

**Smarter technology for all**

# **Q3FY25 Earnings Announcement**

Feb 20, 2025

**Lenovo**

# Forward-Looking Statement

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**Smarter technology for all**

# **Yuanqing Yang**

**Chairman & CEO**

February 20, 2025

**Lenovo**



Strong growth  
across core businesses



Significant increase  
of group revenue & profit



Well positioned  
as Hybrid AI leader



**Group:**  
Strong growth of  
revenue & profit,  
Hybrid AI landing  
accelerates

## Performance

- Revenue **\$18.8 billion**, up **20%** YTY, double-digit YTY growth for 3 consecutive quarters
- Net income (HKFRS) **\$693 million**, up **106%** YTY
- All businesses achieved double-digit YTY revenue growth
- Non-PC revenue mix up **4pts** YTY to more than **46%**
- R&D investment increased **14%** YTY, winning record number of awards for AI device innovation at CES 2025

# Group:

## Strong growth of revenue & profit, Hybrid AI landing accelerates

### Opportunities & Sustainable growth



#### Hybrid AI creating huge opportunities for devices, infrastructure, solutions & services

- New model driving AI democratization and application
- On-device AI, Edge AI & AI deployment in enterprises accelerating



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

- Constantly improving full-stack AI capabilities & portfolio
- **Personal AI:** initial success of 5-feature AI PC
- **Enterprise AI:** hybrid infrastructure & Lenovo Hybrid AI Advantage

# IDG

Intelligent Devices Group:

Double-digit  
revenue growth,  
Leading in AI devices



## Performance

- Revenue **\$13.8 billion**, up **12%** YTY
- Strong profitability, operating margin **7.3%**
- **PC**: revenue up **10%** YTY; market share **24.3%**; industry leading profitability; five-feature AI PC exceeding volume mix expectation in China
- **Smartphone**: revenue up **21%** YTY; hypergrowth in AP(+155% YTY), EMEA (+28% YTY); significant share gain in many markets

# IDG

Intelligent Devices Group:

**Double-digit  
revenue growth,  
Leading in AI devices**

## Opportunities & Sustainable growth



### **Hybrid AI creating growth opportunities for device market**

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



### **Lenovo driving AI devices innovation**

- Converge more powerful computing & more efficient models into AI devices
- Drive form factor innovation
- Optimize AI agent capabilities
- Enhance multi-device connectivity
- Build key applications ecosystem





# ISG

Infrastructure Solutions Group:

**Fast growth,  
Breaking even,  
Heading toward  
profitable growth**

## Performance

- Revenue **\$3.9 billion**, record high, up **59%** YTY
- Returned to profitability
- CSP hypergrowth(+94% YTY) to reach historic high; E/SMB steady growth (+7% YTY)
- AI server generated steady revenue
- Neptune liquid cooling solutions expanded into wider verticals

# ISG

Infrastructure Solutions Group:

**Fast growth,**

**Breaking even,**

**Heading toward  
profitable growth**

## Opportunities & Sustainable growth



### **ICT market shifting to hybrid infrastructure**

- Hybrid infrastructure supported by “Client-Edge-Cloud(hybrid)-Network” architecture
- Server market grows at 12% CAGR 2024-2027
- AI compute growth accelerates



### **Lenovo driving full stack infrastructure**

- Execute the CSP+E/SMB strategy
- Simplify product portfolio
- Strengthen go-to-market capabilities
- Optimize E/SMB business models



# SSG

Solutions & Services Group:

**Record revenue &  
high profitability,  
Building Hybrid AI  
Advantage**

## Performance

- Revenue **\$2.3 billion**, up **12%** YTY, double-digit YTY growth for 15 consecutive quarters
- Operating margin **20%**
- Managed Services and Project & Solution Services revenue mix **59%**, up **5pts** YTY
- Built lighthouse cases of AI solutions for enterprise customers

# SSG

Solutions & Services Group:

