

LENOVO GROUP: SECOND QUARTER FINANCIAL RESULTS 2024/25

Lenovo delivers robust, sustainable, and accelerated growth - focus on hybrid AI driving market differentiation and industry leadership

November 15, 2024 – **Lenovo Group Limited** (HKSE: 992) (ADR: LNVGY), together with its subsidiaries ('the Group'), today announced Q2 results for fiscal year 2024/25, reporting significant increases and growth in net income, year-on-year revenue growth for the 4th consecutive quarter, and strong double-digit year-on-year revenue increases from all its business groups. Group revenue increased 24% year-on-year to US\$17.9 billion. Net income was up 48% year-on-year to US\$404 million on a non-Hong Kong Financial Reporting Standards (non-HKFRS)⁽¹⁾ basis, and non-PC revenue mix was up five points year-to-year to 46%. The Group's results reflect its clear strategy, operational excellence, investment in R&D, innovations in hybrid AI, and global footprint.

The Group's hybrid AI strategy and years of continuous investment in R&D and innovations are paying off, with its first phase of AI PCs, launched in China in May 2024, already reaching double digit share of its total notebook shipments in the China market. Recent launches of [AI PCs](#) for the global market with [Lenovo AI Now](#) have also been received positively. For enterprise AI, the Group is leveraging its full-stack hybrid infrastructure as well as [Lenovo Hybrid AI Advantage](#) to capture growth opportunities. This relentless focus on AI innovation as well as investment in R&D (up 10% year-on-year to US\$548 million) is firmly establishing the Group's market differentiation and industry leadership.

Looking ahead to growth, Lenovo will drive continued innovation in hybrid AI to further accelerate growth and profitability increases and is optimistic its current momentum will continue through the rest of the fiscal year.

Lenovo's Board of Directors declared an interim dividend of 8.5 HK cents per share.

Chairman and CEO quote – Yuanqing Yang:

"Last quarter, we achieved strong, sustainable, and accelerated growth, marking another period of revenue expansion across all business groups. This significant momentum is driven by our clear strategy, innovation investment, operational excellence, and global presence, as well as our commitment to hybrid AI, where we are further strengthening our market differentiation and industry leadership. As we look ahead, we are confident that our ongoing innovation advancements in hybrid AI will continue to accelerate growth and profitability, propelling us forward for the rest of the fiscal year."

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

Financial Highlights:

	Q2 FY 24/25 US\$ millions	Q2 FY 23/24 US\$ millions	Change
Group Revenue	17,850	14,410	24%
Pre-tax income	473	358	32%
Net Income (profit attributable to equity holders)	359	249	44%
Net Income (profit attributable to equity holders – non-HKFRS) ^[1]	404	273	48%
Basic earnings per share (US cents)	2.92	2.09	0.83

Intelligent Devices Group (IDG): Significant growth and leading profitability, accelerating in personal AI

Q2 FY24/25 performance:

- IDG delivered a strong quarter of double-digit year-on-year revenue growth with revenue of US\$13.5 billion, up 17% year-on-year.
- The PC business expanded its market leadership to almost 24% market share, widening the lead to the number two player to four points and with AI PCs reaching double digit share of total notebook shipments for the Group in the China market.
- Both the smartphone and tablet businesses delivered high double-digit revenue growth, up 43% and 19% year-on-year respectively, with hypergrowth for smartphones in North America, EMEA and Asia Pacific markets.

Opportunities and Sustainable Growth:

- The PC market is expected to steadily recover and enter a new refresh cycle driven by AI PCs, gradually growing to represent around 80% of the PC industry landscape by 2027.
- The new development of AI technologies is also expected to drive a refresh in the smartphone market.
- IDG will continue to leverage its five-feature AI PCs to establish leadership in the AI PC market, while at the same time building a richer AI device portfolio.

Infrastructure Solutions Group (ISG): Hypergrowth, building hybrid AI infrastructure

Q2 FY24/25 performance:

- Driven by strong cloud momentum and recovering enterprise business, ISG set a new quarterly record, increasing revenue 65% year-on-year to US\$3.3 billion.
- Operating losses continued to narrow, with the business group on track to breakeven.
- Combined revenue from storage, software and services grew 35% year-on-year to a record high. Revenue from ISG’s Lenovo Neptune™ liquid-cooled servers grew 48% year-on-year.

Opportunities and Sustainable Growth:

- ISG will continue to strengthen the enterprise and SMB business model, including simplifying portfolios and improving operations, as well as diversifying Cloud Service Provider customers.
- It will continue to build differentiation with its industry-leading liquid cooling technology to meet the increasing performance and energy efficiency demands of AI workloads.
- In addition, ISG will continue to grow key strategic partnerships to develop hybrid AI infrastructure solutions.

Solutions and Services Group (SSG): High margin and double-digit growth, building hybrid AI Advantage**Q2 FY24/25 performance:**

- SSG extended its double-digit revenue growth streak to 14 straight quarters, with revenue of US\$2.2 billion and an operating margin of 20%.
- Revenue mix from managed services and project and solutions services grew three points year-on-year to account for nearly 60% of SSG's revenue.
- Hero offerings such as Digital Workplace Solutions, Hybrid Cloud, and Sustainability Solutions also delivered strong growth.

Opportunities and Sustainable Growth:

- The global IT services market is expected to see steady double-digit growth over the next three years, with AI services growing more than twice as fast as the market to become the primary driver of the IT services market.
- 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 for customers to adopt AI use cases and capture hybrid AI opportunities.

ESG and corporate highlights

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

- Lenovo has been ranked #1 on [Fast Company's sixth annual list of the 100 best places to work for innovators](#), and also topped the list of companies in the [artificial intelligence and robotics](#) category.
- ESG accolades and highlights include joining the [European Commission's AI Pact](#), maintaining a strong rating in the 2024 [Hang Seng Corporate Sustainability Index](#) where the Group received the highest environmental score in the IT industry, and achieving Ambassador status in the [2024 Workplace Pride Global Benchmark](#).
- Lenovo [recently named Ashley Gorakhpurwalla](#) to lead the Infrastructure Solutions Group. Ashley joined on November 11th following executive roles at Western Digital, Dell, and Compaq.

[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, impairment of intangible assets; and the corresponding income tax effects, if any.

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 (server, 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, +852 2516 4810

London – Charlotte West, cwest@lenovo.com, +44 7825 605720

Zeno Group - LenovoWWcorp@zenogroup.com

LENOVO GROUP LIMITED

FINANCIAL SUMMARY

For the quarter ended September 30, 2024

(in US\$ millions, except per share data)

	Q2 24/25	Q2 23/24	Y/Y CHG
Revenue	17,850	14,410	24%
Gross profit	2,796	2,522	11%
Gross profit margin	15.7%	17.5%	(1.8) pts
Operating expenses	(2,145)	(2,008)	7%
R&D expenses (included in operating expenses)	(548)	(498)	10%
Expenses-to-revenue ratio	12.0%	13.9%	(1.9) pts
Operating profit	651	514	27%
Other non-operating income/(expenses) - net	(178)	(156)	13%
Pre-tax income	473	358	32%
Taxation	(90)	(69)	31%
Profit for the period	383	289	33%
Non-controlling interests	(24)	(40)	(38)%
Profit attributable to equity holders	359	249	44%
Profit attributable to equity holders- non-HKFRS [1]	404	273	48%
EPS (US cents)			
Basic	2.92	2.09	0.83
Diluted	2.78	1.99	0.79

