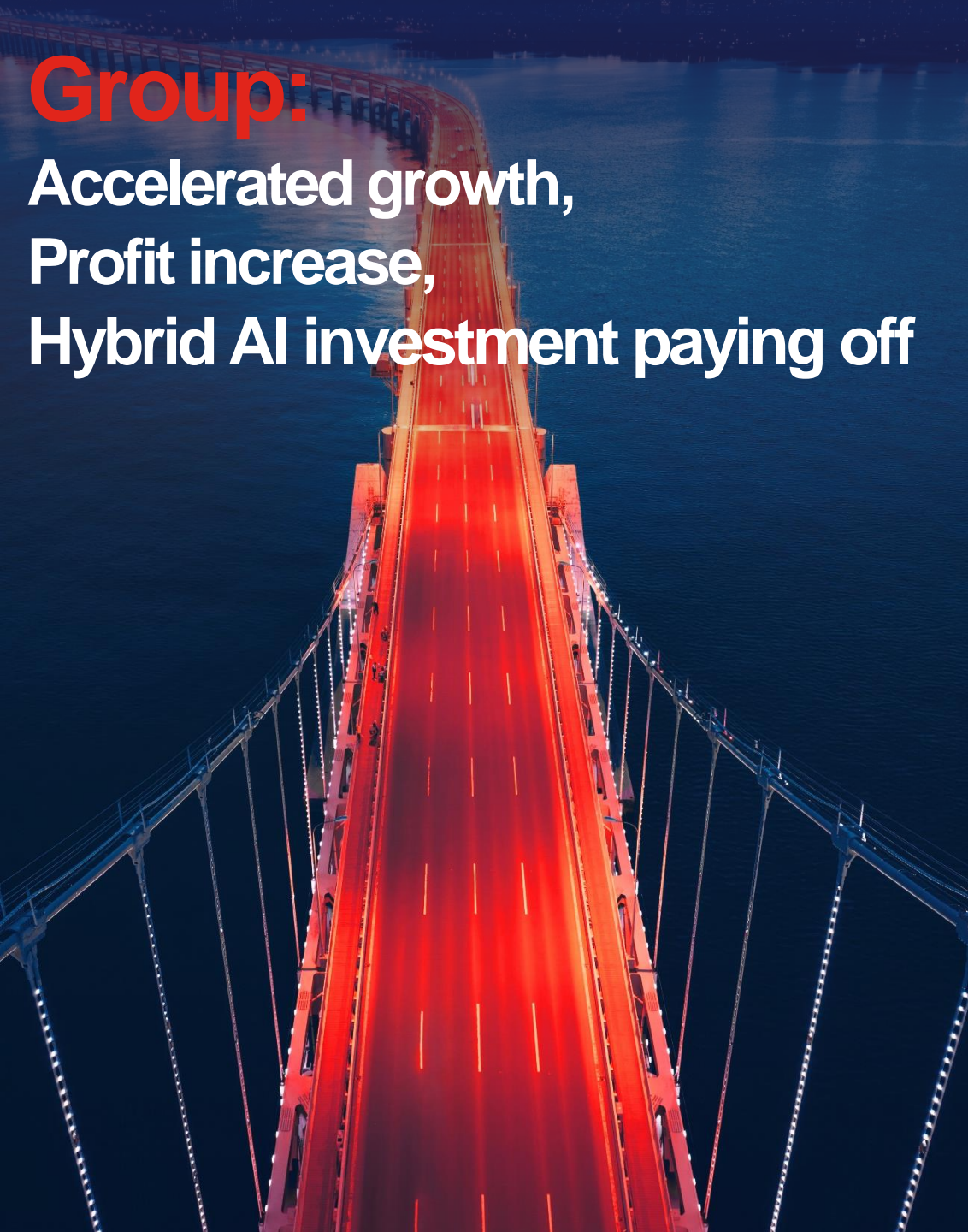
Lenovo



**Accelerated
Growth**



**Sustained
Momentum**



Group:
Accelerated growth,
Profit increase,
Hybrid AI investment paying off

Performance

- Revenue **\$17.9 billion**, up **24%** YTY
- Net income (Non-HKFRS) **\$404 million**, up **48%** YTY
- All businesses achieved double-digit YTY revenue growth
- Non-PC revenue mix up **5pts** YTY to **46%**

Group:

**Accelerated growth,
Profit increase,
Hybrid AI investment paying off**

Opportunities & Sustainable growth




Hybrid AI creates huge opportunities for devices, infrastructure, solutions & services