**Record revenue & high profitability,  
Building Hybrid AI Advantage**

## Opportunities & Sustainable growth



### Hybrid AI driving solutions & services demand growth

- IT services market expected solid growth for mid-term (CAGR 9.4%, 2024-2027)
- AI services growth more than twice as fast as the overall market
- New opportunities for AI-native solutions & services



### Lenovo building Hybrid AI Advantage

- Build Hybrid AI Advantage framework capabilities

# From scaling to higher profitability



PC



Smartphone



Infrastructure solution

# Smarter AI for All



**Continuous investment  
on AI innovation**



**Operational  
Excellence**



**Strengthened  
globalization capabilities**



**Enriched  
brand equity**

**Smarter technology for all**

# **Wong Wai Ming**

**Chief Financial Officer**

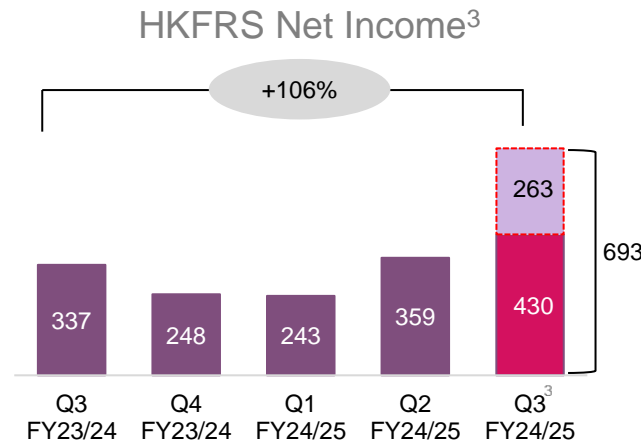
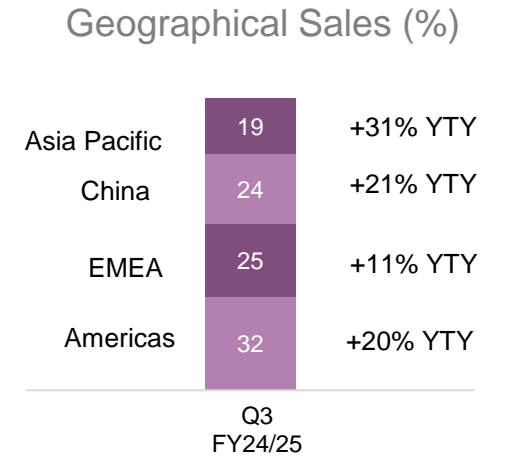
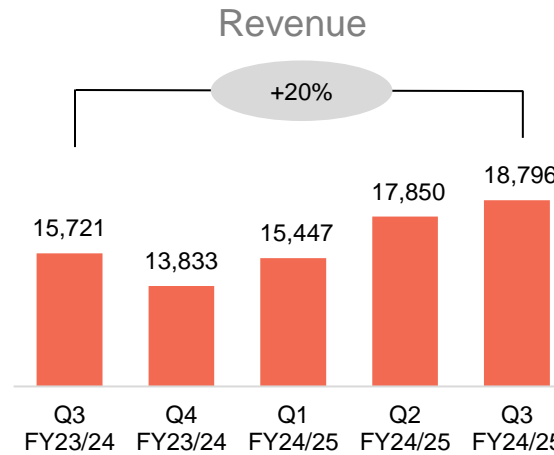
February 20, 2025

