

# LENOVO GROUP: FIRST QUARTER FINANCIAL RESULTS 2024/25

## Lenovo delivers strong FY Q1 performance - improves profitability across all businesses, significant progress in capturing hybrid AI opportunities

**August 15, 2024 – Lenovo Group Limited** (HKSE: 992) (ADR: LNVGY), together with its subsidiaries (“the Group”), today announced Q1 results for fiscal year 2024/25, reporting profitability improvements across all areas of the business and making significant progress in capturing hybrid AI opportunities. Group revenue increased 20% year-on-year to US\$15.4 billion, net income was up 65% year-on-year to US\$315 million on a non-Hong Kong Financial Reporting Standards (non-HKFRS)<sup>[1]</sup> basis, and non-PC revenue mix was up five points year-to-year reaching a historic high of 47%. The Group’s results reflect its clear strategy and strong execution, persistent focus on innovation and operational excellence, as well as the advantages it reaps from being a globalized business.

The Group is both uniquely positioned and well-prepared to lead in an era of hybrid AI with its full-stack portfolio featuring AI devices like AI PCs, AI servers that support all major architectures, as well as rich AI native and AI embedded solutions and services. User feedback from Lenovo’s AI PCs, defined by five key characteristics, have been encouraging, with the first AI PCs having launched in May and many more to come during [IFA](#) and [Tech World](#) later this year. The Group is confident that it will lead the industry in market share for next-generation AI PCs, which overall are expected to be more than 50% of the PC landscape by 2027, as well as lead in seizing the enormous growth opportunities across the IT market. The Group continued its commitment to innovation, with R&D spending up 6% year-to-year to US\$476 million.

Looking ahead to growth, in May 2024 Lenovo [announced a strategic collaboration](#) with [Alat](#), a subsidiary of PIF, an investment in the form of convertible bonds from Alat, and a warrants issuance. These transactions will greatly benefit the Group’s efforts to accelerate its transformation through greater financial flexibility, seize the enormous business growth momentum in the Middle East, and further diversify and strengthen its supply chain footprint with a new manufacturing hub in the Middle East. The transactions are subject to shareholder and regulatory approvals.

### Chairman and CEO quote – Yuanqing Yang:

“The great start to our fiscal year has been driven by our clear strategy and strong execution, our persistent innovation and operational excellence, as well as our globalization advantages. Looking ahead, we are both well-prepared and uniquely positioned in the market with our full-stack AI portfolio to lead in the era of hybrid AI and seize the enormous growth opportunities across our entire business. I’m confident that, with a recovering ICT market, the combination of our solid performance and continued progress in hybrid AI will keep enabling us to achieve sustainable growth and profitability increases.”

The Lenovo logo is a red vertical rectangle with the word "Lenovo" written in white, oriented vertically from bottom to top.

## Financial Highlights:

	Q1 FY 24/25 US\$ millions	Q1 FY 23/24 US\$ millions	Change
<b>Group Revenue</b>	<b>15,447</b>	12,900	20%
<b>Pre-tax income</b>	<b>313</b>	228	37%
<b>Net Income</b> (profit attributable to equity holders)	<b>243</b>	177	38%
<b>Net Income</b> (profit attributable to equity holders – non-HKFRS) <sup>[1]</sup>	<b>315</b>	191	65%
<b>Basic earnings per share</b> (US cents)	<b>1.99</b>	1.48	0.51

### Intelligent Devices Group (IDG): Double-digit revenue growth with leading profitability, winning in personal AI

#### Q1 FY24/25 performance:

- IDG delivered a strong quarter of double-digit year-on-year revenue growth with revenue of US\$11.4 billion and almost 1 point improvement in operating margin year-on-year.
- The PC business retained in market leadership in both shipments and device activations, with [23% global market share](#) and a premium to the market in growth.
- Both the smartphone and tablet businesses delivered strong year-on-year revenue growth of around 30%, with hypergrowth in premium smartphones.

#### Opportunities and Sustainable Growth:

- IDG is encouraged by positive feedback from the initial launch of its AI PCs for the China market, with further global launches at IFA and Tech World later this year.
- The PC market is entering a new refresh cycle driven by AI PCs, with this category expected to grow to [represent over 50% of the total PC market](#) by 2027. The Group is confident it will lead the industry in market share for next-generation AI PCs.
- IDG will continue to deliver ground-breaking innovations across its portfolio to achieve the full potential of a personal AI agent, while at the same time leveraging and deepening its strategic partnerships to build a more diversified portfolio and richer ecosystem.

### Infrastructure Solutions Group (ISG): Hypergrowth with improved profitability, driving hybrid infrastructure

#### Q1 FY24/25 performance:

- Driven by strong growth in its Cloud Service Provider business, ISG delivered a record quarterly revenue of US\$3.2 billion, up 65% year-on-year, and narrowed operating losses both quarter-on-quarter and year-on-year.
- Combined revenue from storage, software and services achieved significant growth of 59% year-on-year, setting a new record.
- Revenue from ISG's Neptune™ liquid cooled servers grew more than 50%, driven by its unique sustainability benefits amidst the industry's growing AI workload needs.

