Lenovo (0992.HK)

AI to drive growth ahead; TP up to HK$27; Buy

0992.HK	12m Price Target: **HK$27.00**	Price: **HK$15.75**	Upside: **71.4%**

BUY

Verena Jeng
+852-2978-1681 | verena.jeng@gs.com
Goldman Sachs (Asia) L.L.C.

Allen Chang
+852-2978-2930 | allen.k.chang@gs.com
Goldman Sachs (Asia) L.L.C.

Yifan Hu
+852-2978-0996 | yifan.hu@gs.com
Goldman Sachs (Asia) L.L.C.

Lenovo's strong Mar-Q (report link) echoes our positive view: (1) **impact from rising memory costs is manageable:** Lenovo, as the global PC leader, enjoys strong bargaining power across customers and suppliers, riding on both market share gains and higher ASP. In Mar-Q, Lenovo's PC shipment increased by 8.6% YoY, outperforming the global market's 2.5% YoY, with global market share up to 25.2%. IDG (mainly PCs and Smartphones) OPM sustained at 6.9% (vs. 6.8% in Mar-Q 2025), indicating that the impact from rising memory costs is manageable; (2) **AI servers in expansion with ISG OPM up to 3.6% in Mar-Q:** Lenovo's ASP of "servers priced above US$250k" increased to US$1.1m / US$1.4m in CY3Q25 / CY4Q25, reflecting its expansion toward AI training servers. The company also highlights that it has 11k racks of annual capacity for liquid-cooled AI server racks, indicating its future expansion toward AI servers. The OPM expansion reflects its disciplined cost control and continuous product mix upgrade; (3) **AI agents to drive both devices and infrastructure:** Lenovo's total solution across devices (AI PC, AI smartphone, AI glasses, AI necklace), infrastructure (AI servers, storage), and software empowers AI agents for both enterprises and personal consumers. Qira, the personal AI Super Agent, could serve across Lenovo's devices, offering proactive suggestions via monitor notifications, schedules, etc. For enterprises, Lenovo develops production-ready AI agents tailored for specific industries. We raise our 12m TP to HK$27 (15.7x CY2027E PE vs. 24% NI YoY in CY2027-28E on avg.) from HK$12.53. Maintain Buy.

Key Data

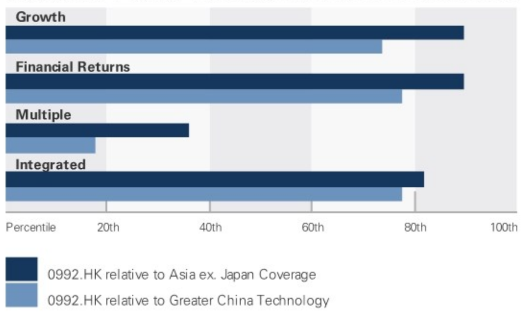
Market cap: HK$232.0bn / $29.6bn
Enterprise value: HK$232.8bn / $29.7bn
3m ADTV: HK$1.2bn / $149.4mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue ($ mn) New	**83,074.6**	**93,454.0**	**110,882.9**	**122,995.9**
Revenue ($ mn) Old	79,465.7	88,979.7	98,275.8	105,623.0
EBITDA ($ mn)	4,680.0	3,812.4	5,504.0	6,067.1
EPS ($) New	**0.16**	**0.12**	**0.23**	**0.23**
EPS ($) Old	0.12	0.15	0.20	0.20
P/E (X)	8.1	17.4	8.9	8.6
P/B (X)	2.5	3.5	2.8	2.3
Dividend yield (%)	3.4	2.2	2.2	2.2
CROCI (%)	1,011.5	205.9	105.8	81.1

	3/26	6/26E	9/26E	12/26E
EPS ($)	0.04	0.01	0.02	0.04

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

Lenovo (0992.HK)

Rating since May 31, 2023

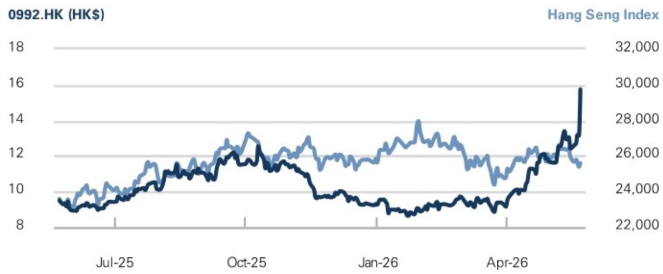
Ratios & Valuation

	3/26	3/27E	3/28E	3/29E
P/E (X)	8.1	17.4	8.9	8.6
P/B (X)	2.5	3.5	2.8	2.3
FCF yield (%)	20.6	9.7	4.7	20.8
EV/EBITDAR (X)	3.5	6.5	4.6	4.0
EV/EBITDA (excl. leases) (X)	3.5	6.5	4.6	4.0
CROCI (%)	1,011.5	205.9	105.8	81.1
ROE (%)	27.9	17.6	29.2	27.1
Net debt/equity (%)	(1.7)	(9.7)	(4.4)	(34.3)
Net debt/equity (excl. leases) (%)	(1.7)	(9.7)	(4.4)	(34.3)
Interest cover (X)	4.7	3.4	5.9	6.6
Days inventory outst, sales	43.2	45.7	44.7	44.0
Receivable days	54.9	57.0	56.0	55.0
Days payable outstanding	62.1	71.0	71.0	71.0
DuPont ROE (%)	22.6	15.0	23.6	22.1
Turnover (X)	1.5	1.6	1.7	1.9
Leverage (X)	6.8	6.1	5.4	4.4
Gross cash invested (ex cash) ($)	884.4	2,533.8	6,702.6	6,487.9
Average capital employed ($)	7,798.7	8,402.8	9,866.4	10,383.5
BVPS ($)	0.52	0.57	0.72	0.89