**Lenovo**

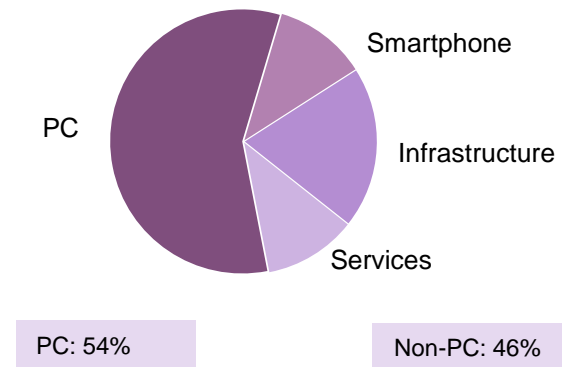
# Record Performances

- Group net income of US\$693M, 106% year-to-year growth
- Premium-to-market, double-digit YTY growth across business groups and geographies
- Diversified growth engines: Record smartphones sales<sup>1</sup>; Elevated to top-5<sup>2</sup> in global market excluding China
- ISG achieved strong growth and profitability, the 1<sup>st</sup> breakeven in seven quarters; Unique dual CSP and ESMB strategic focus optimizes growth & profitability opportunities
- Award-winning AI PCs and innovations for future growth; Better AI efficiency and cost-effectiveness to bolster Hybrid AI adoption

## Performance – Q3 FY24/25



Revenue contribution<sup>4</sup>



263 Non-HKFRS adjustments  
430 Non-HKFRS net income  
337 HKFRS net income

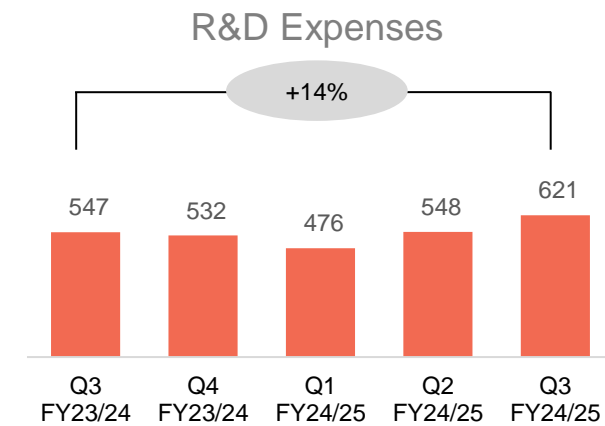
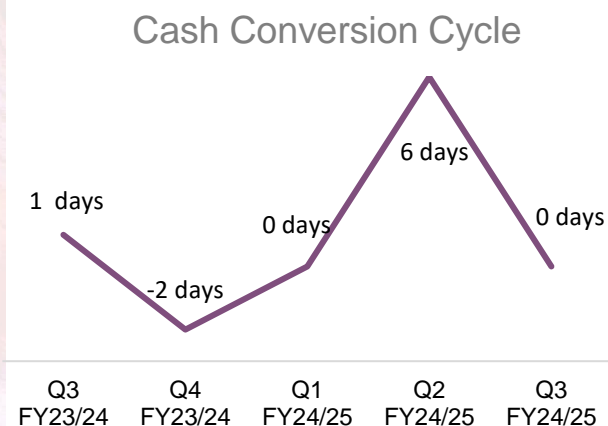
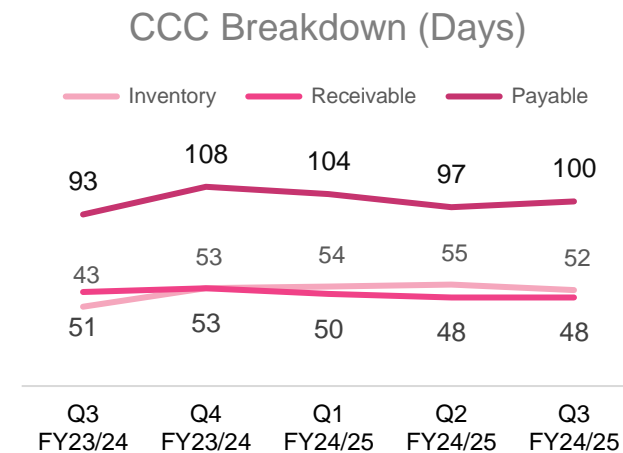
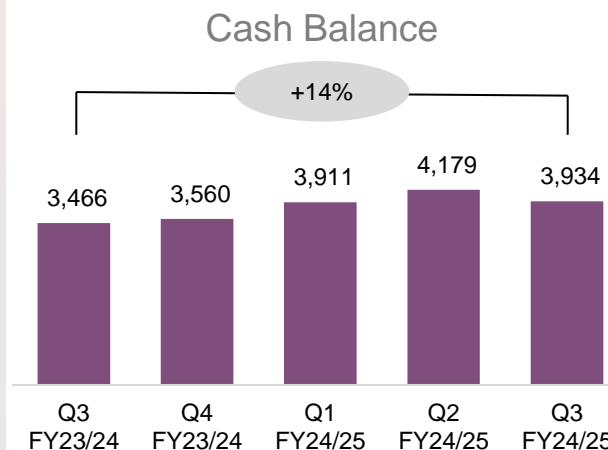
<sup>1</sup> Smartphone sales reached record sales of Q3. Global excluding China market; we achieved our best ranking in over five years, reaching No. 5, and recorded the highest YTY growth among the top five vendors. <sup>3</sup>Q3FY24/25 HKFRS Net Income includes non-recurring/non-cash items; details, please check P.27. <sup>4</sup> Non-PC revenue includes revenues from SSG, ISG and non-PC part of IDG.