**Opportunities and Sustainable Growth:**

- ISG is focused on driving the recovery of profitability by optimizing the business model for its enterprise and SMB business, in particular simplifying portfolios and improving operations.
- It will continue to leverage the industry-leading liquid cooling technology to meet growing AI workload demands, as well as the new growth opportunities in the market for AI servers and storage.
- In addition, ISG will continue to grow key strategic partnerships and build infrastructure platforms that support hybrid AI solutions.

**Solutions and Services Group (SSG): High margin with double-digit growth, building enterprise AI****Q1 FY24/25 performance:**

- SSG delivered its 13<sup>th</sup> consecutive quarter of double-digit year-on-year revenue growth, with revenue of US\$1.9 billion.
- Operating margin in Q1 was over 20% – strengthening its position as the Group’s growth engine and profit contributor.
- Managed services and project and solutions services revenue mix grew three points year-on-year to account for 55% of SSG’s revenue.

**Opportunities and Sustainable Growth:**

- AI services are expected to grow almost twice as fast as the market in general to become the primary driver of the IT services market over the next few years.
- Lenovo will continue to embed AI in its key offerings, such as Digital Workplace Solutions, Hybrid Cloud and Sustainability solutions.
- SSG will develop more AI native services to drive adoption and measurable ROI of AI for customers and accelerate their transformation.

**ESG and corporate highlights**

Achievements, announcements, and notable commitments over the past quarter include:

- Lenovo has been ranked as one of the world’s best supply chains, [ranking tenth in the list](#) of global companies across all industries with the most exceptional supply chains in the world in the Gartner Supply Chain Top 25 for 2024. The renowned annual ranking evaluates across multiple criteria including financial and corporate social responsibility data and community opinion.
- Lenovo has [appointed Doug Fisher as Chief Security and AI officer](#), expanding his existing remit of security to include overall AI governance including championing the Group’s corporate AI policy and working with its Responsible AI Committee.
- In July, Lenovo [announced the appointment of Dr. Tolga Kurtoglu as the group’s new Chief Technology Officer](#), succeeding Dr. Yong Rui in further accelerating the Group’s technology vision and AI leadership. At the same time, it also announced the formation of a new Emerging Technology Group that is charged with incubating and commercializing new technologies. The Emerging Technology Group is being led by Dr. Yong Rui.

[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, gain on deemed disposal of a subsidiary, impairment and write-off of intangible assets; and the corresponding income tax effects, if any.

The Lenovo logo is a red vertical rectangle with the word "Lenovo" written in white, oriented vertically from bottom to top.

## **About Lenovo**

Lenovo is a US\$57 billion revenue global technology powerhouse, ranked #248 in the Fortune Global 500, 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 with a full-stack portfolio of AI-enabled, AI-ready, and AI-optimized devices (PCs, workstations, smartphones, tablets), infrastructure (data center, storage, edge, high performance computing and software defined infrastructure), software, solutions, and services. Lenovo's continued investment in world-changing innovation is building a more equitable, trustworthy, and smarter future for everyone, everywhere. Lenovo is listed on the Hong Kong stock exchange 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](#).

## **Press Contacts**

**Hong Kong** – Angela Lee, [angelalee@lenovo.com](mailto:angelalee@lenovo.com), +852 2516 4810

**London** – Charlotte West, [cwest@lenovo.com](mailto:cwest@lenovo.com), +44 7825 605720

**Zeno Group** - [LenovoWWcorp@zenogroup.com](mailto:LenovoWWcorp@zenogroup.com)

**LENOVO GROUP**

**FINANCIAL SUMMARY**

**For the quarter ended June 30, 2024**  
(in US\$ millions, except per share data)

	<b>Q1 24/25</b>	<b>Q1 23/24</b>	<b>Y/Y CHG</b>
Revenue	15,447	12,900	20%
Gross profit	2,560	2,252	14%
Gross profit margin	16.6%	17.5%	(0.9) pts
Operating expenses	(2,066)	(1,862)	11%
R&D expenses (included in operating expenses)	(476)	(451)	6%
Expenses-to-revenue ratio	13.4%	14.4%	(1.0) pts
Operating profit	494	390	27%
Other non-operating income/(expenses) - net	(181)	(162)	12%
Pre-tax income	313	228	37%
Taxation	(60)	(45)	33%
Profit for the period	253	183	38%
Non-controlling interests	(10)	(6)	47%
Profit attributable to equity holders	243	177	38%
Profit attributable to equity holders- non-HKFRS [1]	315	191	65%
EPS (US cents)			
Basic	1.99	1.48	0.51
Diluted	1.92	1.43	0.49