

LENOVO GROUP: Q4 AND FULL YEAR FINANCIAL RESULTS 2023/24



Lenovo's growth accelerates in Q4 FY 23/24 - capturing hybrid AI opportunities

May 23, 2024— **Lenovo Group** (HKSE: 992) (ADR: LNVGY) today announced Q4 and full-year results for fiscal year 2023/24. After resuming growth in Q3, the Group reported year-on-year revenue growth across all business groups in Q4, with Group revenue increasing nearly 10% year-on-year to US\$13.8 billion, net income doubling year-on-year to US\$248 million, and non-PC revenue mix reaching a historic high of 45%. The Group's Q4 and overall 2nd half performance demonstrates how Lenovo has navigated the past year's industry downturn, captured the tremendous growth opportunities presented by AI, and accelerated momentum across the business. Revenue for the full fiscal year was US\$56.9 billion, and net income was US\$1 billion. From the second half of the fiscal year, Lenovo achieved year-on-year revenue growth of 6% and net margin recovered from a first half year-on-year decline to flat in the second half.

The Group is leading in an era of unprecedented AI opportunities with its pocket-to-cloud portfolio, strong ecosystem and partnerships, and full-stack AI capabilities. Since announcing its AI strategy in October 2023 at its [annual Tech World event](#), Lenovo has launched its first wave of AI PCs as well as AI capabilities covering other smart devices, smart infrastructure, and smart solutions and services. The Group expects the AI PC – which is defined as equipped with a personal AI agent based on natural interactions, heterogeneous computing, personal knowledge base, connected to an open AI application ecosystem, and with privacy and security protection – to grow from its current premium position to mainstream over the next three years, driving a new refresh cycle for the industry. Hybrid AI is also driving greater demand for AI infrastructure and customers are increasingly asking for customized AI solutions and services, particularly consulting, design, deployment and maintenance of AI.

Lenovo's continued commitment and investment in innovation, focused on its anchor technologies of AI and computing, is helping it realize its vision of 'Smarter AI for All' and further lead in the AI era. In the past fiscal year, the Group achieved a record high percentage for both R&D headcount at 26.2%, as well as a R&D expense to revenue ratio of 3.6%.

Looking ahead, the Group is encouraged by its performance and momentum in the 2nd half of the fiscal year and is optimistic about the outlook for the year ahead where it will continue to lead in AI, invest in innovation, and seize on the unprecedented opportunities presented by hybrid AI as it accelerates growth and sustainable profitability increases across its entire business.

Lenovo's Board of Directors declared a final dividend of 3.8 US cents or 30.0 HK cents per share for the fiscal year ended March 31, 2024.



Chairman and CEO quote – Yuanqing Yang:

“Lenovo’s fourth quarter results clearly demonstrate that we have not only resumed growth across all our businesses but that our business momentum is accelerating, driven by the unprecedented opportunities brought by Hybrid AI. Fueled by our intelligent transformation strategy and years of investment in innovation, we’ve built a full stack of AI capabilities and are at the forefront of pioneering the revolutionary AI PC market. Our vision in the AI era is Smarter AI for All. Supported by our strong execution, persistent innovation, operational excellence, and ecosystem partnerships, we are confident we can deliver sustainable growth and profitability improvement in the coming year.”

Financial Highlights:

	Q4 23/24 US\$ millions	Q4 22/23 US\$ millions	Change		FY 23/24 US\$ millions	FY 22/23 US\$ millions	Change
Group Revenue	13,833	12,635	9%		56,864	61,947	(8%)
Pre-tax income	309	130	137%		1,365	2,136	(36%)
Net Income (profit attributable to equity holders)	248	114	118%		1,011	1,608	(37%)
Net Income (profit attributable to equity holders – non-HKFRS) [1]	218	284	(23%)		1,038	1,878	(45%)
Basic earnings per share (US cents)	2.02	0.95	1.07		8.41	13.50	(5.09)

Solutions and Services Group (SSG): Strong growth and profitability, driving AI solutions

Q4 and full year FY23/24 performance:

- Strengthened SSG’s position as a growth engine and profit contributor by delivering more than 10 percent year-on-year revenue growth to US\$1.8 billion, and high profitability with an operating margin exceeding 21% - double-digit revenue growth and operating margin for 12 consecutive quarters. Revenue for the full fiscal year was US\$7.5 billion, growing at 12% year-on-year and an operating margin of nearly 21%.
- Managed Services and Project and Solutions Services revenue mix grew five points year-on-year, now accounting for 55% of SSG’s total business for the quarter.
- Hero offerings such as [Digital Workplace Solutions](#) and TruScale for Hybrid Cloud have both delivered rapid growth.

Opportunities and Sustainable Growth:

- Looking ahead, SSG will continue to meet the increasing customer demand by moving fast to build AI-native and AI-embedded solutions and services.
- The Care of One platform, Cyber Resiliency as a Service and the decisioning tool Lenovo Intelligent Sustainability Solutions Advisor (LISSA) use the power of AI to deliver hyper-personalized employee experiences, increased productivity, enhanced security and sustainable IT choices.