# Strong Balance Sheet for Future Growth

- Strong business fundamentals and robust capital management drove YTY improvements and growth in
  - Cash balance approaching US\$4B
  - Cash conversion cycle
- Strong liquidity continued to support 14% YTY R&D spending growth
- Better financing cost efficiency to support revenue growth; Revenue growth of 20% YTY faster than financing cost up by 10% YTY
- Effective financing cost initiatives including optimized supply chain management

## Performance

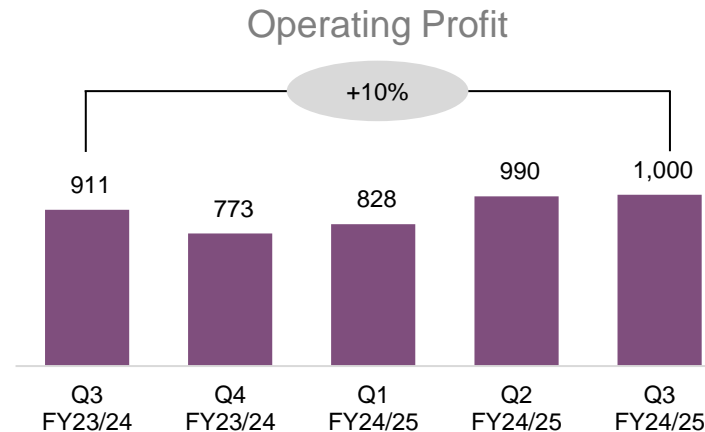
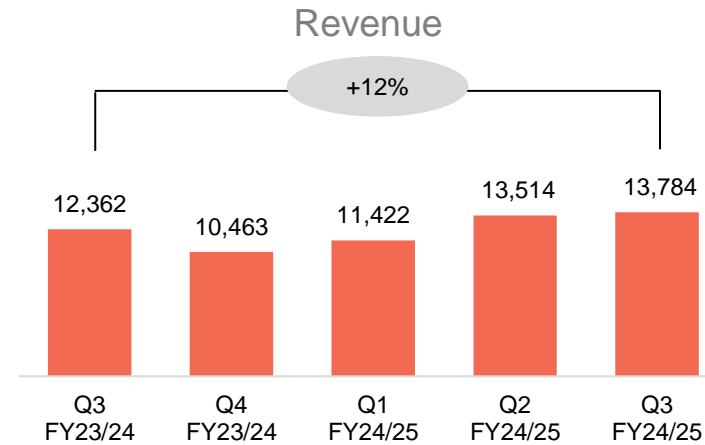


# IDG

## Intelligent Devices Group<sup>1</sup>

- Achieved 12% revenue growth YTY with a resilient, industry-leading 7.3% operating profit
- Highest PC market share in 5 years
- Smartphone sales grew by 21% YTY; Motorola's market share at a 5-year high<sup>2</sup>, with hypergrowth in Asia Pacific and EMEA<sup>3</sup>
- Record smartphone premium mix; growing premium PC mix thanks to strength in gaming and workstations
- Lenovo's 5-feature AI PCs<sup>4</sup> account for 15% of its PRC notebook sales; Proprietary AI Agent and enhanced multi-device connectivity to allow for a truly differentiated user experience

