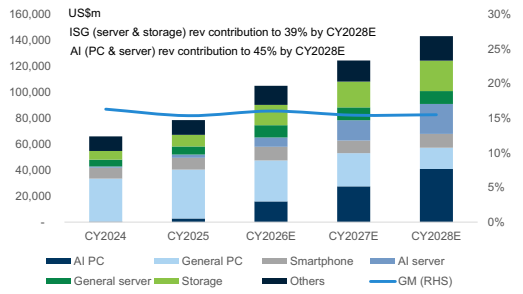
Lenovo (0992.HK)

AI total solution to win customers; Leader becomes stronger under challenging environment; TP up to HK$51; Buy

0992.HK	12m Price Target: **HK$51.00**	Price: **HK$34.90**	Upside: **46.1%**

Lenovo's strong Jun-Q results (report link) reaffirms our positive view: (1) Leader to become stronger in a challenging environment: IDG (mainly PC and smartphone) OPM sustained at 7.1% in Jun-Q, along with revenues up 27% YoY despite high memory costs. We expect industry consolidation to continue alongside Lenovo's product mix upgrade, driving its PC growth ahead, (2) AI total solution attracts customers: Lenovo offers servers, storage, edge devices, and software empowering customers to deploy AI. We expect ISG (mainly server and storage) revenue growth to remain strong driven by (a) solid demand for general servers from agentic AI, (b) product mix upgrade across general servers and AI servers, and (c) AI servers' customer expansion across enterprise, neocloud, and hyperscalers. The company's GB300 is already in shipment, with Rubin targeting to start shipment in late 2026. ISG OPM surpassed IDG in Jun-Q at 9.1%, reflecting Lenovo's larger scale driving efficiency, previous R&D investments on AI servers entering a harvesting stage, and product mix upgrade. Maintain Buy with TP up to HK$51 (18.5x CY2027E PE vs. 28% NI YoY in CY2027-28E).

Exhibit 1: Lenovo revenues by products and GM trend



Source: Company data, Goldman Sachs Global Investment Research

BUY

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Key Data

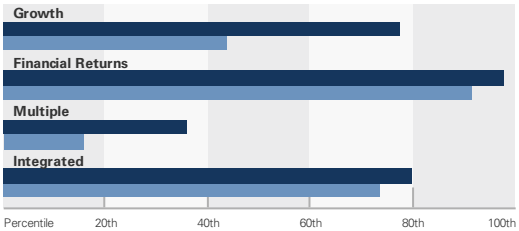
Market cap: HK$514.1bn / $65.5bn
Enterprise value: HK$520.8bn / $66.4bn
3m ADTV: HK$3.9bn / $497.9mn
China
Greater China Technology
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue ($ mn) New	**83,074.6**	**111,257.6**	**128,557.0**	**147,838.7**
Revenue ($ mn) Old	83,074.6	96,640.1	114,588.9	128,125.3
EBITDA ($ mn)	4,680.0	4,476.9	9,611.6	12,106.4
EPS ($) New	**0.16**	**0.10**	**0.43**	**0.59**
EPS ($) Old	0.16	0.12	0.23	0.24
P/E (X)	8.1	43.7	10.4	7.6
P/B (X)	2.5	7.9	5.1	3.4
Dividend yield (%)	3.4	1.0	1.0	1.0
CROCI (%)	1,011.5	191.0	167.5	120.3

	6/26	9/26E	12/26E	3/27E
EPS ($)	(0.05)	0.01	0.08	0.07

GS Factor Profile



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

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BUY

Lenovo (0992.HK)