- Hybrid AI becomes industry consensus
- Accelerating development & application of personal/enterprise AI

Lenovo pioneering Hybrid AI vision to realize “Smarter AI for all”



- Committed to innovation investment
- **Personal AI:** positive progress of 5-feature AI PC
- **Enterprise AI:** full-stack hybrid infrastructure & Lenovo Hybrid AI Advantage



IDG

Intelligent Devices Group: Significant growth & leading profitability, accelerating in personal AI

Performance

- Revenue **\$13.5 billion**, up **17%** YTY
- Strong profitability, operating margin **7.3%**
- **PC**: revenue up **12%** YTY; market share **23.8%**, industry leading profitability
- **Smartphone**: revenue up **43%** YTY; hypergrowth in NA (+20%), EMEA (+35%), AP (+282%)
- **Tablet**: revenue up **19%** YTY

IDG

Intelligent Devices Group:

Significant growth & leading profitability, accelerating in personal AI

Opportunities & Sustainable growth



Hybrid AI creates huge opportunities for AI device market:

- PC market entering new refresh cycle
- AI PC to represent ~80% of PC industry landscape by 2027
- Driving mobile market refresh cycle



- Lead in personalized AI PC
- Achieve potential of Personal AI agent
- Diversify AI device portfolio

ISG

Infrastructure Solutions Group: Hypergrowth, building hybrid infrastructure



Performance

- Revenue **\$3.3 billion**, up **65%** YTY, record high
- Further narrowed operating losses, heading to breakeven
- Combined revenue from Storage, Software and Services up **35%** YTY, record high
- Revenue from Neptune liquid-cooled servers up **48%** YTY

ISG

Infrastructure Solutions Group: Hypergrowth, building hybrid infrastructure

Opportunities & Sustainable growth



- **ICT market continues shifting to hybrid AI infrastructure**
 - Hybrid infrastructure supported by “Client-Edge-Cloud-Network-Intelligence” architecture
 - AI servers expected strong growth (CAGR 15%, 2024-2027)



- **Optimize E/SMB business models and diversify CSP customers to drive profitability recovery**
- Leverage liquid cooling technology to meet performance and energy efficiency demands of AI workloads
- Grow partnership to develop smart infrastructure solutions



SSG

Solutions & Services Group:

High margin & double-digit growth, unleashing Hybrid AI Advantage

Performance

- Revenue **\$2.2 billion**, up **13%** YTY, double-digit growth for 14 consecutive quarters
- Operating margin **20%**
- Managed Services and Project & Solution Services revenue mix **59%**, up **3pts** YTY
- Strong growth in hero offerings, e.g. Digital Workplace, Hybrid Cloud & Sustainability solutions

SSG

Solutions & Services Group:

**High margin &
double-digit growth,
unleashing Hybrid AI Advantage**

Opportunities & Sustainable growth



- New IT services market expected double-digit growth for mid-term (CAGR 10%, 2024-2027)
- AI services growth more than twice as fast as the overall market
- Hybrid AI creates new opportunities for AI-native solutions & services



- Build AI-native & AI-embedded solutions & services

Lead in the Hybrid AI Era



**Differentiated
Innovations**



**Operational
Excellence**



**Ecosystem
Partnerships**



**Globalization
Capabilities**

Smarter technology for all

Wong Wai Ming

Chief Financial Officer

Nov 15, 2024

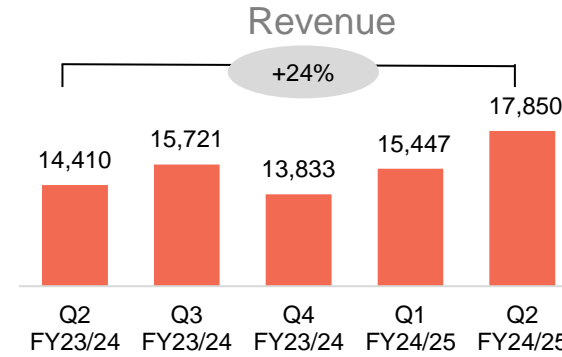
Lenovo

Accelerated Strength

- Group revenue up 24% YTY, the 4th consecutive quarter of double-digit growth
- Non-HKFRS net income up 48% YTY on operational excellence and innovation
- Record market share in servers, storage and smartphones; PC's market share expanding lead over the 2nd player
- Non-PC sales mix rose to 46%, led by
 - **ISG's** 65% revenue surge on cloud opportunities, enterprise demand recovery, and strong liquid-cooling
 - **SSG's** record sales and high profitability
 - **Smartphone's** hypergrowth from 20% to triple-digit in NA, EMEA and AP
- **IDG's** 17% sales growth; five-feature AI PCs and foldable smartphones the bright spots