Infrastructure Solutions Group (ISG): Regained momentum

Q4 and full year FY23/24 performance:

- Q4 revenue resumed growth, with double-digit year-on-year growth of 15%, taking ISG's revenue for the quarter to US\$2.5 billion – a new record high for a fourth quarter.
- Storage, software and services businesses all achieved hypergrowth, with the combined revenue increasing more than 50% year-on-year. High Performance Computing revenue hit a record high.
- For the full year ISG achieved quarter-on-quarter revenue growth for three consecutive quarters and achieved its second highest ever fiscal year revenue.

Opportunities and Sustainable Growth:

- AI servers are expected to grow nearly twice as fast as the broad server market as the market shifts to AI infrastructure.
- ISG will broaden its portfolio and convert its pipeline to capture new opportunities, as well as leveraging its strengths in traditional servers, edge, storage, software and services to capture growth and resume profitability.

Intelligent Devices Group (IDG): Solid growth, strengthened leadership

Q4 and full year FY23/24 performance:

- IDG continued to deliver a solid quarter, strengthening its global market leadership for PCs with a market share of 22.9%, a significant premium to the market, and industry leading profitability. Revenue for the quarter was US\$10.5 billion, and for the full year was US\$44.6 billion.
- The PC business was no. 1 in four out of five geographies, achieving record high market share in North America.
- The smartphone business delivered remarkable growth, growing double digits in both shipments and revenue year-on-year, with substantial premium to the market.
- IDG's profitability for the full year was resilient, in spite of a weaker than expected market in the first half of the fiscal year. PCs, tablets, and smartphones all resumed growth in the second half of the fiscal year.

Opportunities and Sustainable Growth:

- Looking ahead, the volume of PC market is expected to recover to pre-Covid levels, with smartphone already having returned to double-digit year-on-year hypergrowth.
- AI PCs will gradually grow from premium to mainstream over the next three years as Lenovo has shipped its first wave of AI PCs and more will ship in the coming quarters, driving a new refresh cycle in the PC market.
- Expanding AI from PCs to phones and tablets, building seamless collaboration between devices with Smart Connect software solution.

ESG and corporate highlights

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

- Lenovo has been [recognized for its leadership in climate change and supplier engagement](#) by the global environment non-profit CDP. This leadership ranking recognized Lenovo for its efforts in



implementing current best practices against climate change and proactively working with its suppliers toward a more sustainable future.

- The Group [was also awarded](#) 'Best Value Chain Initiative', 'Best Green Product', and received a recognition of 'highly commended' in the category of 'Circular Economy Company of the Year' at the global CRN Sustainability Tech Summit.
- In February, Lenovo joined [UNESCO's commitment for responsible AI](#), which asks companies to apply timely measures to 'prevent, mitigate, or remedy' potential adverse effect of AI. This commitment is in addition to Lenovo's own internal responsible AI committee, a governance framework that covers ethical, legal, safety, privacy and accountability for any AI products, services, and solutions.

[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, restructuring and other charges, gain on remeasurement of a written put option liability; and the corresponding income tax effects, if any.

About Lenovo

Lenovo is a US\$57 billion revenue global technology powerhouse, ranked #217 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 pocket-to cloud 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](#)

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LENOVO GROUP

FINANCIAL SUMMARY

For the quarter and year ended March 31, 2024

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



	Q4 FY23/24	Q4 FY22/23	Y/Y CHG	FY23/24	FY22/23	Y/Y CHG
Revenue	13,833	12,635	9%	56,864	61,947	(8)%
Gross profit	2,428	2,143	13%	9,803	10,501	(7)%
Gross profit margin	17.6%	17.0%	0.6 pts	17.2%	17.0%	0.2 pts
Operating expenses	(1,939)	(1,852)	5%	(7,797)	(7,832)	(0)%
R&D expenses (included in operating expenses)	(532)	(550)	(3)%	(2,028)	(2,195)	(8)%
Expenses-to-revenue ratio	14.0%	14.7%	(0.7) pts	13.7%	12.6%	1.1 pts
Operating profit	489	291	68%	2,006	2,669	(25)%
Other non-operating income/(expenses) – net	(180)	(161)	12%	(641)	(533)	20%
Pre-tax income	309	130	137%	1,365	2,136	(36)%
Taxation	(56)	(24)	124%	(263)	(455)	(42)%
Profit for the period/year	253	106	140%	1,102	1,681	(34)%
Non-controlling interests	(5)	8	N/A	(91)	(73)	26%
Profit attributable to equity holders	248	114	118%	1,011	1,608	(37)%
Profit attributable to equity holders – non-HKFRS ^[1]	218	284	(23)%	1,038	1,878	(45)%
Earnings per share (US cents)						
Basic	2.02	0.95	1.07	8.41	13.50	(5.09)
Diluted	1.95	0.93	1.02	8.05	12.74	(4.69)