Rating since May 31, 2023

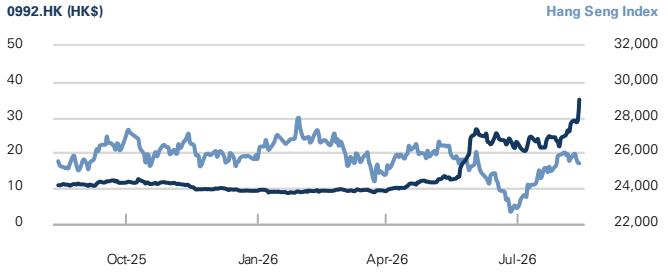
Ratios & Valuation

	3/26	3/27E	3/28E	3/29E
P/E (X)	8.1	43.7	10.4	7.6
P/B (X)	2.5	7.9	5.1	3.4
FCF yield (%)	20.6	3.7	9.0	11.2
EV/EBITDAR (X)	3.5	12.3	5.4	4.0
EV/EBITDA (excl. leases) (X)	3.5	12.3	5.4	4.0
CROCI (%)	1,011.5	191.0	167.5	120.3
ROE (%)	27.9	15.7	49.7	44.6
Net debt/equity (%)	(1.7)	(5.1)	(26.9)	(40.0)
Net debt/equity (excl. leases) (%)	(1.7)	(5.1)	(26.9)	(40.0)
Interest cover (X)	4.7	3.5	9.3	12.1
Days inventory outst, sales	43.2	45.5	47.3	48.2
Receivable days	54.9	57.0	59.0	59.0
Days payable outstanding	62.1	78.0	84.0	84.0
DuPont ROE (%)	22.6	13.0	35.6	33.0
Turnover (X)	1.5	1.7	1.8	1.8
Leverage (X)	6.8	7.0	4.8	3.9
Gross cash invested (ex cash) ($)	884.4	3,112.2	6,221.3	10,019.0
Average capital employed ($)	7,798.7	8,692.0	9,914.9	11,908.5
BVPS ($)	0.52	0.56	0.87	1.32

Growth & Margins (%)

	3/26	3/27E	3/28E	3/29E
Total revenue growth	20.3	33.9	15.5	15.0
EBITDA growth	30.6	(4.3)	114.7	26.0
EPS growth	38.4	(34.9)	321.0	37.3
DPS growth	(12.5)	0.0	0.0	0.0
EBIT margin	3.9	2.7	6.3	7.2
EBITDA margin	5.6	4.0	7.5	8.2
Net income margin	2.3	1.1	4.1	4.9

Price Performance



	3m	6m	12m
Absolute	169.7%	276.9%	203.0%
Rel. to the Hang Seng Index	180.2%	294.3%	205.5%

Source: FactSet. Price as of 13 Aug 2026 close.

Income Statement ($ mn)

	3/26	3/27E	3/28E	3/29E
Total revenue	83,074.6	111,257.6	128,557.0	147,838.7
Cost of goods sold	(70,265.4)	(93,825.3)	(108,555.9)	(124,972.9)
SG&A	(7,057.0)	(11,604.5)	(8,884.8)	(8,974.6)
R&D	(2,490.4)	(2,789.9)	(2,956.8)	(3,252.5)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**4,680.0**	**4,476.9**	**9,611.6**	**12,106.4**
Depreciation & amortization	(1,418.2)	(1,438.9)	(1,452.1)	(1,467.7)
EBIT	**3,261.7**	**3,038.0**	**8,159.6**	**10,638.7**
Net interest inc./(exp.)	(577.2)	(771.7)	(772.5)	(746.6)
Income/(loss) from associates	(14.7)	(6.5)	–	–
Pre-tax profit	**2,669.9**	**2,259.9**	**7,387.1**	**9,892.1**
Provision for taxes	(510.0)	(491.8)	(1,625.2)	(2,176.3)
Minority interest	(248.0)	(524.0)	(524.0)	(524.0)
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**1,912.0**	**1,244.1**	**5,237.9**	**7,191.8**
Post-tax exceptionals	–	–	–	–
Net inc. (post-exceptionals)	**1,912.0**	**1,244.1**	**5,237.9**	**7,191.8**
EPS (basic, pre-except) ($)	**0.16**	**0.10**	**0.43**	**0.59**
EPS (diluted, pre-except) ($)	**0.13**	**0.08**	**0.36**	**0.49**
EPS (basic, post-except) ($)	**0.16**	**0.10**	**0.43**	**0.59**
EPS (diluted, post-except) ($)	**0.13**	**0.08**	**0.36**	**0.49**
DPS ($)	0.04	0.04	0.04	0.04
Div. payout ratio (%)	27.7	42.5	10.1	7.4

Balance Sheet ($ mn)