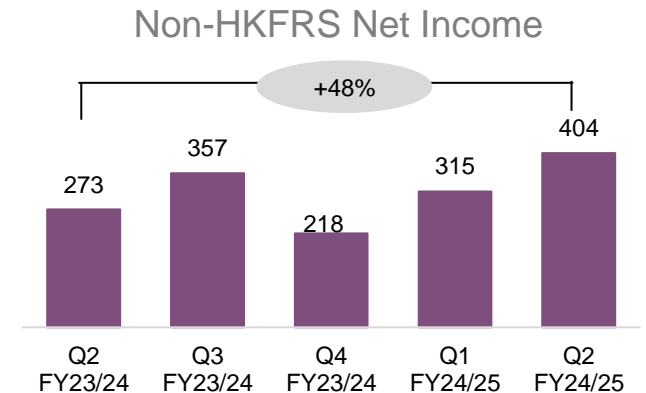
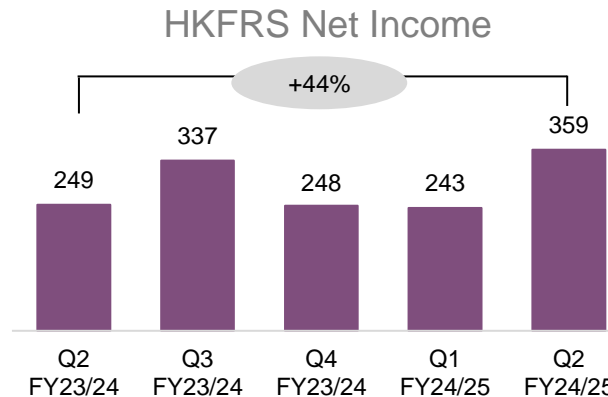
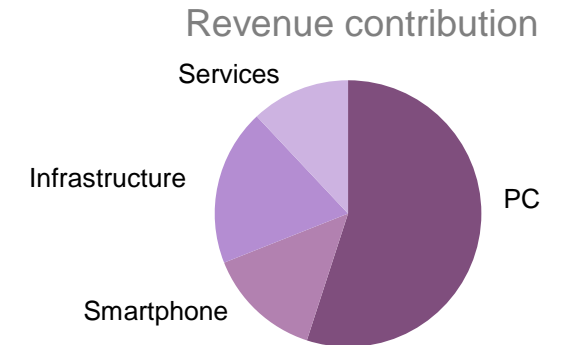
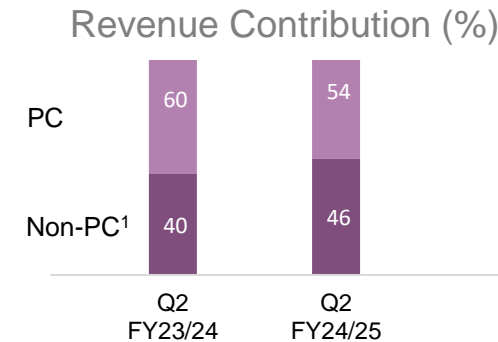


Performance – Q2 FY24/25



Geographical Sales (%)

Asia Pacific	19	+35% YTY
China	24	+30% YTY
EMEA	24	+19% YTY
Americas	33	+18% YTY



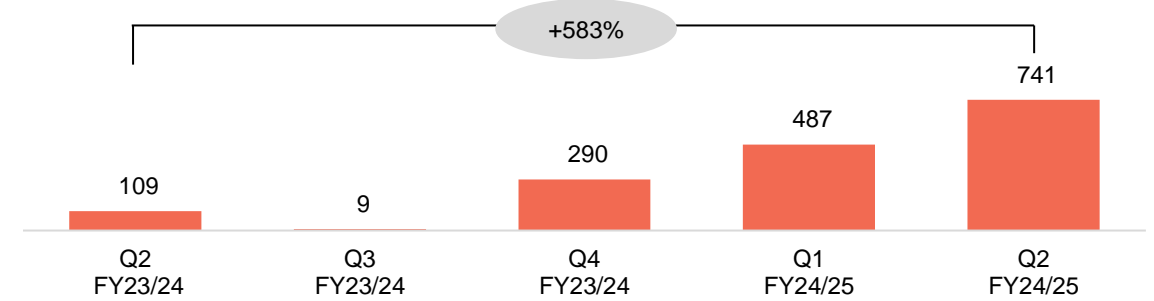
¹ Non-PC revenue includes revenues from SSG, ISG and non-PC part of IDG

