

# LENOVO GROUP: THIRD QUARTER RESULTS 2023/24



## Lenovo resumes year-on-year revenue growth – performance driven by resilience of core businesses and effectiveness of transformation

**February 22, 2024**– **Lenovo Group Limited** (HKSE: 992) (ADR: LNVGY), together with its subsidiaries (‘the Group’), today announced third quarter results reporting Group revenue increasing 3% year-on-year to US\$15.7 billion, and Group profitability improving quarter-to-quarter for the second time in a row. Net income was US\$357 million on a non-Hong Kong Financial Reporting Standards (non-HKFRS)<sup>[1]</sup> basis, with net income margin up 0.4% quarter-to-quarter to 2.3%. The Group’s diversified growth engines continued to deliver strong performance, with revenue from non-PC businesses accounting for 42% of Group revenue, up 1.3 points year-on-year.

The consistent quarter-to-quarter improvements over past quarters have been driven by the resilience of the Group’s core businesses and the wider effectiveness of its ongoing transformation. The SSG business hit an important milestone of passing the US\$2 billion revenue threshold, achieved a record high operating profit with operating margin of over 20% and grew revenue from managed services and project and solution services year-on-year for 11 straight quarters. Overall, the IDG business resumed revenue growth, outperformed the market and achieved year-on-year shipment growth for PCs, and maintained its industry-leading profitability. The ISG business delivered quarter-to-quarter revenue growth and reached a record high US\$1 billion revenue for its storage, software, and services businesses.

### Financial Highlights:

	Q3 FY 23/24 US\$ millions	Q3 FY 22/23 US\$ millions	Change
<b>Group Revenue</b>	<b>15,721</b>	15,267	3%
<b>Pre-tax income</b>	<b>471</b>	605	(22%)
<b>Net Income</b> (profit attributable to equity holders)	<b>337</b>	437	(23%)
<b>Net Income</b> (profit attributable to equity holders – non-HKFRS) <sup>[1]</sup>	<b>357</b>	447	(20%)
<b>Basic earnings per share</b> (US cents)	<b>2.81</b>	3.65	(23%)

### Chairman and CEO quote – Yuanqing Yang:

“Last quarter, we delivered on our promise and resumed year-on-year revenue growth, driven by both the resilience of our core businesses and the effectiveness of the service-led transformation. Looking ahead, our commitment to AI innovation, our pocket-to-cloud computing capabilities, full stack portfolio of smart devices, smart infrastructure, smart solutions and services, combined with our partnerships with other key leaders in AI, will ensure that we are well-positioned to capture the tremendous opportunities in AI.”

## Accelerating AI leadership

The Group is capitalizing on the significant growth opportunities afforded by the AI-era. In particular, the emerging trend of hybrid AI is directly driving the demand for AI PCs, a trend that will stimulate another industry refresh cycle as users require devices designed for more creativity and productivity. Alongside devices, hybrid AI is driving increased demand for hybrid infrastructure and customer demand for AI-native applications, solutions and services such as advisory, design, development and maintenance – fueling growth across multiple customer verticals.

To further build its unique position in the AI-era, Lenovo is continuing its investment commitments in innovation. R&D headcount is up year-to-year at more than 25% of Group headcount, with R&D expenses-to-revenue ratio for the full fiscal year on track to hit an all-time high. This ongoing investment, together with a full portfolio of AI-enabled, AI-ready, and AI-optimized devices, infrastructure, solutions and services, is the foundation of Lenovo's vision of 'AI for All' - changing the way individuals and enterprises live and work and will fuel future sustainable growth for the Group.

Recent AI announcements from the Group include a [partnership with Anaconda](#) to accelerate AI development and deployment of Lenovo's high-performance data science workstations, a [suite of AI-powered devices and solutions](#) announced at the annual CES show, [an expansion of its hybrid cloud platform for AI](#) with new ThinkAgile hyperconverged solutions and ThinkSystem servers, and a newly launched [cyber-resiliency as a service](#) (CRaaS) offering.

## Solutions and Services Group (SSG): Record revenue, record operating profit, driving AI solutions

### **Q3 FY23/24 performance:**

- Record revenue of US\$2.0 billion, with double digit year-on-year growth. Record high operating profit with operating margin of over 20%.
- Protected support services and software as the core profit engines for SSG.
- Further expanded managed services and project and solutions services, together now making up 55% of SSG's revenue, up 1.5 points year-on-year and growing consecutively year-on-year for 11 straight quarters.

### **Opportunities and Sustainable Growth:**

- SSG has strong momentum for its hero offerings, including Digital Workplace Solutions (DWS), Hybrid Cloud, and sustainability solutions and services.
- SSG focused its hero offerings to support specific vertical industries with smart solutions, winning major customer deals.
- Increasing customer demand of AI technology used in industry use cases - with accompanying services such as advisory, design, and deployment - fueling AI services growth across different verticals.