## Performance



# Highest

market share in PC and smartphone in 5 years<sup>2</sup>

# 30%+

Premium mix in PC and smartphone

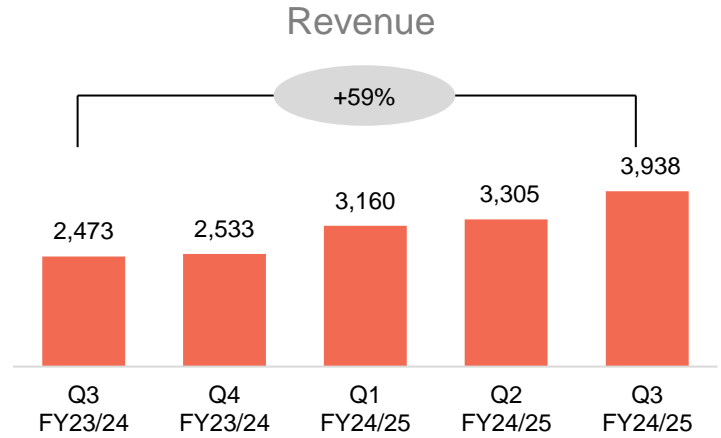
# Record

75 CES awards for first-of-its-kind rollable AI PC, ThinkBook Plus Gen 6

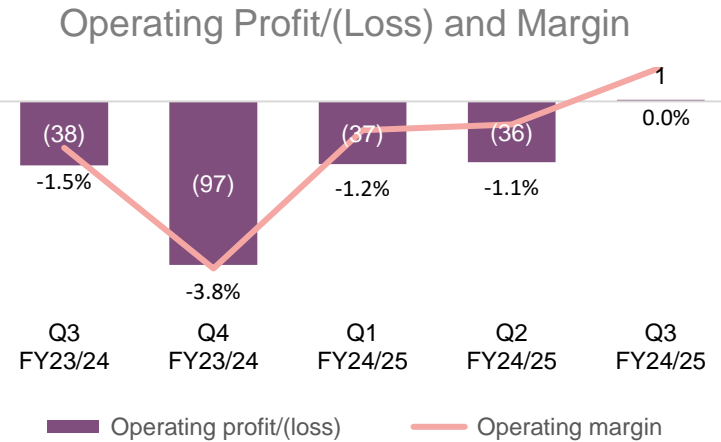
<sup>1</sup> Consists of PC, tablet, smartphone, and smart devices business. <sup>2</sup>We reached highest market share in PC in 5 years; Smartphone market share in Non-China market reached record high than any of our Q3FY. <sup>3</sup> EMEA: Europe, the Middle East and Africa. <sup>4</sup>AI PC five 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.

- 59% YTY revenue hypergrowth with profitability turnaround
- Outstanding CSP growth to a record high; Solid execution of the right strategy to capture profitable high-growth opportunity, through unique ODM+ model for optimal scale
- Strong progress in ESMB performance through strategic initiatives
- Growing AI server revenue contribution; Expanded Neptune liquid-cooling technology adoption across vertical industries beyond supercomputing
- Announced definitive agreement to acquire Infinidat Ltd, with regulatory approval expected 2H in 2025