Robust Financial Management

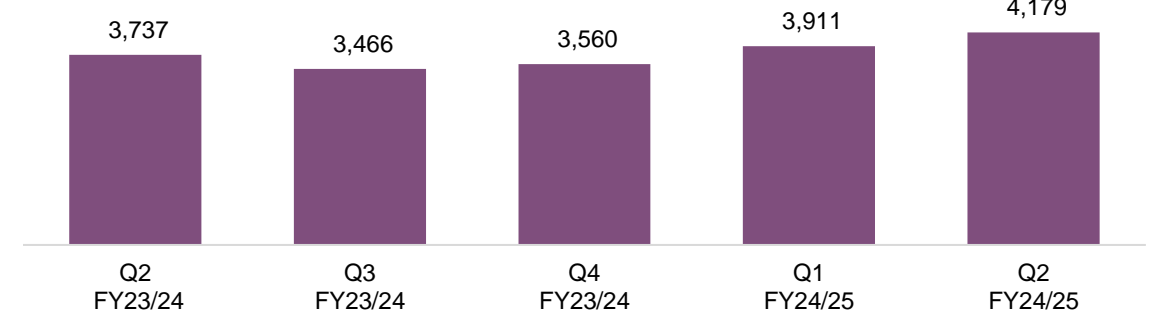
- Free cash flow grew by nearly 6-times YTY on strength of business recovery and profitability gains, boosting cash balance
- Robust free cash flow enabled continued R&D investment, up 10% YTY, driven by emerging technology such as Hybrid AI
- Cash conversion cycle at 6 days; higher inventory driven by rising demand and new product launches