	3/26	3/27E	3/28E	3/29E
Cash & cash equivalents	4,887.2	5,228.8	8,696.3	13,444.6
Accounts receivable	14,502.7	20,246.2	21,314.7	26,479.8
Inventory	11,720.9	16,041.1	17,269.1	21,763.5
Other current assets	8,091.5	8,091.5	8,091.5	8,091.5
Total current assets	**39,202.3**	**49,607.8**	**55,371.6**	**69,779.4**
Net PP&E	2,323.9	2,166.7	1,803.3	1,437.6
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**	**66,542.8**	**71,108.2**	**84,301.9**
Accounts payable	15,338.4	24,762.2	25,203.2	32,318.5
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**	**49,640.7**	**49,081.7**	**55,197.0**
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**	**56,968.6**	**56,409.6**	**62,524.9**
Preferred shares	–	–	–	–
Total common equity	7,635.0	8,241.6	12,842.0	19,396.4
Minority interest	**808.6**	**1,332.6**	**1,856.6**	**2,380.7**
Total liabilities & equity	**57,129.1**	**66,542.8**	**71,108.2**	**84,301.9**
Net debt, adjusted	(146.1)	(487.8)	(3,955.2)	(8,703.5)

Cash Flow ($ mn)

	3/26	3/27E	3/28E	3/29E
Net income	1,912.0	1,244.1	5,237.9	7,191.8
D&A add-back	1,418.2	1,438.9	1,452.1	1,467.7
Minority interest add-back	248.0	524.0	524.0	524.0
Net (inc)/dec working capital	(1,016.1)	(640.0)	(1,855.4)	(2,544.1)
Other operating cash flow	1,461.7	6.5	–	–
Cash flow from operations	**4,023.7**	**2,573.4**	**5,358.5**	**6,639.4**
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		
Inc/(dec) in debt	(627.1)	0.0		
Other financing cash flows	(715.9)	(1,140.7		
Cash flow from financing	**(1,955.5)**	**(1,778.2**		
Total cash flow	**159.0**	**341.7**		
Free cash flow	3,369.7	2,073.4		

Source: Company data, Goldman S

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Earnings revision: We raise net income by 56% / 63% / 89% in FY2027-29E mainly on higher revenues, higher GM, and lower opex ratio. Our higher revenue estimates are mainly on higher AI PC and higher Servers & Storage, driven by market share gain, product mix upgrade, and Lenovo's AI total solution supporting the ramp up of its AI servers. Our higher GM estimates reflect its product mix upgrade across AI PC, general servers and AI servers. The lower opex ratio reflects its larger scale with disciplined cost control.

Exhibit 2: Earnings revision

	FY2027E			FY2028E			FY2029E		
US$m	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	96,640	111,258	15%	114,589	128,557	12%	128,125	147,839	15%
GP	14,919	17,432	17%	17,888	20,001	12%	19,830	22,866	15%
Adj. OP	3,607	6,318	75%	4,596	8,560	86%	5,288	11,039	109%
NI (non-HKFRS)	2,779	4,340	56%	3,434	5,611	63%	4,005	7,565	89%
EPS (HKD, non-HKFRS)	1.47	2.55	73%	1.82	2.97	63%	2.12	4.00	89%
Margins									
GM	15.4%	15.7%		15.6%	15.6%		15.5%	15.5%	
Adj. OPM	3.7%	5.7%		4.0%	6.7%		4.1%	7.5%	
NM (non-HKFRS)	2.9%	3.9%		3.0%	4.4%		3.1%	5.1%	