# Performance



**90%+**  
 YTY growth on CSP revenue for 3 consecutive quarters

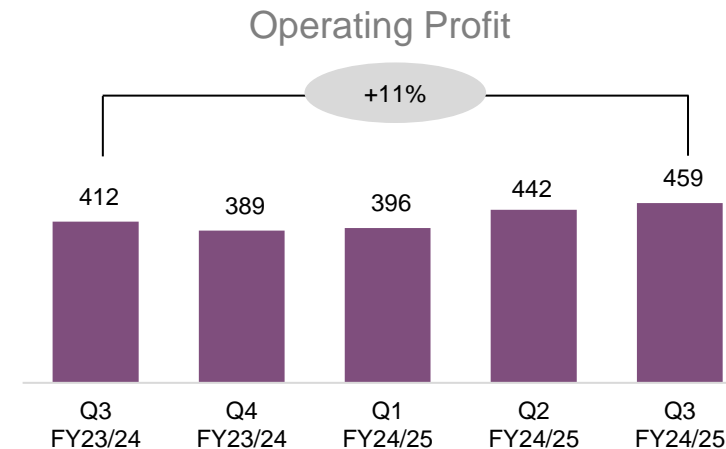
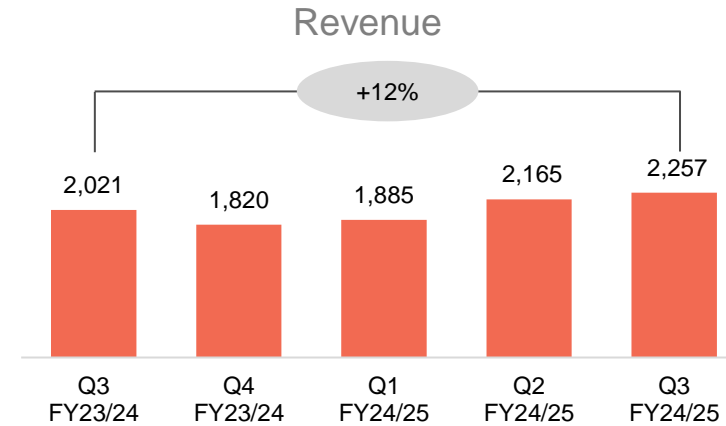


**Profitable**  
 Growth: Successful turnaround with segment profit up by \$39M YTY

**40%**  
 potential energy reduction enabled by Neptune Liquid Cooling Technology

- Quarterly revenue hit a record high, making 15<sup>th</sup> consecutive quarters YTY growth with healthy operating margin at 20%+
- AI-powered portfolio continue to drive momentum for attached services with elevated hardware user experience
- Lenovo Hybrid AI Advantages suite of offerings resonate with market demand and drive premium to market growth across TruScale as-a-Service, Hybrid Cloud Services and Digital Workplace Solutions.

## Performance



**Record**  
Revenue and profit

**15th**  
consecutive quarter  
of double-digit revenue  
YTY growth

**59%**  
of SSG's revenue from  
non-hardware-tied  
business

# 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*
- *Strategic partnership with Alcatel further enhance our balance sheet and support future growth*

### 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	Q3 23/24	Q3 24/25	Y/Y%
Revenue	15,721	<b>18,796</b>	20%
Gross profit	2,601	<b>2,959</b>	14%
Operating expenses	(1,988)	<b>(2,271)</b>	14%
Operating profit	613	<b>688</b>	12%
Operating profit (non-HKFRS)	630	<b>708</b>	12%
Other non-operating income/ (expenses) - net	(142)	<b>(171)</b>	20%
Profit before taxation	471	<b>517</b>	10%
Profit before taxation (non-HKFRS)	489	<b>539</b>	10%
Taxation	(94)	<b>184</b>	-295%
Profit for the period	377	<b>701</b>	86%
Profit for the period (non-HKFRS)	390	<b>445</b>	14%
Profit attributable to			
Other non-controlling interests	40	<b>8</b>	-80%
Equity holders of the Company	337	<b>693</b>	106%
Equity holders of the Company (non-HKFRS)	357	<b>430</b>	20%
EPS (US cents)			
Basic	2.81	<b>5.66</b>	101%
Diluted	2.64	<b>5.35</b>	103%
	Q3 23/24	Q3 24/25	
Gross margin	16.5%	<b>15.7%</b>	
Operating margin	3.9%	<b>3.7%</b>	
E/R ratio	12.6%	<b>12.1%</b>	
PTI margin	3.0%	<b>2.8%</b>	
Net margin	2.1%	<b>3.7%</b>	