Performance

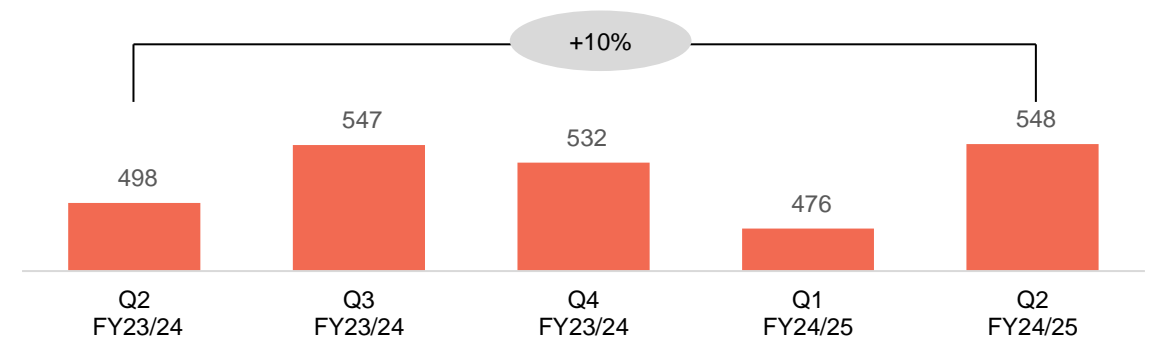
Free Cash Flow



Cash Balance



R&D Expenses

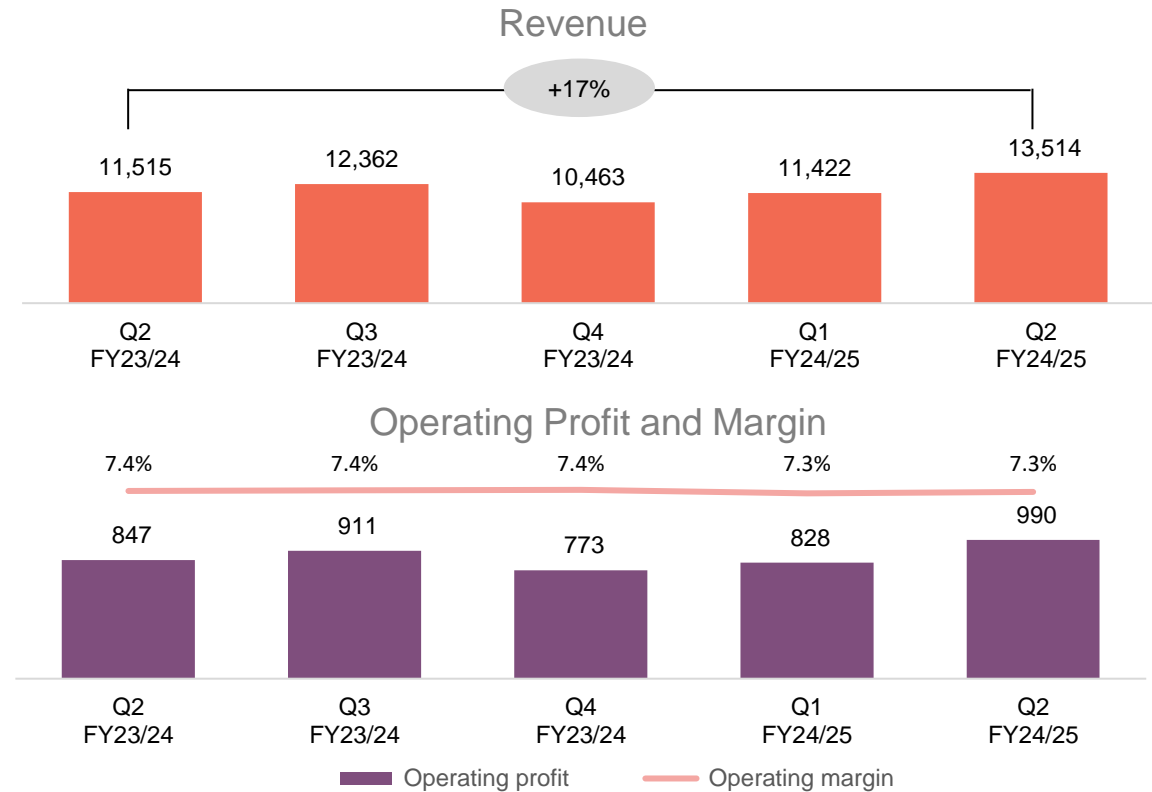


IDG

Intelligent Devices Group¹

- Revenue and OP both expanded by 17% YTY driven by strong market share gain in both PC and smartphone. 7.3% operating margin topped industry, thanks to operational excellence and ASP expansion
- AI-featured Razr & Edge drove significant double-digit growth in smartphone revenue, shipments and activation, with hypergrowth in NA (+20%), EMEA (+35%), AP (+282%)
- Industry-leading AI Innovation and differentiation: Five-feature and Aura Edition AI PCs, AI Now on-device agent, Smart Connect and moto ai

Performance



24%
PC mkt share with largest lead over 2nd player in last 2yrs; #1 in 4 out of 5 geos

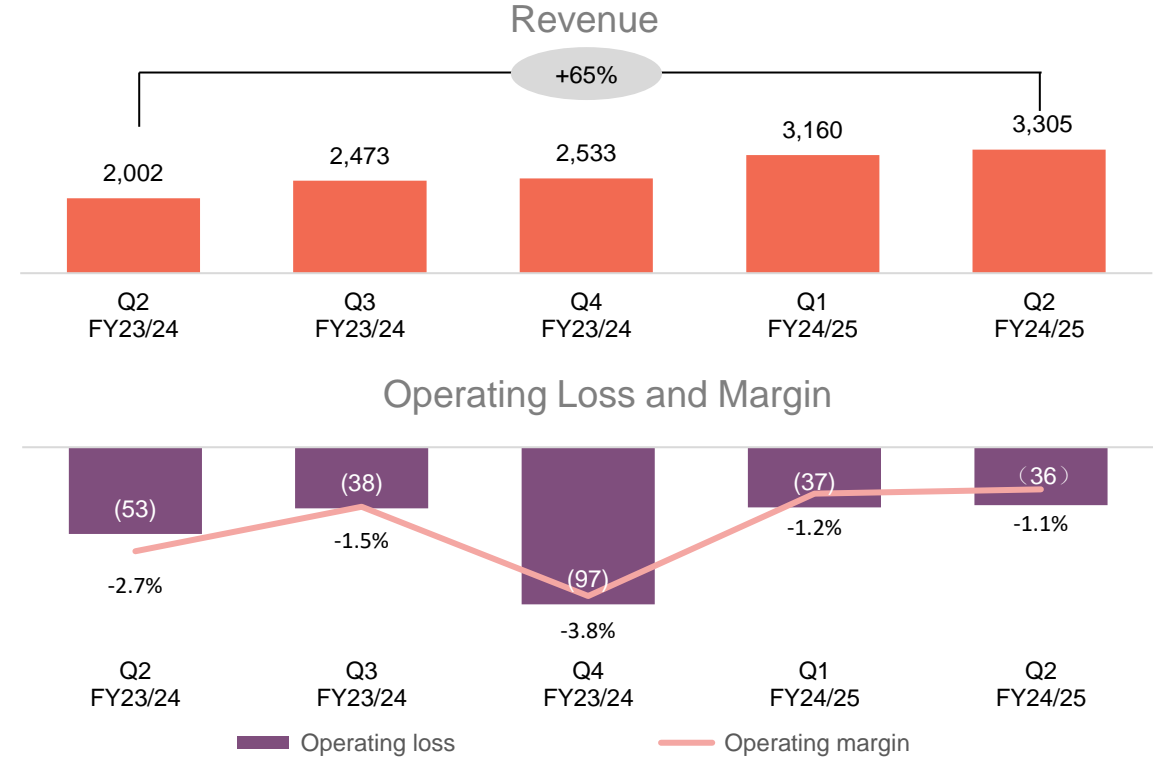
14%
NB shipment in China⁴ contributed by five-feature⁵ AI PC