Growth & Margins (%)

	3/26	3/27E	3/28E	3/29E
Total revenue growth	20.3	12.5	18.6	10.9
EBITDA growth	30.6	(18.5)	44.4	10.2
EPS growth	38.4	(26.2)	96.1	2.9
DPS growth	(12.5)	0.0	0.0	0.0
EBIT margin	3.9	2.5	3.7	3.7
EBITDA margin	5.6	4.1	5.0	4.9
Net income margin	2.3	1.5	2.5	2.6

Price Performance



	3m	6m	12m
Absolute	70.8%	62.7%	64.6%
Rel. to the Hang Seng Index	76.2%	60.3%	51.3%

Source: FactSet. Price as of 22 May 2026 close.

Income Statement ($ mn)

	3/26	3/27E	3/28E	3/29E
Total revenue	83,074.6	93,454.0	110,882.9	122,995.9
Cost of goods sold	(70,265.4)	(79,043.2)	(93,568.6)	(103,975.0)
SG&A	(7,057.0)	(9,029.0)	(9,603.3)	(10,362.7)
R&D	(2,490.4)	(3,008.2)	(3,659.1)	(4,058.9)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**4,680.0**	**3,812.4**	**5,504.0**	**6,067.1**
Depreciation & amortization	(1,418.2)	(1,438.9)	(1,452.1)	(1,467.7)
EBIT	**3,261.7**	**2,373.5**	**4,051.9**	**4,599.4**
Net interest inc./(exp.)	(577.2)	(579.8)	(579.2)	(579.0)
Income/(loss) from associates	(14.7)	–	–	–
Pre-tax profit	**2,669.9**	**1,993.7**	**3,672.7**	**4,220.4**
Provision for taxes	(510.0)	(382.8)	(705.2)	(810.3)
Minority interest	(248.0)	(200.0)	(200.0)	(200.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**1,912.0**	**1,410.9**	**2,767.5**	**3,210.1**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**1,912.0**	**1,410.9**	**2,767.5**	**3,210.1**
EPS (basic, pre-except) ($)	**0.16**	**0.12**	**0.23**	**0.23**
EPS (diluted, pre-except) ($)	**0.13**	**0.10**	**0.19**	**0.19**
EPS (basic, post-except) ($)	**0.16**	**0.12**	**0.23**	**0.23**
EPS (diluted, post-except) ($)	**0.13**	**0.10**	**0.19**	**0.19**
DPS ($)	0.04	0.04	0.04	0.04
Div. payout ratio (%)	27.7	37.5	19.1	18.6

Balance Sheet ($ mn)

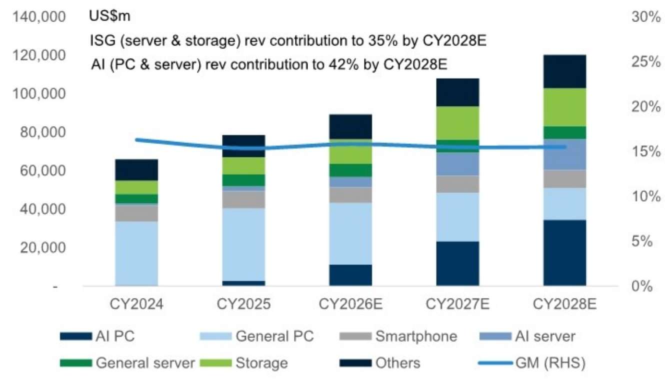
	3/26	3/27E	3/28E	3/29E
Cash & cash equivalents	4,887.2	5,650.1	5,263.5	9,718.4
Accounts receivable	14,502.7	14,685.6	19,338.7	17,728.5
Inventory	11,720.9	11,667.3	15,506.1	14,119.7
Other current assets	8,091.5	8,091.5	8,091.5	8,091.5
Total current assets	**39,202.3**	**40,094.5**	**48,199.8**	**49,658.2**
Net PP&E	2,323.9	2,173.2	1,809.8	1,444.0
Net intangibles	(4,768.1)	(4,026.3)	(3,284.1)	(2,528.5)
Total investments	267.0	267.0	267.0	267.0
Other long-term assets	20,104.0	18,527.7	16,950.4	15,346.6
Total assets	**57,129.1**	**57,036.1**	**63,942.9**	**64,187.2**
Accounts payable	15,338.4	15,412.6	20,989.4	19,461.1
Short-term debt	878.4	878.4	878.4	878.4
Short-term lease liabilities	–	–	–	–
Other current liabilities	25,140.7	24,000.0	23,000.0	22,000.0
Total current liabilities	**41,357.6**	**40,291.1**	**44,867.8**	**42,339.6**
Long-term debt	3,862.6	3,862.6	3,862.6	3,862.6
Long-term lease liabilities	–	–	–	–
Other long-term liabilities	3,465.3	3,465.3	3,465.3	3,465.3
Total long-term liabilities	**7,327.9**	**7,327.9**	**7,327.9**	**7,327.9**
Total liabilities	**48,685.5**	**47,619.0**	**52,195.8**	**49,667.5**
Preferred shares	–	–	–	–
Total common equity	7,635.0	8,408.5	10,538.6	13,111.2
Minority interest	**808.6**	**1,008.6**	**1,208.6**	**1,408.6**
Total liabilities & equity	**57,129.1**	**57,036.1**	**63,942.9**	**64,187.2**
Net debt, adjusted	(146.1)	(909.0)	(522.4)	(4,977.4)