## Infrastructure Solutions Group (ISG): Capturing opportunities in AI infrastructure

### **Q3 FY23/24 performance:**

- ISG delivered quarter-to-quarter revenue growth for the second consecutive quarter.
- Combined revenue from storage, software, and services reached a record high of US\$1 billion.
- ISG expects to remain a solid #3 globally for both storage and AI infrastructure.

### **Opportunities and Sustainable Growth:**

- AI server is expected to grow nearly twice as fast as the total server market.
- ISG is growing key strategic partnerships to strengthen its portfolio competitiveness.
- The rise of AI is driving higher demand for smart infrastructure (better performance, smarter management, and lower energy consumption). Lenovo is unique with its comprehensive Edge to Cloud portfolio, AI Innovators program, and AI Innovation Centers delivering vertical and horizontal pre-validated solutions to the industry.

## Intelligent Devices Group (IDG): Resumed growth and solidified leadership

### **Q3 FY23/24 performance:**

- IDG delivered a strong quarter with revenue resuming growth thanks to a clear strategy, consistent investment in innovation, and operational excellence.
- Continued PC market recovery saw IDG outperforming the market and returning to year-on-year shipment growth with the highest market share since Covid at nearly 24%. North America excelled with year-on-year PC revenue growth of 20%.
- The non-PC devices business made encouraging progress. The smartphone and tablet businesses returned to high double-digit year-on-year shipment growth with a significant premium to the market of more than 20 points. Smartphone shipments were up 32% year-to-year – with hypergrowth in Asia Pacific, EMEA and North America.

### **Opportunities and Sustainable Growth:**

- The trend of hybrid AI will drive the demand for client devices and another refreshment cycle, creating growth potential and margin improvements.
- Lenovo has a unique opportunity to develop a fully unified AI experience that spans users' digital ecosystems, including PC, tablets, and smartphones.

## ESG highlights

Lenovo has been recognized for several ESG achievements over the past quarter, including:

- Maintaining [the highest possible score](#) in the annual MSCI ESG ratings with a AAA rating.
- Being [honored with a Gold award](#) in the annual Best Corporate Governance and ESG awards by the Hong Kong Institute of Certified Public Accountants.
- Included in the [Human Rights Campaign Foundation's 2023-2024 Corporate Equality Index](#) for the 6<sup>th</sup> consecutive year.
- Receiving its [highest score](#) in the annual Workplace Pride Global Benchmark.

[1] non-HKFRS measure was adjusted by excluding net fair value changes on financial assets at fair value through profit or loss, amortization of intangible assets resulting from mergers and acquisitions, mergers and acquisitions related charges; and the corresponding income tax effects, if any.

## About Lenovo

Lenovo is a US\$62 billion revenue global technology powerhouse, ranked #217 in the Fortune Global 500, employing 77,000 people around the world, and serving millions of customers every day in 180 markets. Focused on a bold vision to deliver smarter technology for all, Lenovo has built on its success as the world's largest PC company by further expanding into growth areas that fuel the advancement of 'New IT' technologies (client, edge, cloud, network, and intelligence) including server, storage, mobile, software, solutions, and services. This transformation together with Lenovo's world-changing innovation is building a more inclusive, trustworthy, and smarter future for everyone, everywhere. Lenovo is listed on the stock exchange of Hong Kong under Lenovo Group Limited (HKSE: 992)(ADR: LNVGY). To find out more visit <https://www.lenovo.com>, and read about the latest news via our [StoryHub](#).

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## LENOVO GROUP

### FINANCIAL SUMMARY For the quarter ended December 31, 2023 (in US\$ millions, except per share data)

	Q3 23/24	Q3 22/23	Y/Y CHG
Revenue	15,721	15,267	3%
Gross profit	2,601	2,612	(0)%
Gross profit margin	16.5%	17.1%	(0.6) pts
Operating expenses	(1,988)	(1,862)	7%
R&D expenses (included in operating expenses)	(547)	(579)	(6)%
Expenses-to-revenue ratio	12.6%	12.2%	0.4 pts
Operating profit	613	750	(18)%
Other non-operating income/(expenses) - net	(142)	(145)	(2)%
Pre-tax income	471	605	(22)%
Taxation	(94)	(123)	(23)%
Profit for the period	377	482	(22)%
Non-controlling interests	(40)	(45)	(11)%
Profit attributable to equity holders	337	437	(23)%
Profit attributable to equity holders- non-HKFRS [1]	357	447	(20)%
EPS (US cents)			
Basic	2.81	3.65	(0.84)
Diluted	2.64	3.44	(0.80)