# Condensed Consolidated Income Statement

US\$ Million	Q3 23/24	Q3 24/25
Revenue	15,721	<b>18,796</b>
Cost of sales	(13,120)	<b>(15,837)</b>
Gross profit	2,601	<b>2,959</b>
Selling and distribution expenses	(869)	<b>(954)</b>
Administrative expenses	(591)	<b>(710)</b>
Research and development expenses	(547)	<b>(621)</b>
Other operating income/(expenses) – net	19	<b>14</b>
Operating profit	613	<b>688</b>
Finance income	35	<b>27</b>
Finance costs	(174)	<b>(193)</b>
Share of losses of associates and joint venture	(3)	<b>(5)</b>
Profit before taxation (PTI)	471	<b>517</b>
Taxation	(94)	<b>184</b>
Profit for the period	377	<b>701</b>
Profit attributable to		
Other non-controlling interests	40	<b>8</b>
Equity holders of the Company	337	<b>693</b>
<b>Per share data</b>		
Earnings per share (US cents) – Basic	2.81	<b>5.66</b>
Earnings per share (US cents) – Diluted	2.64	<b>5.35</b>



# Condensed Consolidated Balance Sheet

<i>US\$ Million</i>	As of Dec 31, 2023	As of Dec 31, 2024
Current assets	23,228	<b>28,575</b>
Bank deposits and cash	3,533	<b>4,071</b>
Trade, notes and other receivables	13,088	<b>14,542</b>
Inventories	6,219	<b>9,148</b>
Others	388	<b>814</b>
Non-current assets	16,276	<b>16,147</b>
Property, plant and equipment	2,009	<b>2,002</b>
Intangible assets	8,519	<b>8,026</b>
Others	5,748	<b>6,119</b>
Current liabilities	26,701	<b>32,904</b>
Borrowings	57	<b>1,057</b>
Trade, notes, other payables, accruals and provisions	24,534	<b>29,431</b>
Deferred revenue	1,583	<b>1,605</b>
Others	527	<b>811</b>
Non-current liabilities	6,690	<b>5,677</b>
Borrowings	3,564	<b>2,621</b>
Deferred revenue	1,443	<b>1,545</b>
Others	1,683	<b>1,511</b>
Total equity	6,113	<b>6,141</b>

# Condensed Consolidated Cash Flow Statement

US\$ Million	Q3 23/24	Q3 24/25
Net cash generated from operating activities	364	<b>344</b>
Net cash used in investing activities	(364)	<b>(335)</b>
Net cash used in financing activities	(324)	<b>(99)</b>
Decrease in cash and cash equivalents	(324)	<b>(90)</b>
Effect of foreign exchange rate changes	53	<b>(155)</b>
Cash and cash equivalents at the beginning of the period	3,737	<b>4,179</b>
Cash and cash equivalents at the end of the period	3,466	<b>3,934</b>

# Supplemental Non-HKFRS Measures

US\$ Million	Q3 23/24				Q3 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
<b>As reported</b>	613	471	377	337	<b>688</b>	<b>517</b>	<b>701</b>	<b>693</b>
Non-HKFRS adjustments								
Net fair value changes on financial assets at fair value through profit or loss	(25)	(25)	(21)	(14)	<b>(32)</b>	<b>(32)</b>	<b>(24)</b>	<b>(31)</b>
Amortization of intangible assets resulting from mergers and acquisitions	42	43	34	34	<b>28</b>	<b>30</b>	<b>26</b>	<b>26</b>
Impairment and write-off of intangible assets	-	-	-	-	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
One-time income tax credit	-	-	-	-	-	-	<b>(282)</b>	<b>(282)</b>
<b>Non-HKFRS</b>	630	489	390	357	<b>708</b>	<b>539</b>	<b>445</b>	<b>430</b>

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technology  
for all**

**Lenovo**

**thanks.**