Source: Goldman Sachs Global Investment Research

Exhibit 3: Revenues and GM revision by products

Revenues	FY2027E	FY2028E	FY2029E	GM	FY2027E	FY2028E	FY2029E
NEW	111,258	128,557	147,839	NEW	15.7%	15.6%	15.5%
AI PC	20,289	29,672	44,104	AI PC	16.3%	17.9%	18.0%
General PC	29,073	24,242	13,825	General PC	15.6%	17.0%	17.0%
Smartphone	10,103	9,930	10,622	Smartphone	12.1%	11.6%	11.1%
AI server	10,033	17,508	25,303	AI server	13.0%	11.3%	11.3%
General server	9,974	9,949	9,924	General server	13.6%	11.5%	11.5%
Storage	16,869	20,523	24,449	Storage	13.4%	11.3%	11.2%
Others	14,917	16,733	19,612	Others	23.0%	23.7%	23.9%
OLD	96,640	114,589	128,125	OLD	15.4%	15.6%	15.5%
AI PC	16,303	24,674	39,036	AI PC	16.3%	17.7%	17.6%
General PC	30,432	27,060	14,448	General PC	15.4%	16.8%	16.6%
Smartphone	8,242	8,805	9,295	Smartphone	12.1%	11.6%	11.1%
AI server	7,471	14,174	19,468	AI server	12.3%	11.2%	11.2%
General server	6,871	6,854	6,837	General server	12.6%	11.5%	11.5%
Storage	14,014	18,033	21,327	Storage	12.4%	11.2%	11.1%
Others	13,307	14,989	17,715	Others	22.9%	23.7%	23.6%
CHG	15%	12%	15%	CHG (NEW - OLD)	0.2%	-0.1%	0.0%
AI PC	24%	20%	13%	AI PC	0.0%	0.2%	0.3%
General PC	-4%	-10%	-4%	General PC	0.2%	0.1%	0.4%
Smartphone	23%	13%	14%	Smartphone	0.0%	0.0%	0.0%
AI server	34%	24%	30%	AI server	0.7%	0.2%	0.1%
General server	45%	45%	45%	General server	1.0%	0.0%	0.0%
Storage	20%	14%	15%	Storage	1.0%	0.1%	0.0%
Others	12%	12%	11%	Others	0.1%	0.0%	0.2%

Source: Goldman Sachs Global Investment Research

Compared to Bloomberg consensus, our adjusted net income estimates are 66% / 67% ahead of Bloomberg consensus in FY2027 / 28E mainly on higher revenues and lower opex ratio. Our higher revenue estimates reflect our positive view on Lenovo's leading market position in PC, which should continue to support market share gain under the challenging environment, and the AI server ramp up with its total AI solution (server + storage + edge devices + software). With the larger revenue scale, we expect its opex ratio to continue to improve on better efficiency.

Exhibit 4: GS vs. Bloomberg consensus

	FY2027E			FY2028E		
US$m	GS	BB	Diff %	GS	BB	Diff %
Revenue	111,258	94,718	17%	128,557	107,458	20%
GP	17,432	14,879	17%	20,001	16,825	19%
Adj. OP	6,318	3,932	61%	8,560	5,021	70%
NI (non-HKFRS)	4,340	2,616	66%	5,611	3,363	67%
Margins						
GM	15.7%	15.7%		15.6%	15.7%	
OPM	5.7%	4.2%		6.7%	4.7%	
NM	3.9%	2.8%		4.4%	3.1%	

Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 5: Lenovo P&L

US$m, FY	2024	2025	2026	2027E	2028E	2029E	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27E	3Q27E	4Q27E
Income statement														
Revenue	56,864	69,077	83,075	111,258	128,557	147,839	18,830	20,452	22,204	21,588	26,943	27,904	28,480	27,932
Gross profit	9,803	11,098	12,809	17,432	20,001	22,866	2,774	3,147	3,349	3,539	4,452	4,531	4,291	4,158
OP income	2,006	2,164	3,262	3,038	8,160	10,639	785	643	948	886	19	481	1,329	1,209
OP income, adjusted	2,006	2,282	3,031	6,160	8,560	11,039	632	791	762	846	1,710	1,713	1,429	1,309
Net income	1,011	1,384	1,912	1,244	5,238	7,192	505	340	546	521	(609)	71	949	833
Net income (non-HKFRS)	1,060	1,441	2,049	4,340	5,611	7,565	389	512	589	559	1,075	1,296	1,042	926
Diluted EPS (non-HKFRS), HKD	0.62	0.83	1.06	2.56	2.99	4.03	0.28	0.20	0.30	0.28	0.70	0.74	0.60	0.53
Ratios														
Opex ratio	13.7%	12.9%	11.5%	12.9%	9.2%	8.3%	10.6%	12.2%	10.8%	12.3%	16.5%	14.5%	10.4%	10.6%
Opex ratio, adjusted	13.7%	12.8%	11.8%	10.1%	8.9%	8.0%	11.4%	11.5%	11.6%	12.5%	10.2%	10.1%	10.1%	10.2%
Tax rate	19.3%	1.3%	19.1%	21.8%	22.0%	22.0%	13.6%	23.1%	20.8%	19.2%	-165.4%	30.0%	5.0%	5.0%
Margins														
Gross margin	17.2%	16.1%	15.4%	15.7%	15.6%	15.5%	14.7%	15.4%	15.1%	16.4%	16.5%	16.2%	15.1%	14.9%
Operating margin	3.5%	3.1%	3.9%	2.7%	6.3%	7.2%	4.2%	3.1%	4.3%	4.1%	0.1%	1.7%	4.7%	4.3%
Operating margin, adjusted	3.5%	3.3%	3.6%	5.5%	6.7%	7.5%	3.4%	3.9%	3.4%	3.9%	6.3%	6.1%	5.0%	4.7%
Net margin	1.8%	2.0%	2.3%	1.1%	4.1%	4.9%	2.7%	1.7%	2.5%	2.4%	-2.3%	0.3%	3.3%	3.0%
Net margin (non-HKFRS)	1.9%	2.1%	2.5%	3.9%	4.4%	5.1%	2.1%	2.5%	2.7%	2.6%	4.0%	4.6%	3.7%	3.3%
YoY														
Revenue	-8%	21%	20%	34%	16%	15%	22%	15%	18%	27%	43%	36%	28%	29%
Gross profit	-7%	13%	15%	36%	15%	14%	8%	13%	13%	27%	60%	44%	28%	17%
OP income	-25%	8%	51%	-7%	169%	30%	59%	-1%	38%	167%	-98%	-25%	40%	36%
OP income, adjusted	-25%	14%	33%	103%	39%	29%	28%	22%	11%	88%	170%	117%	87%	55%
Net income	-37%	37%	38%	-35%	321%	37%	108%	-5%	-21%	479%	-220%	-79%	74%	60%
Net income (non-HKFRS)	-44%	36%	42%	112%	29%	35%	24%	27%	37%	91%	176%	153%	77%	66%

Source: Company data, Goldman Sachs Global Investment Research

Valuation: We continue to derive our 12m target price via a near-term P/E (CY2027E P/E), and derive our target P/E multiple via its peers' avg. ratio of trading P/E to forward year fundamentals (EPS YoY and OPM). With an updated average ratio of 0.53x (vs. 0.61x previously), and Lenovo's CY2027-28E EPS YoY at 28% (vs. 25% previously) and OPM at 6.8% (vs. 3.8% previously), our new target P/E multiple is 18.5x (vs. 17.3x previously). The new target P/E multiple is in line with Lenovo's historical peak P/E of 18x, reflecting our positive view on its end market expansion from consumer electronics to AI data center. We expect the growing ISG (server & storage), AI PCs, and AI servers to drive the company's re-rating as it diversifies away from the competitive consumer electronics market and rides the generative AI trend. New TP at HK$51 (vs. HK$31 previously). Maintain Buy.

Exhibit 6: 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	12.6	21.9	9.6	32.5	12.2
2027-28E EPS YoY	28%	17%	7%	6%	19%
2027-28E OPM	6.8%	9.7%	6.8%	30.8%	6.2%
Ratio	0.4	0.8	0.7	0.9	0.5
Company	**Xiaomi**	**Transsion**	**Gigabyte**	**Supermicro**	**Inspur**
Ticker	**1810.HK**	**688036.SS**	**2376.TW**	**SMCI**	**000977.SZ**
Rating	**Buy**	**Sell**	**Neutral**	**Sell**	**Sell**
2027E PE	18.1	12.4	11.8	8.5	24.9
2027-28E EPS YoY	30%	27%	13%	11%	21%
2027-28E OPM	6.6%	8.5%	4.7%	7.3%	1.8%
Ratio	0.5	0.4	0.7	0.5	1.1
AVG (excl. outliers)					**0.53**