Triple-digit
revenue growth in Razr & Edge

¹ IDG mainly consists of PC, tablet, smartphone, and smart devices business. ² The AI Agent for rest of the world (outside of China) ³Including Lenovo Creator Zone, Lenovo Learning Zone, etc. ⁴ The only geographical market with broader availability of these new PCs. ⁵ AI PC five features include 1) a personal intelligent agent using natural language user interface, 2) a compressed local LLM, 3) heterogeneous computing with CPU/GPU/NPU, 4) privacy and security protection, and 5) a rich AI application ecosystem.

- Record quarterly revenue achieved at above-market growth of 65% YTY, driven by strong cloud momentum and strengthening enterprise business; High double-digit revenue growth for Storage thanks to aggressive cloud investment
- On track to improve YTY and QTQ operational performance with 33% YTY operating loss reduction and enterprise profitability enhancement across all geos through effective enterprise strategy execution
- Neptune liquid-cooling technology gained wide adoption with revenue up 48% YTY, enabling heat removal of 100% without specialized air conditioning
- Robust AI server pipeline and order load set to convert into revenue in 2HFY24/25

Performance



Storage, Software, Service combined revenue exceeding

\$1B+

for 2nd consecutive quarter

100%

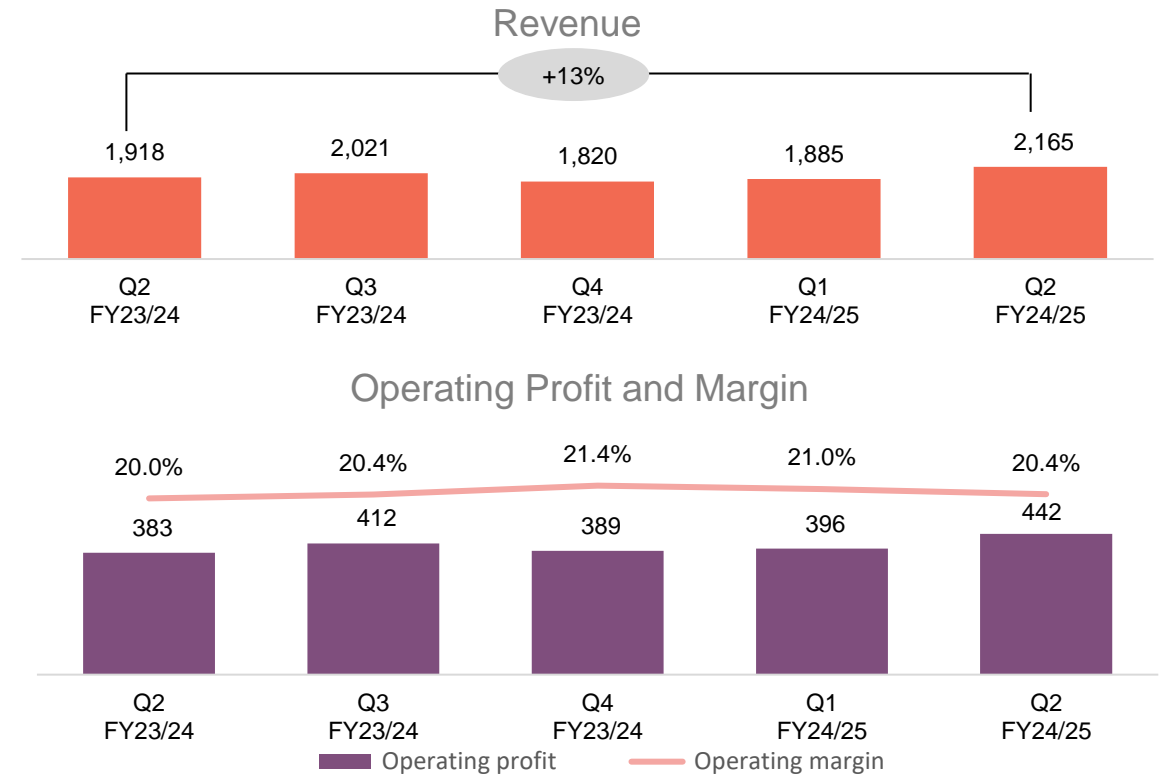
heat removal enabled by Neptune liquid-cooling without specialized air conditioning