Cash Flow ($ mn)

	3/26	3/27E	3/28E	3/29E
Net income	1,912.0	1,410.9	2,767.5	3,210.1
D&A add-back	1,418.2	1,438.9	1,452.1	1,467.7
Minority interest add-back	248.0	200.0	200.0	200.0
Net (inc)/dec working capital	(1,016.1)	(55.1)	(2,915.1)	1,468.3
Other operating cash flow	1,461.7	–	–	–
Cash flow from operations	**4,023.7**	**2,994.7**	**1,504.5**	**6,346.0**
Capital expenditures	(654.0)	(500.0)	(300.0)	(300.0)
Acquisitions	(881.0)	–	–	–
Divestitures	46.4	46.4	46.4	46.4
Others	(420.5)	–	–	–
Cash flow from investing	**(1,909.1)**	**(453.6)**	**(253.6)**	**(253.6)**
Repayment of lease liabilities	–	–	–	–
Dividends paid (common & pref)	(612.5)	(637.5)	(637.5)	(637.5)
Inc/(dec) in debt	(627.1)	0.0	–	–
Other financing cash flows	(715.9)	(1,140.7)	(1,000.0)	(1,000.0)
Cash flow from financing	**(1,955.5)**	**(1,778.2)**	**(1,637.5)**	**(1,637.5)**
Total cash flow	**159.0**	**762.9**	**(386.6)**	**4,454.9**
Free cash flow	3,369.7	2,494.7	1,204.5	6,046.0

Source: Company data, Goldman Sachs Research estimates.

Exhibit 1: Lenovo revenues by products and GM trend



Source: Company data, Goldman Sachs Global Investment Research

AI agents to drive both Devices and Infrastructure

We expect the growing AI applications to benefit Lenovo, given (1) the company's total solution across devices (PC, Smartphone, Wearable), infrastructure (Server, Storage), and software / services, and (2) PC is a portal to connect AI agent and users, and Lenovo is the largest global PC brand with continuous market share gain.

Lenovo AI Host: Lenovo launched AI Host in mid May in Beijing (link), aiming to start pre-sale on June 12. This AI host is a dedicated personal / household edge computing node designed to run foundation models locally 24/7. The P7 Host offers 190 TOPS local computing power, which could run foundation models up to 122B parameters locally. The Mini Host, which is priced at Rmb2,999 (US$441), offers 45 TOPS local computing power, which could run Cloud-Edge hybrid inference. The local Host reduces latency and secures personal privacy, allowing personal AI agents to run on local personal data with safety.

Lenovo Tianxi AI 4.0 was also introduced in mid May in Beijing (link), featuring a 1.7B multimodal memory model fully deployed locally, empowering offline intelligence with a personal knowledge base system. It allows the AI to autonomously decompose and execute complex tasks across multiple devices via agent-to-agent communication, without constant human intervention. We are positive on the development of personal AI agents as we expect them to drive AI adoption among individual users, supporting upside across both devices (e.g. AI PC, AI Smartphones, AI glasses) and infrastructure (e.g. AI Host, edge server), benefiting Lenovo.

AI agents for consumers – Qira: Lenovo introduced Qira in CES 2026 (link), a personal AI Super Agent across Lenovo's devices. For example, a task started on a ThinkPad can be seamlessly resumed on a Motorola Razr, with the agent carrying over the previous progress. Based on data from users' devices, Qira provides proactive suggestions, such as calendar invites, message replies, hotel bookings. Other key functions include chatbots, searching, translation, summarization, writing and image generation.