Outliers in grey; price as of 13 Aug, 2026

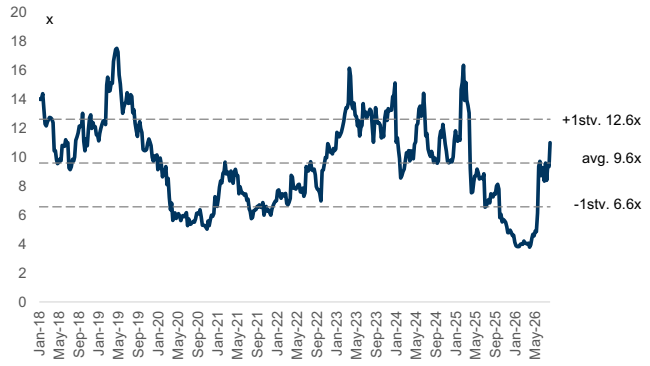
Source: Goldman Sachs Global Investment Research

Exhibit 7: Taiwan AI server supply chain re-rating

Company	Ticker	2020-2025 PE		
		Trough	Peak	Diff
Landmark	3081.TWO	28.9	144.1	398%
VPEC	2455.TW	18.1	74.1	310%
Auras	3324.TWO	8.8	54.6	523%
Fositek	6805.TW	11.3	49.9	343%
AVC	3017.TW	4.7	32.8	604%
Inventec	2356.TW	9.9	31.0	213%
King Slide	2059.TW	9.0	30.2	236%
Gigabyte	2376.TW	3.8	29.6	685%
Mitac	3706.TW	2.5	28.7	1044%
Chenbro	8210.TW	6.7	25.6	282%
Wiwynn	6669.TW	6.1	23.4	287%
Wistron	3231.TW	6.0	21.8	262%
Quanta	2382.TW	6.8	20.4	201%
Hon Hai	2317.TW	7.7	17.5	129%
Avg.		**9.3**	**41.7**	**394%**

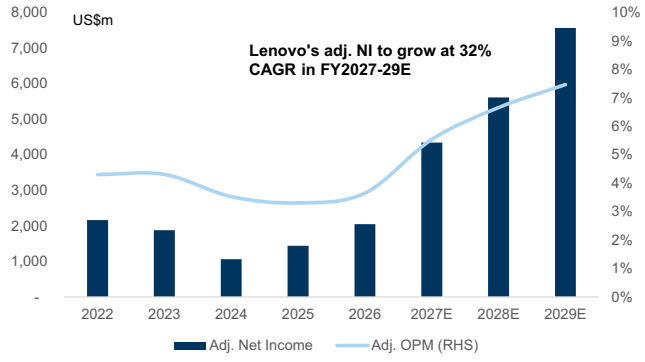
Source: Company data

Exhibit 8: Lenovo 12M forward PE ratio



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

Exhibit 9: Lenovo adjusted net income and OPM trend



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$51, which is based on a target P/E multiple of 18.5x 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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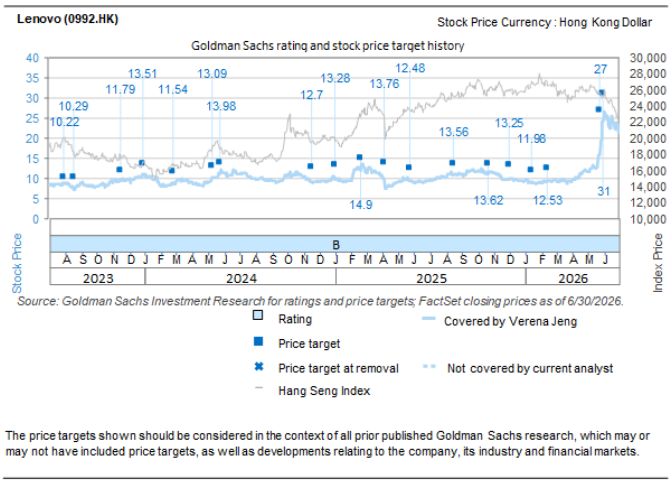
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Target price history table(s)

Lenovo (0992.HK)

Date of report	Target price (HK$)	Closing price (HK$)
31-May-26	31.00	24.00
25-May-26	27.00	15.75
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

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

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