ODM+

strategy to capture cloud growth opportunities

- Quarterly revenue hit a record high with operating margin at 20%. SSG accounted for 32% of the total operating profit of the three business groups
- Managed services and Project & Solution Services revenue experienced double-digit growth YTY, attributed to strong contract backlog
- Record deferred revenue strengthened growth outlook for Support Services
- Continuously helped customers modernize their technology to capture hybrid AI trend and adopt AI use cases across horizontal and vertical domains

Performance



Revenue growth

3X

the industry average¹

Record

non-hardware-tied
business
revenue mix of 59%

Record

Sustainability revenue

Q2 FY2024-25 ESG Highlights



Environmental responsibility

- Presented the **SEAL Sustainable Innovation Award** for the newly launched LISSA¹
- **Lenovo Neptune™** liquid cooling technology won the BIG Sustainability **Product of the Year Award**²



Social impact

- Recognized as a **2024 Best Place to Work for Disability Inclusion** by the Disability Equality Index³
- Achieved **'Ambassador' Status** in 2024 Workplace Pride Global Benchmark⁴



Governing with integrity

- **Maintained an AA rating** in the 2024 Hang Seng Corporate Sustainability Index⁵
- **2024 Asia's Top Treasury Team** by Adam Smith

¹Lenovo Intelligent Sustainability Solutions Advisor (LISSA) is an AI-powered sustainability engine that informs IT sustainability strategies through data intelligence. Personalized Approach to IT Decarbonization: LISSA provides unique data insights tailored to the customer's install base, offering optimized IT solutions and opportunities

²BIG Sustainability Awards program showcases organizations, products, people, and initiatives that prioritize sustainability as a core business element.

³Lenovo has ranked on the index in the US for four years, and 2024 marks the first time Lenovo has been recognized in the United Kingdom and Brazil as well, with scores of 100 for the three countries in 2024.

⁴Workplace Pride is the international platform for LGBTQ+ in the workplace. "Ambassador" status is given to organizations that score between 70% and 90%.

⁵Hang Seng Corporate Sustainability Index evaluates a company's performance on seven subjects. Among 550 Hong Kong-listed companies, Lenovo received the strongest score in the IT industry for its environmental achievements.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



Outlook

Group Mission is to Lead and Enable Intelligent Transformation

- *Improve net income margin in the medium-term; Leverage Digital Transformation to drive secular growth*
- *Strategically positioned for Hybrid AI revolution with products and services from device to edge to cloud*
- *Confident of continued growth momentum across all three business groups with improved profitability*

IDG: Maintain #1 Position in PC with Leading Profitability and Accelerate Non-PC Growth

- Continue to invest in innovation and accelerate AI PC transition to ensure premium-to-market growth and leading industry position
- Execute smartphone growth plan with increasing premium mix with foldable Moto Razr, Moto Edge and AI development
- Optimize operational efficiency to ensure leading profitability while developing non-PC business and device collaboration

ISG: Continue to Drive Hypergrowth and Ever-improving Profitability

- Deliver differentiated technology solutions in general purpose server computing, hybrid cloud, High Performance Computing, data management, AI and edge computing, all featuring an “As a Service” option
- Make AI an essential element in everything Lenovo does to drive growth
- Leverage unique ODM+ business and manufacturing model to capture demand and improve profitability