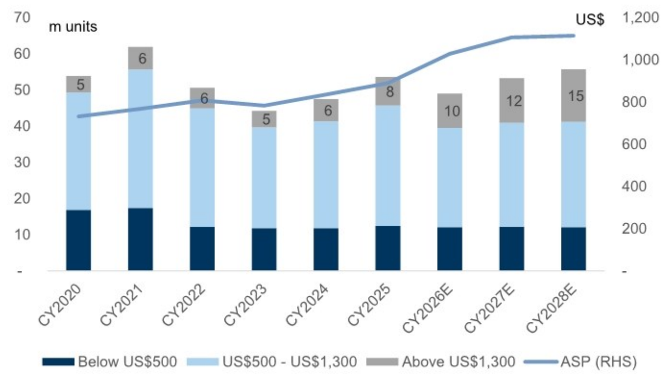
AI agents for enterprises – xIQ: Lenovo introduced xIQ in CES 2026 (link), a platform to manage the full lifecycle of AI agents within the enterprise: (1) Agent Platform: a no-code environment facilitating enterprises to develop specialized AI agents, (2) Digital workplace: an AI-native support layer to drive employee productivity, empowering employees with the tools and technologies they need to maximize productivity, and (3) Knowledge Super Agent: a specialized agent that integrates with private corporate data. Lenovo's AI Library also includes over 60 pre-validated, industry-specific AI agents, allowing enterprises to deploy AI agents within a week.

PC: Market share gain with product mix upgrade

Lenovo delivered strong Mar-Q with PC shipment market share gains and continuous product mix upgrade. The company's notebook priced above US$1,300 contributed up to 15% to shipments in CY2025 (vs. 10% in CY2023), with overall notebook blended ASP increasing by 7% / 6% YoY in CY2024 / 25.

In CY2026, we expect its notebook shipments to decline by 8% YoY as rising memory costs could weigh on end demand and the strong CY1H26 could be partially caused by consumption pull in. Nevertheless, with Lenovo's strong brand awareness and AI solutions, we expect memory costs to be partially passed through to end users and its product mix upgrade to continue: we expect notebook priced above US$1,300 to contribute 19% to shipments in CY2026E, and further to 26% in CY2028E, driving overall notebook blended ASP to grow at +4% CAGR in 2026-28E.

Exhibit 2: Lenovo notebook shipment and ASP trend



Source: Company data, Goldman Sachs Global Investment Research

With industry consolidation and consumption moving to AI PC, we expect Lenovo, as the largest global PC brand with comprehensive AI solutions, to continue to win market share: Lenovo's global notebook market share increased to 27% in CY2025 (vs. 24% in CY2023), and we expect it to stay at the high level of 27% through CY2028E.

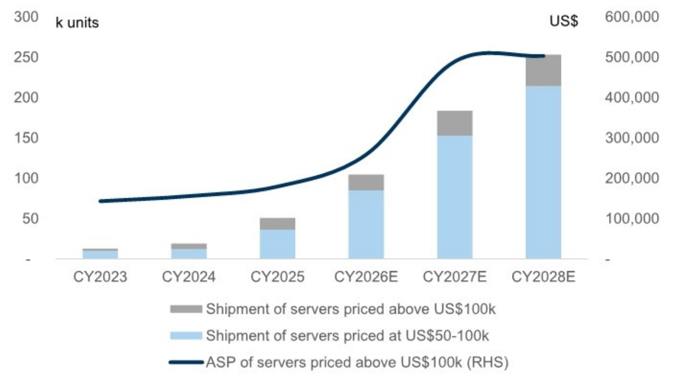
During the earnings call, management remained positive on its PC business in FY2027. Although rising memory costs could weigh on end market demand, leading to potential shipment decline, the company maintained its target of positive revenues growth driven by ASP (via pass through of memory costs) and continuous product mix upgrade. Management remain positive on their raw material inventory level and target to deliver industry-leading profitability via their strong supply chain management, large procurement scale, and diversified raw material suppliers. Lenovo is also targeting a rising penetration for PC, equipped with its Tianxi and Qira AI agents, thereby empowering user experiences.

Infrastructure: AI driving both Server & Storage

Lenovo delivered strong ISG (mainly servers and storage) revenues growth at +37% YoY in Mar-Q, with OPM up to 3.6% (vs. negative OPM in the past three quarters). The strong results reflect the rising demand across general servers, AI servers, and storage, along with the company's product mix upgrade and disciplined cost control. On AI servers, the company targets to start the shipment of next generation AI server racks, Rubin, in CY2H26, and has built an annual capacity of 70+ racks, of which 11k+ racks are directly liquid-cooled.

We are positive on Lenovo's servers product mix upgrade toward AI servers. Despite majority of Lenovo's servers shipment still priced below US$50k (mainly general servers), its blended ASP for servers priced above US$250k increased to US$1.1m / US$1.4m in CY3Q25 / 4Q25 (vs. US$576k in CY2Q25), reflecting their movement to high-end AI servers. We model the company's servers priced above US$250k shipment at 2k / 7k / 9k in CY2026-28E, driving its overall server revenues to increase by +37% CAGR in CY2026-28E, or 19% of total revenues by CY2028E. Considering Lenovo mainly serves tier-2 CSP and enterprises in AI servers, we expect the GM of AI servers would not be as low as ODMs who serve tier-1 CSPs across the US and China, supporting ISG profitability in coming years.

Exhibit 3: Lenovo AI servers shipment and high-end ASP



Source: Company data, Goldman Sachs Global Investment Research

On Storage, despite majority of Lenovo's storage shipment priced below US$50k, its blended ASP for storage priced above US$250k also increased to US$858k / US$898k in CY3Q25 / 4Q25 (vs. US$537k in CY2Q25), reflecting their movement to high-end storage for AI solutions. We expect the company's storage revenues to grow at +25% CAGR in CY2026-28E, driving the total ISG revenues contribution to 35% by CY2028E (vs. 23% in CY2025).

Lenovo completed the acquisition of Infinidat in Apr 2026, enhancing its position in the high-end enterprise storage market. According to management, Infinidat's architecture is specifically designed to handle the massive data throughput required for modern AI inferencing and large-scale analytic.

Earnings revisions

We raise non-HKFRS net income by 5% / 6% / 5% in FY2027-29E mainly on higher revenues and lower opex ratio. The revenues raise is mainly on AI PCs, AI servers, General servers, and Storage, reflecting our positive view on Lenovo's leading market position in PC and total solutions with generative AI driving its AI revenues across devices and infrastructure. In specific, we keep Lenovo's PC shipment largely unchanged but move the mix toward AI PC, driving ASP increase; on Servers & Storage, we model a higher market share (servers up to 8% global market share by CY2028E vs. 6% in CY2025; storage up to 9% global market share by CY2028E vs. 7% in CY2025) along with better product mix toward high-end models, driving the ASP increase.

On GM, we model a slight increase in FY2027E considering the better product mix and the company's strong capability of passing through rising memory costs to end users, along with sufficient inventory and large procurement scale securing the costs. In FY2028–29E, we reduce GM mainly to reflect competition in consumer electronics (e.g., smartphones) and in its Servers & Storage segment, which is shifting toward high-end models carrying increasingly expensive GPUs, as well as potential expansion to tier-1 CSP clients, who have much stronger bargaining power and customization requirements. We reduce the opex ratio to reflect the larger revenues scale to bring better operational efficiency. The company's adjusted opex ratio (removing non-cash items such as gain/loss on derivative financial liabilities) enhanced to 12.5% in Mar-Q (vs. 13.7% in Mar-Q 2025), and we expect its adjusted opex ratio to improve to 11-12% in FY2027-29E. We raise our adjusted opex ratio in FY2027 to reflect the higher R&D investments on AI.

Exhibit 4: Earnings revision

	FY2027E			FY2028E			FY2029E		
US$m	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	88,980	93,454	5%	98,276	110,883	13%	105,623	122,996	16%
GP	13,293	14,411	8%	15,813	17,314	9%	17,138	19,021	11%
OP	3,058	2,374	-22%	3,813	4,052	6%	4,340	4,599	6%
Adj. OP	3,658	3,474	-5%	4,413	4,452	1%	4,940	4,999	1%
Net income	1,805	1,411	-22%	2,397	2,768	15%	2,861	3,210	12%
NI (non-HKFRS)	2,546	2,671	5%	3,138	3,328	6%	3,601	3,770	5%
EPS (HKD, non-HKFRS)	1.33	1.41	6%	1.64	1.76	7%	1.89	1.99	6%
Margins									
GM	14.9%	15.4%		16.1%	15.6%		16.2%	15.5%	
OPM	3.4%	2.5%		3.9%	3.7%		4.1%	3.7%	
Adj. OPM	4.1%	3.7%		4.5%	4.0%		4.7%	4.1%	
NM (non-HKFRS)	2.9%	2.9%		3.2%	3.0%		3.4%	3.1%	

Source: Goldman Sachs Global Investment Research

Exhibit 5: Earnings revision by products

Revenues	FY2027E	FY2028E	FY2029E	GM	FY2027E	FY2028E	FY2029E
NEW	93,454	110,883	122,996	NEW	15.4%	15.6%	15.5%
AI PC	15,158	23,724	37,536	AI PC	16.3%	17.7%	17.6%
General PC	28,451	25,443	13,335	General PC	15.4%	16.8%	16.6%
Smartphone	8,242	8,805	9,295	Smartphone	12.1%	11.6%	11.1%
AI server	7,287	13,270	17,537	AI server	12.3%	11.2%	10.9%
General server	6,871	6,854	6,837	General server	12.6%	11.5%	11.5%
Storage	13,935	17,561	20,413	Storage	12.5%	11.2%	11.0%
Others	13,511	15,226	18,042	Others	22.7%	23.4%	23.3%
OLD	88,980	98,276	105,623	OLD	14.9%	16.1%	16.2%
AI PC	14,832	17,148	32,185	AI PC	16.0%	17.6%	17.4%
General PC	28,595	27,879	14,013	General PC	14.7%	16.5%	16.3%
Smartphone	8,330	9,895	11,334	Smartphone	12.2%	14.0%	14.2%
AI server	4,547	6,516	7,743	AI server	10.8%	11.0%	11.0%
General server	6,585	6,615	6,458	General server	10.8%	11.0%	11.0%
Storage	13,666	15,302	16,189	Storage	11.4%	11.5%	11.5%
Others	12,425	14,921	17,701	Others	23.7%	24.1%	23.8%
CHG	5%	13%	16%	CHG (NEW - OLD)	0.5%	-0.5%	-0.8%
AI PC	2%	38%	17%	AI PC	0.3%	0.1%	0.2%
General PC	-1%	-9%	-5%	General PC	0.7%	0.3%	0.3%
Smartphone	-1%	-11%	-18%	Smartphone	-0.2%	-2.4%	-3.1%
AI server	60%	104%	126%	AI server	1.5%	0.2%	-0.1%
General server	4%	4%	6%	General server	1.8%	0.5%	0.5%
Storage	2%	15%	26%	Storage	1.1%	-0.3%	-0.5%
Others	9%	2%	2%	Others	-1.0%	-0.7%	-0.5%

Source: Goldman Sachs Global Investment Research

Compared to Bloomberg consensus, our non-HKFRS net income is 40% / 50% higher in FY2027 / 28E mainly on higher revenues and GM, reflecting our positive view of Lenovo's total solutions in AI, driving its expansion across devices and infrastructure, along with product mix upgrade. The company's large scale and strong bargaining power could also better minimize the impact from rising raw material costs.