SSG: Serve as a New Growth Engine with High Profitability

- Drive scalable growth and profitability with a focus on key verticals and building repeatable solutions with Lenovo’s IPs
- Capture strong demand for hybrid working, hybrid cloud, and sustainability services
- Increase penetration in the commercial PC and ESMB infrastructure segments
- Establish TruScale as a comprehensive as-a-Service portfolio to capture fast-growing demand

Supplemental Financial Materials

- Financial Summary
- Condensed Consolidated Income Statement
- Condensed Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement
- Supplemental Non-HKFRS Measures

Financial Summary

US\$ Million	Q2 23/24	Q2 24/25	Y/Y%
Revenue	14,410	17,850	24%
Gross profit	2,522	2,796	11%
Operating expenses	(2,008)	(2,145)	7%
Operating profit	514	651	27%
Operating profit (non-HKFRS)	512	692	35%
Other non-operating expenses	(156)	(178)	13%
Profit before taxation	358	473	32%
Profit before taxation (non-HKFRS)	357	516	45%
Taxation	(69)	(90)	31%
Profit for the period	289	383	33%
Profit for the period (non-HKFRS)	285	423	48%
Profit attributable to			
Other non-controlling interests	40	24	-38%
Equity holders of the Company	249	359	44%
Equity holders of the Company (non-HKFRS)	273	404	48%
EPS (US cents)			
Basic	2.09	2.92	40%
Diluted	1.99	2.78	40%
Dividend (HKD cents)	8.00	8.50	
	Q2 23/24	Q2 24/25	
Gross margin	17.5%	15.7%	
Operating margin	3.6%	3.6%	
E/R ratio	13.9%	12.0%	
PTI margin	2.5%	2.7%	
Net margin	1.7%	2.0%	

Condensed Consolidated Income Statement

US\$ Million	Q2 23/24	Q2 24/25
Revenue	14,410	17,850
Cost of sales	(11,888)	(15,054)
Gross profit	2,522	2,796
Selling and distribution expenses	(792)	(868)
Administrative expenses	(638)	(747)
Research and development expenses	(498)	(548)
Other operating income/(expenses) – net	(80)	18
Operating profit	514	651
Finance income	42	29
Finance costs	(190)	(199)
Share of losses of associates and joint venture	(8)	(8)
Profit before taxation (PTI)	358	473
Taxation	(69)	(90)
Profit for the period	289	383
Profit attributable to		
Other non-controlling interests	40	24
Equity holders of the Company	249	359
Per share data		
Earnings per share (US cents) – Basic	2.09	2.92
Earnings per share (US cents) – Diluted	1.99	2.78

Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	As of Sept 30, 2023	As of Sept 30, 2024
Current assets	23,409	28,206
Bank deposits and cash	3,799	4,239
Trade, notes and other receivables	12,935	14,377
Inventories	6,170	9,119
Others	505	471
Non-current assets	15,848	16,258
Property, plant and equipment	1,972	2,020
Intangible assets	8,175	8,258
Others	5,701	5,980
Current liabilities	27,055	32,682
Borrowings	293	1,028
Trade, notes, other payables, accruals and provisions	24,840	29,486
Deferred revenue	1,557	1,556
Others	365	612
Non-current liabilities	6,623	5,691
Borrowings	3,639	2,616
Deferred revenue	1,370	1,557
Others	1,614	1,518
Total equity	5,579	6,091

Condensed Consolidated Cash Flow Statement

US\$ Million	Q2 23/24	Q2 24/25
Net cash generated from operating activities	454	987
Net cash used in investing activities	(469)	(205)
Net cash used in financing activities	(575)	(627)
(Decrease)/increase in cash and cash equivalents	(590)	155
Effect of foreign exchange rate changes	(28)	113
Cash and cash equivalents at the beginning of the period	4,355	3,911
Cash and cash equivalents at the end of the period	3,737	4,179

Supplemental Non-HKFRS Measures

US\$ Million	Q2 23/24				Q2 24/25			
	Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders	Operating profit	Profit before taxation	Profit for the period	Profit attributable to equity holders
As reported	514	358	289	249	651	473	383	359
Non-HKFRS adjustments								
Net fair value changes on financial assets at fair value through profit or loss	(46)	(46)	(40)	(12)	(20)	(20)	(14)	(9)
Amortization of intangible assets resulting from mergers and acquisitions	42	43	34	34	41	43	34	34
Mergers and acquisitions related charges	2	2	2	2	-	-	-	-
Impairment of intangible assets	-	-	-	-	20	20	20	20
Non-HKFRS	512	357	285	273	692	516	423	404

**Smarter
technology
for all**

Lenovo

thanks.