Exhibit 6: GS vs. Bloomberg consensus

	FY2027E			FY2028E		
US$m	GS	BB	Diff %	GS	BB	Diff %
Revenue	93,454	87,856	6%	110,883	95,511	16%
GP	14,411	13,298	8%	17,314	14,642	18%
NI (non-HKFRS)	2,671	1,903	40%	3,328	2,222	50%
Margins						
GM	15.4%	15.1%		15.6%	15.3%	
NM	2.9%	2.2%		3.0%	2.3%	

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Valuation

We continue to derive our target price via near term P/E and keep our base year at CY2027E. Our previous target PE multiple was derived from peers' low-end average P/E to reflect Lenovo's limited revenues exposure to AI servers, while we now move the target PE multiple to peers' avg. ratio of trading P/E to forward year fun... YoY and OPM), reflecting the upcoming AI agent trend that should drive... AI servers and Storage business. With peers' avg. ratio of 0.6x and Leno... EPS YoY of 24% and OPM of 3.7%, we derive a target PE multiple at 15.... previously). The 15.7x is at the higher end of the company's historical tr... (+1stv. at 12.6x and peak at 17.5x), reflecting our positive view of Leno... from consumer electronics to AI infrastructure. Our new target price is ...

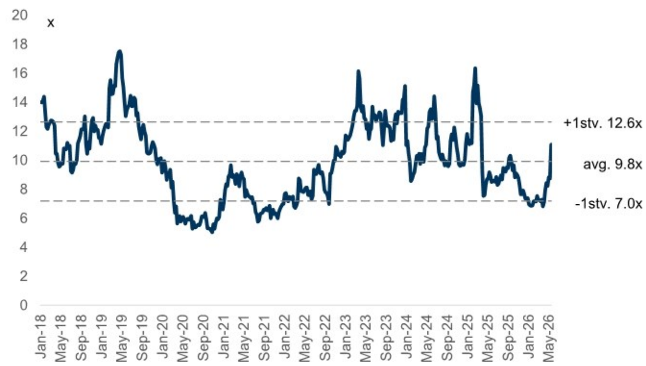
(15.7x CY2027E PE vs. 24% EPS YoY in CY2027-28E). Maintain Buy.

Exhibit 7: Lenovo peers comparison

Company	Lenovo	Dell	HP	Apple	ASUS
Ticker	992.HK	DELL	HPQ	AAPL	2357.TW
Rating	Buy	Buy	Sell	Buy	Neutral
2027E PE	9.0	19.7	9.0	32.0	11.0
2027-28E EPS YoY	24%	15%	7%	7%	13%
2027-28E OPM	3.7%	8.5%	6.9%	32.3%	6.0%
Ratio	0.3	0.8	0.6	0.8	0.6
Company	**Xiaomi**	**Transsion**	**Gigabyte**	**Supermicro**	**Inspur**
Ticker	**1810.HK**	**688036.SS**	**2376.TW**	**SMCI**	**000977.SZ**
Rating	**Buy**	**Sell**	**Neutral**	**Sell**	**Neutral**
2027E PE	18.5	12.6	12.9	10.9	21.2
2027-28E EPS YoY	27%	18%	17%	12%	36%
2027-28E OPM	7.5%	7.3%	5.0%	5.6%	2.1%
Ratio	0.5	0.5	0.6	0.6	0.6
AVG (excl. outliers)					**0.6**

Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 8: Lenovo 12M forward PE ratio



Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Financial tables

Exhibit 9: Lenovo P&L

US$m, FY	2024	2025	2026	2027E	2028E	2029E	1Q26	2Q26	3Q26	4Q26	1Q27E	2Q27E	3Q27E	4Q27E
Income statement														
Revenue	56,864	69,077	83,075	93,454	110,883	122,996	18,830	20,452	22,204	21,588	22,132	21,625	23,989	25,708
Gross profit	9,803	11,098	12,809	14,411	17,314	19,021	2,774	3,147	3,349	3,539	3,568	3,433	3,607	3,802
OP income	2,006	2,164	3,262	2,374	4,052	4,599	785	643	948	886	261	430	746	936
OP income, adjusted	2,006	2,282	3,031	3,474	4,452	4,999	632	791	762	846	861	730	846	1,036
Net income	1,011	1,384	1,912	1,411	2,768	3,210	505	340	546	521	84	221	476	630
Net income (non-HKFRS)	1,060	1,441	2,049	2,671	3,328	3,770	389	512	589	559	724	561	616	770
Diluted EPS (non-HKFRS), HKD	0.62	0.83	1.06	1.42	1.77	2.01	0.28	0.20	0.30	0.28	0.39	0.30	0.33	0.41
Ratios														
Opex ratio	13.7%	12.9%	11.5%	12.9%	12.0%	11.7%	10.6%	12.2%	10.8%	12.3%	14.9%	13.9%	11.9%	11.1%
Opex ratio, adjusted	13.7%	12.8%	11.8%	11.7%	11.6%	11.4%	11.4%	11.5%	11.6%	12.5%	12.2%	12.5%	11.5%	10.8%
Tax rate	19.3%	1.3%	19.1%	19.2%	19.2%	19.2%	13.6%	23.1%	20.8%	19.2%	19.2%	19.2%	19.2%	19.2%
Margins														
Gross margin	17.2%	16.1%	15.4%	15.4%	15.6%	15.5%	14.7%	15.4%	15.1%	16.4%	16.1%	15.9%	15.0%	14.8%
Operating margin	3.5%	3.1%	3.9%	2.5%	3.7%	3.7%	4.2%	3.1%	4.3%	4.1%	1.2%	2.0%	3.1%	3.6%
Operating margin, adjusted	3.5%	3.3%	3.6%	3.7%	4.0%	4.1%	3.4%	3.9%	3.4%	3.9%	3.9%	3.4%	3.5%	4.0%
Net margin	1.8%	2.0%	2.3%	1.5%	2.5%	2.6%	2.7%	1.7%	2.5%	2.4%	0.4%	1.0%	2.0%	2.4%
Net margin (non-HKFRS)	1.9%	2.1%	2.5%	2.9%	3.0%	3.1%	2.1%	2.5%	2.7%	2.6%	3.3%	2.6%	2.6%	3.0%
YoY														
Revenue	-8%	21%	20%	12%	19%	11%	22%	15%	18%	27%	18%	6%	8%	19%
Gross profit	-7%	13%	15%	13%	20%	10%	8%	13%	13%	27%	29%	9%	8%	7%
OP income	-25%	8%	51%	-27%	71%	14%	59%	-1%	38%	167%	-67%	-33%	-21%	6%
OP income, adjusted	-25%	14%	33%	15%	28%	12%	28%	22%	11%	88%	36%	-8%	11%	22%
Net income	-37%	37%	38%	-26%	96%	16%	108%	-5%	-21%	479%	-83%	-35%	-13%	21%
Net income (non-HKFRS)	-44%	36%	42%	30%	25%	13%	24%	27%	37%	91%	86%	10%	5%	38%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: Lenovo balance sheet

US$m, FY	2024	2025	2026	2027E	2028E	2029E
Balance Sheet						
Cash and equivalents	3,560	4,728	4,887	5,650	5,263	9,718
Accounts receivable	8,148	10,507	14,503	14,686	19,339	17,729
Inventory	6,703	7,924	11,721	11,667	15,506	14,120
Other current assets	4,277	4,746	8,092	8,092	8,092	8,092
Current assets	**22,687**	**27,904**	**39,202**	**40,095**	**48,200**	**49,658**
Net PP&E/Fixed assets	2,010	2,026	2,324	2,173	1,810	1,444
Net intangibles	8,345	8,233	7,921	7,086	6,251	5,403
Other long-term assets	5,708	6,067	7,682	7,682	7,682	7,682
Non-current assets	**16,064**	**16,327**	**17,927**	**16,942**	**15,743**	**14,529**
Total assets	**38,751**	**44,231**	**57,129**	**57,036**	**63,943**	**64,187**
Accounts payable	8,474	8,561	15,338	15,413	20,989	19,461
Short-term debt	50	1,030	878	878	878	878
Other current liabilities	17,535	20,402	25,141	24,000	23,000	22,000
Current liabilities	**26,059**	**29,994**	**41,358**	**40,291**	**44,868**	**42,340**
Long-term debt	3,569	4,338	3,863	3,863	3,863	3,863
Other long-term liabilities	3,041	3,239	3,465	3,465	3,465	3,465
Non-current liabilities	**6,611**	**7,577**	**7,328**	**7,328**	**7,328**	**7,328**
Total liabilities	**32,670**	**37,571**	**48,685**	**47,619**	**52,196**	**49,667**
Common stock	3,501	3,501	3,501	3,501	3,501	3,501
Retained earnings	2,082	2,568	4,134	4,908	7,038	9,610
Other common equity	-	-	-	-	-	-
Total common equity	**5,583**	**6,069**	**7,635**	**8,409**	**10,539**	**13,111**
Minority interest	499	591	809	1,009	1,209	1,409
Total equity	**6,081**	**6,660**	**8,444**	**9,417**	**11,747**	**14,520**
BVPS (US$)	0.43	0.45	0.52	0.57	0.72	0.89
Cash conversion cycle						
Account receivable days	52	49	55	57	56	55
Inventory days	51	46	51	54	53	52
Net payable days	60	54	62	71	71	71
Cash conversion cycle	42	42	44	40	38	36
Ratios						
ROE (common equity)	18%	24%	28%	18%	29%	27%
ROA	3%	3%	4%	2%	5%	5%
Net debt to total equity	1%	10%	-2%	-10%	-4%	-34%
Net cash per share (US$)	(0.00)	(0.05)	0.01	0.06	0.04	0.34
Total liabilities to total assets	84%	85%	85%	83%	82%	77%
Dupont analysis						
Asset turnover	1.5	1.7	1.6	1.6	1.8	1.9
Leverage (assets to equity)	6.4	6.5	6.7	6.4	5.7	4.9
Net margin	2%	2%	2%	2%	2%	3%
ROE (total equity)	17%	22%	25%	16%	26%	24%

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Lenovo cash flow

US$m, FY	2024	2025	2026	2027E	2028E	2029E
Cash flow statement						
Net income	1,011	1,384	1,912	1,411	2,768	3,210
Minority interest add-back	92	78	248	200	200	200
Depreciation and amortization add-back	1,413	1,419	1,418	1,439	1,452	1,468
(Increase)/decrease in working capital	908	(3,493)	(1,016)	(55)	(2,915)	1,468
Other operating cash flow items	(1,412)	1,711	1,462	-	-	-
Cash flow from operating	**2,011**	**1,100**	**4,024**	**2,995**	**1,505**	**6,346**
Capital expenditure	(275)	(353)	(654)	(500)	(300)	(300)
Other investment cash flow items	(1,008)	(703)	(1,255)	46	46	46
Cash flow from investing	**(1,283)**	**(1,056)**	**(1,909)**	**(454)**	**(254)**	**(254)**
Dividends paid	(583)	(608)	(613)	(637)	(637)	(637)
Change in common stock	-	-	-	-	-	-
Increase/(decrease) in short-term debt	(221)	980	(152)	-	-	-
Increase/(decrease) in long-term debt	(114)	769	(475)	-	-	-
Other financing cash flow items	(418)	50	(758)	(1,141)	(1,000)	(1,000)
Cash flow from financing	**(1,336)**	**1,190**	**(1,997)**	**(1,778)**	**(1,637)**	**(1,637)**
Net change in cash	(690)	1,168	159	763	(387)	4,455
FCF	1,736	747	3,370	2,495	1,205	6,046
Ratio						
Capex to revenue	0%	1%	1%	1%	0%	0%

Source: Company data, Goldman Sachs Global Investment Research

Price Target Risks and Methodology - Lenovo

Valuation methodology: We are Buy rated on Lenovo with a 12-month target price of HK$27, which is based on a target P/E multiple of 15.7x on our CY2027E non-HKFRS EPS estimates. Our target P/E multiple is derived from peers' average ratio of trading P/E to forward year fundamentals (EPS YoY and OPM).

Key risks: 1) slower-than-expected market demand recovery across PCs, servers & storage, and smartphones; 2) fiercer-than-expected competition in smartphones and AI servers; 3) longer-than-expected inventory digestion in PCs and servers & storage and 4) slower-than-expected product mix upgrade or total solution (e.g. bundling services, or AI infrastructure).

Disclosure Appendix

Reg AC

We, Verena Jeng, Allen Chang and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Contributing Authors: Verena Jeng Goldman Sachs (Asia) L.L.C., Allen Chang Goldman Sachs (Asia) L.L.C., Yifan Hu Goldman Sachs (Asia) L.L.C..

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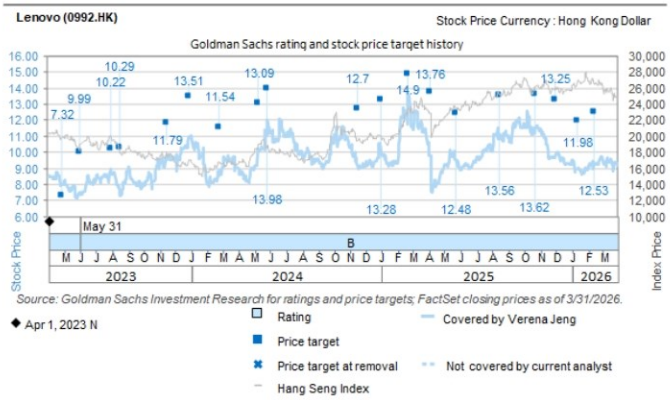
Price target and rating history chart(s)



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Target price history table(s)

Lenovo (0992.HK)

Date of report	Target price (HK$)	Closing price (HK$)
13-Feb-26	12.53	9.26
13-Jan-26	11.98	8.95
01-Dec-25	13.25	9.74
23-Oct-25	13.62	11.26
16-Aug-25	13.56	10.82
25-May-25	12.48	9.50
06-Apr-25	13.76	9.83
20-Feb-25	14.90	11.78
01-Jan-25	13.28	10.08
16-Nov-24	12.70	9.17
26-May-24	13.98	11.06
10-May-24	13.09	10.12
25-Feb-24	11.54	8.55
28-Dec-23	13.51	10.96
16-Nov-23	11.79	9.52
17-Aug-23	10.29	7.67
30-Jul-23	10.22	8.80
31-May-23	9.99	7.36

Price targets shown in table(s) are unadjusted for corporate actions.

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